

# BEVERAGE DIGEST

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## **Special Issue: PBG Names Foss CEO. Cahill to Leave Company.**

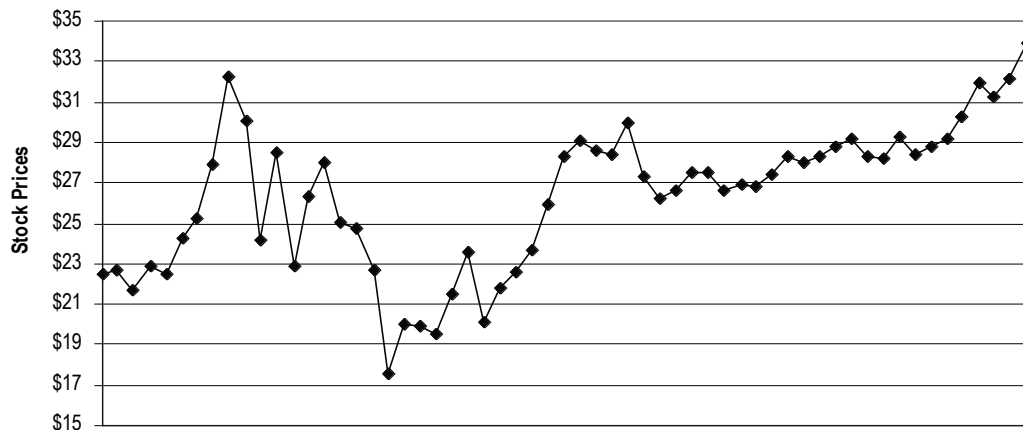
### **Pepsi Bottling Group Names Its Third CEO: Eric Foss. John Cahill Will Depart Early Next Year.**

Major management changes occur at Pepsi Bottling Group, as company names Eric Foss its new president/CEO effective immediately. Foss, age 48, has been COO since last September. He succeeds chairman/CEO John Cahill. Cahill, age 49, will remain executive chairman until early 2007. When he departs, PBG director Barry Beracha -- a former senior executive of Sara Lee -- will become non-executive chairman. Speculation re Cahill. Back in late 2005, word started circulating that Cahill might be considering stepping down this year (BD 12/9/05). He is generally perceived as having done "a terrific job" -- in the words of one Wall St. analyst -- running PBG. Sources say he is interested in going into private equity or possibly running a very large consumer products company. Notes one observer, "that is certainly in the cards, if he wants it."

Plus; talking to the board. In letter to PBG employees obtained by BD, Cahill says he began talking to the PBG board a year or so ago about departing. He told the board he would not leave until "the right candidate" was chosen to succeed him. He added that leaving PBG was a "difficult decision." (See interview next page for Cahill's thoughts on his future.) 'Head and heart.' When Cahill became CEO in 2001, he succeeded Craig Weatherup. Cahill told PBG employees: "When Craig Weatherup passed the CEO torch to me, he asked me to lead with both my head and my heart. I have done my best to follow these principles, and I pass them on now to Eric, who I know will be as honored and as humbled by the responsibility as I was."

Cahill. PBG's outgoing CEO is one of the industry's most highly-regarded executives. He chaired the American Beverage Association 2002-2004. An independent system bottler recently remarked, "Cahill is a great guy to work with." In talks with other bottlers -- Pepsi, Coke and independent -- he receives high marks, both personally and from a business perspective. Notes one bottler: "He's one of a kind. He'll be missed." PepsiCo chairman/CEO Steve Reinemund cites Cahill's "outstanding vision and leadership" and adds: "John consistently made his mark on the businesses and the industry, and the

**PBG Stock Price 2001-2006**



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people in both." Pepsi North America chief Dawn Hudson: "John has been a dominant, unifying force in our system and our industry. His strategic, big-picture thinking has helped us tackle some of the toughest issues we've ever faced, and we'll certainly miss his vision and passion for the business." Morgan Stanley's Bill Pecoriello: "I have the highest respect for John Cahill and his track record at PBG. He has created significant value for all PBG stakeholders and PepsiCo." ABA president Susan Neely: "John is a brilliant strategist and a true gentleman who helped lead the industry through some of its most difficult times."

PBG under Cahill. During Cahill's years at the helm, PBG has done well. Its stock price has increased about +51% (chart page 1). The company has made a number of acquisitions in the U.S., increasing its share of Pepsi system bottle/can CSD volume from about 54.0 to 57.4 (BD 12/9/05). It has also dramatically extended its reach internationally, acquiring the Pepsi bottlers in Mexico and Turkey in 2002. And, even competitors acknowledge, it is viewed as one of the best executing bottlers in the U.S.

Foss. Incoming CEO is also well-regarded. Re Foss, Cahill calls him "the right choice for this role for many reasons." Adds: "His operational leadership is unmatched ... And he really cares about this business and all the people who are a part of it." Foss joined PepsiCo in 1982 and held a number of U.S. and international jobs. He joined PBG in 1999, as senior vp U.S. sales/field marketing. He then became head of PBG North America and COO in September 2005. Reinmund calls him a "highly respected leader" and notes he is "strong and decisive." Hudson: "Eric is a world-class, growth-oriented operator ... His commitment to superior service and operating efficiencies will help our system build on the success we've already established in the marketplace." Pecoriello: "Eric's strong track record in his 24 years in the Pepsi system gives us the confidence that there will be a smooth transition to CEO and that he will lead PBG into continued future success." Source who has worked with Foss calls him, "very focused and driven."

Interview: Cahill. BD asks: Why are you leaving and why now? What's next? "A year ago, I talked to the board about my desire to move on ... I was committed to seeing a healthy transition that was right for the company." Adds: "I was lucky enough to run this company at a fairly young age. We've done extremely well." Continues: "I'm delighted with what I've done here and what I've learned. But, I'm also a very curious guy ... I'm delighted to have the opportunity now that Eric is in this post to be able to look at new challenges ... I'm going to work with Eric very closely until the beginning of next year ... I'll have the opportunity to consider options on the private equity side as well as other public companies. I would hope to have some opportunities that would be enticing, but time will tell."

How is the PBG-PepsiCo relationship as you get ready to depart PBG? Cahill: "I think the relationship between PBG and PepsiCo is sound. It's one based on an understanding of success, and that success is dependent on the success of both parties. These relationships are complex. There are many moving parts. There are numbers of people involved in discussions on any issue. Occasionally, the relationships and discussions can be friction-based. That friction can be constructive. Our job as bottlers -- and the job of the concentrate company -- is to make sure that friction is a positive force and not a destructive force. And, I think the fact that Eric has been here for 24 years, knows everyone, the people at PepsiCo have been there for a long time, I've been here for a long time, Craig was here for a long time -- that is very, very helpful in making sure that any issue which arises is dealt with in the most constructive way."

Interview: Foss. BD asks Foss: Your thoughts on becoming CEO of PBG? "Number one, I love the business. Number two, and more importantly, I love this company. And, number three -- and this is probably the most important -- I now have the pleasure of leading such a talented leadership team. I'm very excited, I'm very honored and humbled at the same time."