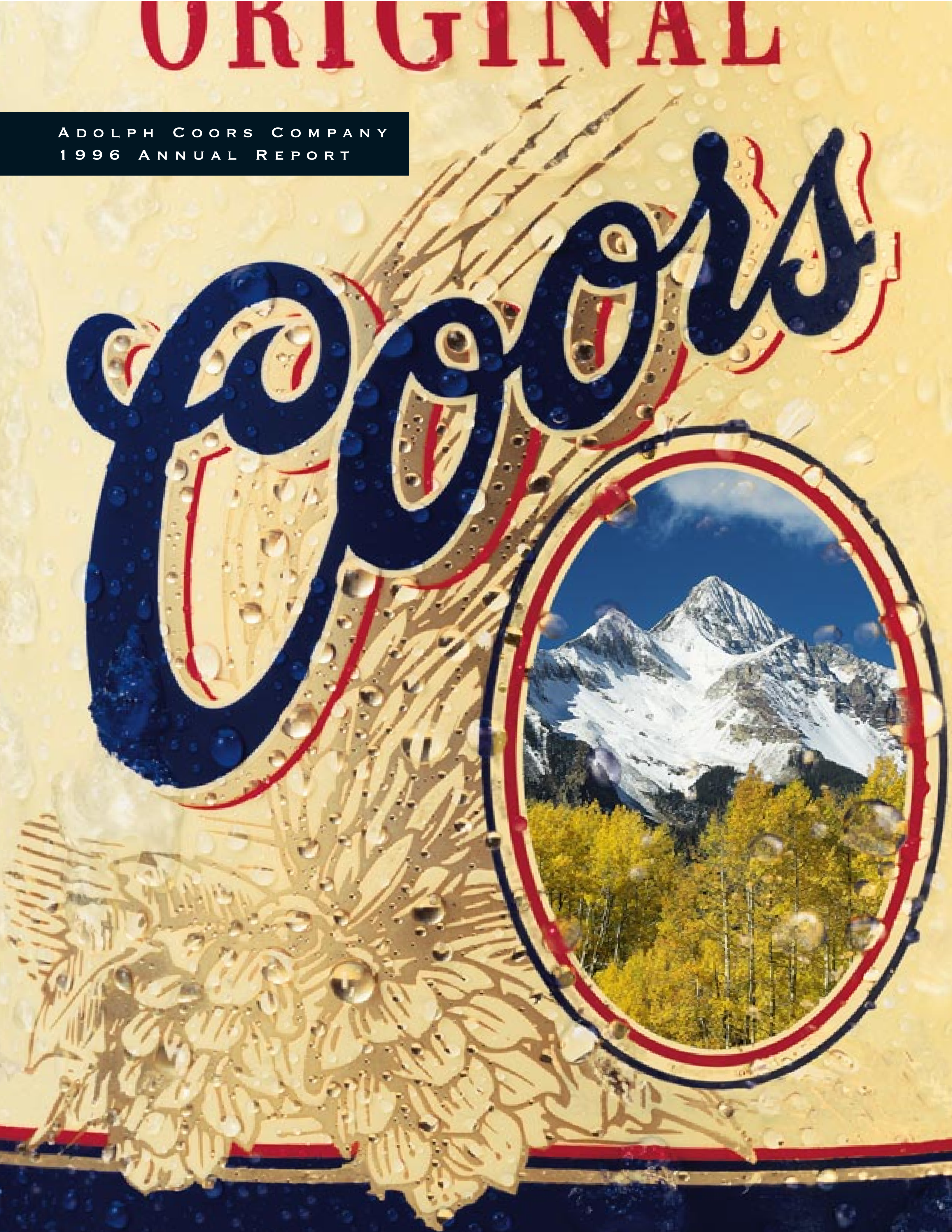
# Adolph Coors Company
# 1996 Annual Report



## Corporate Profile

Adolph Coors Company, founded in 1873, is ranked among the 650 largest publicly traded corporations in the United States. Its principal subsidiary is Coors Brewing Company, the nation's third-largest brewer. Throughout its history, Coors has provided consumers with quality malt beverages produced using an all-natural brewing process and the finest ingredients available. The company's portfolio of products includes Coors Light – the fourth-largest-selling beer in the country, Original Coors and some two dozen other malt-based beverages, primarily premium and superpremium beers. Coors products are available throughout the United States and in more than 40 international markets.

The corporate headquarters and primary brewery are in Golden, Colorado, with other major brewing and packaging facilities in Elkton, Virginia; Memphis, Tennessee; and Zaragoza, Spain. The company is also party to a joint venture that owns a brewery in Cheong-won, South Korea. In addition, Coors owns major aluminum can and glass bottle manufacturing facilities in Colorado and is a partner in the joint ventures that operate these plants.

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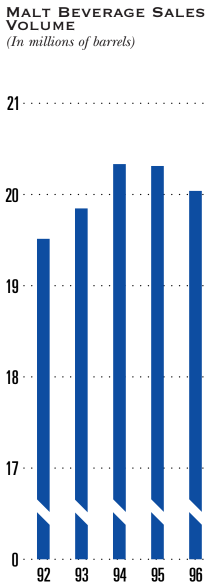
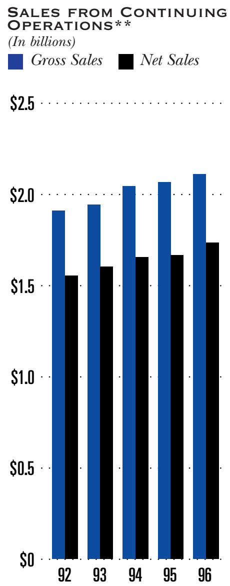
## About the Cover

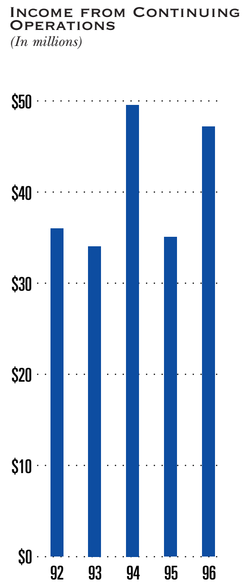
*Coors Brewing Company has a unique heritage of brewing high-quality beers that are as cold and refreshing as the Rocky Mountains.*

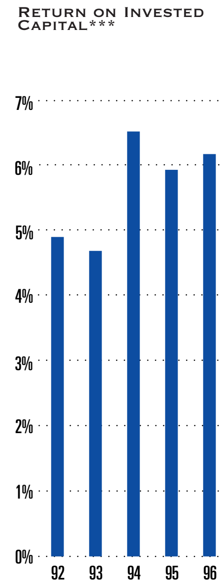
# Financial Trends*

*Adolph Coors Company and Subsidiaries*




** From continuing operations only, excluding net special credits (in 1995 and 1994) and special charges (in 1996 and 1993).*
*** The difference between gross sales and net sales represents beer excise taxes.*
**** Defined as after-tax income before interest expense and any unusual income or expense items (including special credits and charges), divided by the sum of average total debt and shareholders' equity. The 1996 and 1995 return on invested capital rates include gains related to changes in non-pension postretirement benefits.*

# Financial Highlights

| | For the years ended | | |
|---|---|---|---|
| | **December 29, 1996** | December 31, 1995 | Percentage Change |
| | *(Dollars in thousands, except per share data)* | | |
| Barrels of beer and other malt beverages sold | **20,045,000** | 20,312,000 | (1.3%) |
| Net sales | **$ 1,732,233** | $ 1,679,586 | 3.1% |
| Net income | **$ 43,425** | $ 43,178 | 0.6% |
| Properties – net | **$ 814,102** | $ 887,409 | (8.3%) |
| Total assets | **$ 1,362,536** | $ 1,384,530 | (1.6%) |
| Shareholders' equity | **$ 715,487** | $ 695,016 | 2.9% |
| Dividends | **$ 18,983** | $ 19,066 | (0.4%) |
| Number of full-time employees | **5,800** | 6,200 | (6.5%) |
| Number of shareholders of record | **5,007** | 5,251 | (4.6%) |
| Number of Class A common shares outstanding | **1,260,000** | 1,260,000 | — |
| Number of Class B common shares outstanding | **36,662,404** | 36,736,512 | (0.2%) |
| **Per share of common stock:** | | | |
| Net income | **$1.14** | $1.13 | 0.9% |
| Net book value | **$18.87** | $18.29 | 3.2% |
| Dividends | **$0.50** | $0.50 | — |

Dear Fellow Shareholders,

Coors is a great company with a priceless Rocky Mountain heritage, superb products, talented people and a 124-year tradition of quality and service. Our challenge is to utilize these inherent strengths to deliver more consistent, profitable growth. The company's corporate priorities introduced in last year's annual report provide the structure to pursue this goal. These three simple but powerful ideas – *do great beer, be truly customer focused* and *make money* – form the backbone of our long-term strategic plan. Together, they keep all areas of our company focused on the basics of the beer business as we strive to increase shareholder value.

Coors had a good year in 1996 as we began to see the early results of our renewed focus on the fundamentals. While there is still a lot of hard work ahead of us before we can achieve solid, sustainable improvements every year, 1996 provided a good beginning as our corporate priorities drove several important successes.

The priorities start with a commitment to *do great beer*, and in 1996, we did more great beers than anyone. Five medals – one gold and four silvers – was the best showing by any brewer at the 15th annual Great American Beer Festival®, the country's premier beer competition.

Our next priority is to *be truly customer focused*, and we amazed our retailers and consumers with John Wayne, baseball bat bottles, the relaunch of Original Coors and top-quality specialty beers. Our customers responded as Coors Light retail sales volume climbed in the mid-single digits, Original Coors recorded its best sales trend in more than a decade and our specialty beer division achieved solid growth.

Our final priority is to *make money*, and our 1996 results showed significant increases in several key financial measures, including earnings performance and cash flow.

These results are the product of great work and dedication by Coors employees. We will continue to drive our priorities by investing in our people.

**Improved performance in 1996**

All in all, 1996 was a good year for Coors Brewing Company as we bounced back from a disappointing performance in 1995. In our view, the 1996 results marked an important step forward for Coors and, most important, laid the foundation for future progress.

Overall sales volume for Coors beers and other malt beverages was even with the previous year on a 52-week comparison. (The 1995 fiscal year had an extra week.) That was a noteworthy improvement from the nearly 2% drop in volume reported in 1995. Our beer volume alone (excluding Zima) increased 1%, the same as in 1995 and slightly better than the U.S. beer industry.

The financial picture for 1996 brightened as well due in large part to a much-improved pricing environment, stronger international earnings and lower aluminum and freight costs. For the first time in many years, the increase in beer prices kept pace with inflation. The average price for Coors products, after discounting, rose about 3%. That helped drive after-tax earnings (excluding special items) to $47.3 million, or $1.24 per share, up 39% from $33.9 million, or $0.89 a share, in 1995.

Cash flow from operating and investing activities increased by $165 million in 1996. With a stronger cash position, Coors is implementing a stock repurchase program. In addition, we plan to make other prudent, strategic investments in our business.

A firm commitment to brew high-quality beers brought Coors more medals than any other brewer at the 1996 Great American Beer Festival®, the nation's oldest and most prestigious beer competition. More than 1,400 products competed for honors in 37 categories.

- **Original Coors**
  *Gold Medal* American Premium Lager
- **Coors Extra Gold**
  *Silver Medal* American Premium Lager
- **Coors Light**
  *Silver Medal* American Light Lager
- **George Killian's Irish Red**
  *Silver Medal* Amber Lager
- **Blue Moon Honey Blonde Ale**
  *Silver Medal* Belgian-style Ales

We also brought new perspectives and additional financial leadership to our board of directors in 1996 with the election of Pamela H. Patsley. Pam is president, chief executive officer and a director of First USA Paymentech Inc., the nation's third-largest processor of credit card transactions.

Leo Kiely, Peter Coors and Bill Coors in the brewhouse in Golden, Colorado.

**Building on a strong foundation**

As we build on our 1996 performance, the focus remains on our core premium brands. We drove Coors Light sales in 1996 by continuing to enhance the brand's fun, Rocky Mountain image and by making news in the marketplace. Television ads and in-store materials featuring John Wayne, along with breakthrough, innovative packaging such as the award-winning baseball-bat-shaped bottle and Widemouth Can, grabbed headlines and incremental volume. The relaunch of Original Coors with a new look, greater marketing support and a smooth taste brought a lot of energy and new consumers to the brand, slowing a decade-long decline.



In 1997, Coors Light and Original Coors remain our top priorities. Our objective is to build volume in the markets where they are already strong and to invest in growth opportunities in other markets that are underdeveloped and have strong potential.

Specialty beers continue to provide opportunities to grow volume and profits. Coors is the only major brewer with a consistent track record in the specialty beer category, dating back to 1981 when we introduced George Killian's Irish Red. Killian's remains the best-selling red beer in the country and has exciting growth potential. Our Blue Moon Brewing Company, with a portfolio of six specialty ales that recently achieved national distribution, is selling beer as quickly as it is produced. Specialty beers are profitable for Coors. In 1997, we intend to build these brands with a focus on optimizing their profitability.

International sales are increasingly important to our business. Coors products are available in more than 40 international markets in North America, Central America, the Caribbean, Europe and Asia. In both Puerto Rico and Canada, Coors Light is the number-one light beer. We are committed to growing our international business by boosting sales efforts in the most promising markets.

There is an opportunity to strengthen our position in Canada following an arbitration panel ruling in October 1996 that Molson Breweries of Canada had breached its licensing agreement with Coors. The ruling returned to us all Canadian rights to Coors products. Molson continues to brew and distribute Coors products under an interim agreement while we secure other long-term arrangements in Canada.

Several other items are receiving attention in 1997. High on the list are productivity improvements, primarily in brewing, packaging and transportation, where we believe there are cost saving opportunities. We're also working to strengthen our distributor network and improve Zima sales trends, which slid again in 1996, but at a slower pace. There is a market for this unique product, which continues to provide attractive margins and incremental volume.

### Good prospects for 1997

We are excited about the prospects for Coors in 1997. Our core beer brands – both premium products and specialty beers – continued to show good momentum early in the year. In addition, packaging and material costs, which stayed fairly steady in 1996, are expected to increase only modestly. Beer pricing remains difficult to forecast, but is likely to be somewhat softer than in 1996. Our goal is to overcome smaller price increases by achieving volume growth and controlling costs to improve the performance of our business and shareholder returns.

Our stronger cash position, along with a solid brand portfolio, great employees and an organization that is focused on performance, provides a firm foundation for future improvements. We hope to build on that foundation in 1997 as we strive to deliver more consistent, profitable growth.

BILL COORS
*Chairman and President*
*Adolph Coors Company*

PETER COORS
*Vice Chairman and Chief Executive Officer*
*Coors Brewing Company*

LEO KIELY
*President and Chief Operating Officer*
*Coors Brewing Company*

## CORPORATE CITIZENSHIP

WHEN *BUSINESS ETHICS* MAGAZINE BEGAN A SEARCH FOR "THE 100 BEST CORPORATE CITIZENS" IN THE UNITED STATES, IT SET OUT TO IDENTIFY THOSE COMPANIES THAT OPERATE THEIR BUSINESSES RESPONSIBLY WHILE BUILDING EARNINGS PERFORMANCE. AFTER EVALUATING HUNDREDS OF COMPANIES IN A WIDE VARIETY OF INDUSTRIES, THE MAGAZINE NAMED COORS BREWING COMPANY THE NATION'S SECOND-BEST CORPORATE CITIZEN.


Business Ethics™

THE 100 BEST CORPORATE CITIZENS • MAY/JUNE 1996

BUSINESS ETHICS 100

★ "And Coors has made significant changes since the early 1970s..."
★ "It (Coors) has a corporate-wide ethics program and a code of conduct; it addresses sexual orientation in its anti-discrimination policy; and it offers benefits to same-sex partners of employees."
★ "We are a different company than we used to be," says Peter Coors, the company's vice chairman and CEO, as well as the founder's great-grandson.

OVERALL RATING
1. CAMPBELL SOUP COMPANY
2. COORS BREWING COMPANY
3. MICROSOFT CORPORATION
4. FULLER (H.B.) COMPANY
5. MEDTRONIC INC.

BEST FOR SOCIAL RESPONSIBILITY
1. ST. PAUL COMPANIES
2. HONEYWELL INC.
3. BEN AND JERRY'S HOMEMADE
4. FULLER (H.B.) COMPANY
5. COORS BREWING COMPANY

BEST FOR MINORITIES
1. UNITED AMERICAN HEALTHCARE
2. COORS BREWING COMPANY
3. GANNETT CO. INC.

BEST FOR GAY MEN AND LESBIANS
1. INFORMIX CORP.
2. WHOLESOME AND HEARTY FOODS
3. MICROSOFT CORPORATION
4. COORS BREWING COMPANY
5. SUN MICROSYSTEMS

THE EXHAUSTIVE, SIX-MONTH INVESTIGATION BY *BUSINESS ETHICS* LOOKED AT EACH COMPANY'S FINANCIAL PERFORMANCE AND 10 SOCIAL RESPONSIBILITY CRITERIA. THESE CRITERIA INCLUDE HOW COMPANIES TREAT EMPLOYEES, PROMOTE WORK FORCE DIVERSITY, ESTABLISH ETHICAL BUSINESS PRACTICES, PROTECT THE ENVIRONMENT AND ENHANCE THE COMMUNITIES IN WHICH THEY DO BUSINESS.

*BUSINESS ETHICS* CALLS THIS FIRST-EVER LISTING OF TOP CORPORATE CITIZENS A TOOL FOR INVESTORS AND OTHERS. WE SEE OUR HIGH RANKING AS A CONFIRMATION THAT COORS IS SUCCESSFULLY MAINTAINING A LONG-HELD COMMITMENT TO BE SOCIALLY RESPONSIBLE WHILE STRIVING TO BUILD SHAREHOLDER VALUE. WE SEE BOTH AS VITAL TO OUR FUTURE SUCCESS.

Coors is successfully aligning its products, marketing resources and sales initiatives with the dynamics that are shaping the beer industry. This alignment brought improved results in 1996 and provides the foundation for future growth. A review of the dominant industry trends shows that Coors is well-positioned to grow volume and improve profitability:

Coors Light, the nation's fourth-largest-selling beer, continues to grow volume and market share.

1) **The industry's growth engine is light beers** – particularly premium lights – and **Coors Light is a strong player with great momentum** in the industry's largest category. Sales of Coors Light at retail were up in the mid-single digits in 1996 – gaining market share – and remained strong as we entered 1997. Our number-one brand is our number-one priority.

We increased sales of Coors Light in 1996 with effective advertising, targeted promotions and improved overall execution at retail. The brand created quite a stir in the industry and the news media by featuring John Wayne in advertising and in-store promotional materials through a partnership with the John Wayne Cancer Institute. A 1996 survey found that "The Duke" remained the country's most popular entertainer, even 17 years after his death. Through the use of computer technology, footage from the movie *Cast a Giant Shadow* was transformed to recast Mr. Wayne as the star of a Coors Light television commercial. We built on the huge popularity of the commercial with a Thanksgiving promotion featuring an in-store standup of "The Duke" alongside displays of Coors Light and Original Coors asking consumers to "Pick it up, Pilgrim." November sales of these products achieved double-digit growth.


The 1996 relaunch of Original Coors produced the brand's best sales trend in more than a decade.

2) **New opportunities exist in the full-calorie premium beer category** as the top two brands in the category continue to lose considerable volume – more than 1 million barrels in 1996. **The relaunch of Original Coors positions Coors to capture some of that volume.** There is enormous equity in this venerable brand. After 123 years, Original Coors has attained that special status with consumers reserved for those few products that have endured the test of time. In addition, the brand continues to live up to its reputation for superior quality. Original Coors was awarded the Gold Medal as the finest American Premium Lager at the 1996 Great American Beer Festival®, the country's oldest and most prestigious beer competition.

In 1996, we started the job of recapturing Original Coors' historic consumer base of 21- to 29-year-old males with new graphics that recall its heritage and with increased marketing and sales support, including co-promotions alongside Coors Light. The relaunch energized the company, our distributors and our retailers. We are greatly encouraged by the improving trends, including strong growth in a number of selected markets that received increased attention.

3) **Launching major new premium beer brands is expensive and risky.** In recent years, attempts by brewers to introduce big, bold premium products have been losing propositions. Therefore, **Coors' strategy is to focus resources behind growing our established core products.**

Coors' sales and marketing resources are aligned behind the company's leading core brands – Coors Light and Original Coors.

While we continue to explore new liquids, primarily for specialty products, **we are applying our talent for innovation to developing fun and exciting new packages for our core brands.** For the past two years, Coors has kept competitors scrambling as we've driven volume with unique packages that grab attention at retail and meet consumer needs. Topping our 1996 achievements were the successful introductions of the first Widemouth Can – with a 45% wider opening for smoother pouring – and our exclusive baseball-bat-shaped bottle, which was conceived and developed by Coors' packaging research and development group. Both packages proved to be popular with consumers. In some markets, bat bottles became collectors' items with consumers calling retailers to place advance orders. In 1997, we've expanded the idea with signature bat bottles featuring three of the greatest home run hitters of all time – Reggie Jackson, Ernie Banks and Willie Mays.

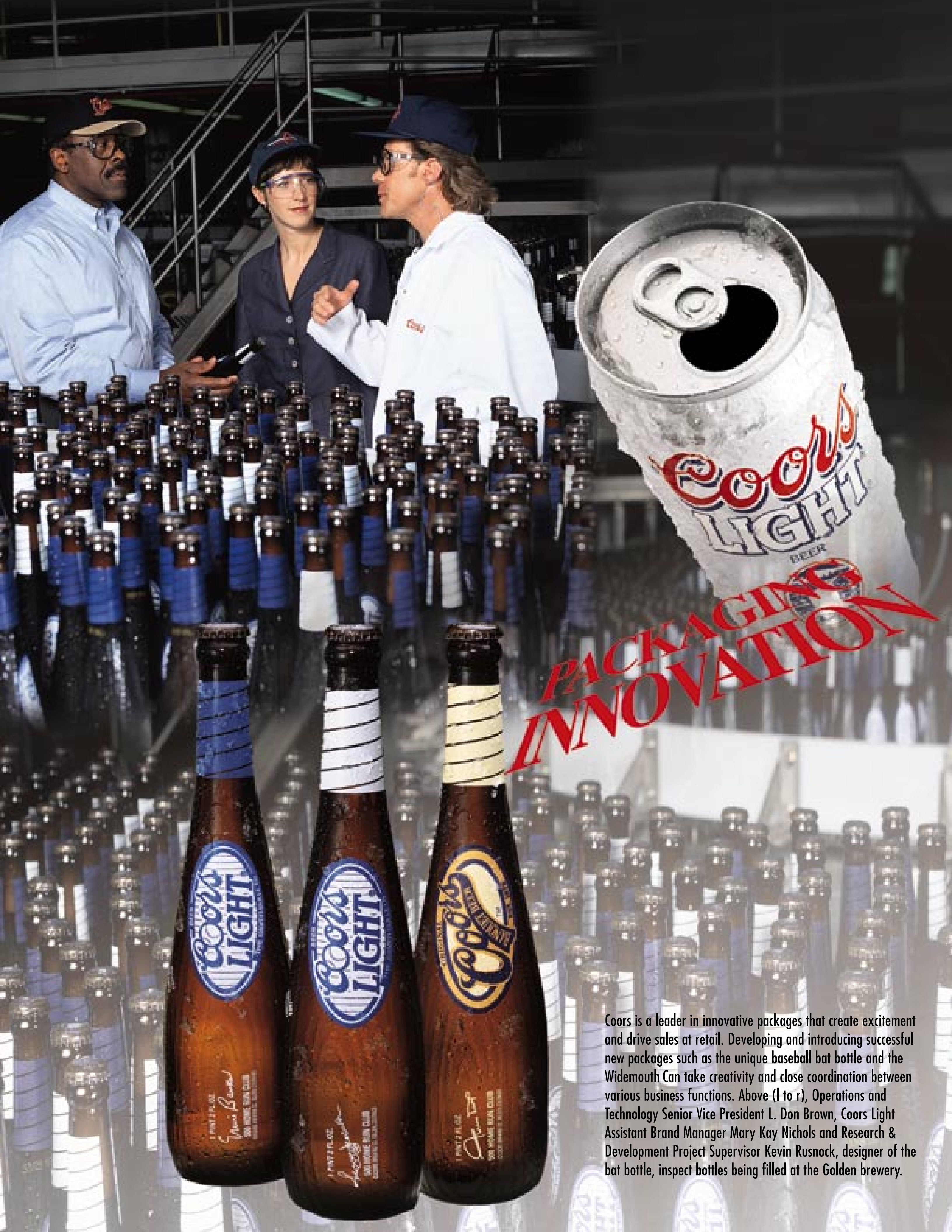
4) **The pricing environment for premium brands is stronger** as higher-priced specialty products create a new "umbrella" for beer prices. Coors has the right product mix to benefit from improved pricing with almost 88% of Coors' volume coming from premium and above-premium products – best among the major brewers. **Overall prices for Coors products rose about 3% in 1996,** marking the strongest performance against inflation in many years. Clearly the proliferation of higher-priced specialty beers has changed consumer expectations not only about quality, but also about beer pricing. This impact is likely to persist, but competitive forces could lead to greater discounting activities for premium products as brewers move to grow volume.

5) **Demographic trends will begin to take a favorable turn** in the next year. That's when the number of 21- to 24-year-olds will start to grow again after declining for almost two decades. Census projections estimate that **this key beer-drinking population will increase by more than 15%** from 1998 to 2005, with steady growth continuing after that. **Coors is well-positioned to gain volume from the improved demographics** through established brand and sales strategies directed toward these young adult consumers.


George Killian's Irish Red withstood stiff competition to remain the nation's top-selling red beer.

6) **Specialty beers continue to grow, although a major shakeout is on the horizon.** While consumer interest remains strong, the volume growth rate in the specialty beer category appears to be slowing, particularly in mature markets. The category, including products from both large and small brewers, now accounts for 3% to 3.5% of beer sales, and could reach 5% or so in the next 5 years. Yet, it has become clear that structural changes are in the offing because the category has become much too crowded, product quality is inconsistent, many specialty beers aren't moving at retail and investors in specialty brewers are becoming skittish. While many producers had high hopes that their brands would achieve national acceptance, few have met those expectations.

**At Coors, specialty volume and profits are growing** – up in the mid-single digits in 1996 – and future prospects appear bright. Unlike most others competing in this category, Coors has the experience, distribution network and proven quality to succeed. Coors is the only major brewer with a 16-year track record as a leader in specialty beers. We know how to deliver distinctive, superior-quality products and manage them for profitability through a very disciplined allocation of resources against short-term potential. That's how




Coors is a leader in innovative packages that create excitement and drive sales at retail. Developing and introducing successful new packages such as the unique baseball bat bottle and the Widemouth Can take creativity and close coordination between various business functions. Above (l to r), Operations and Technology Senior Vice President L. Don Brown, Coors Light Assistant Brand Manager Mary Kay Nichols and Research & Development Project Supervisor Kevin Rusnock, designer of the bat bottle, inspect bottles being filled at the Golden brewery.

we built George Killian's Irish Red into the country's most popular red beer, a title it retains after well-financed competitors that were introduced in 1995 faded within a year. We've applied the same quality and profit strategies to the portfolio of specialty products from our Blue Moon Brewing Company operating unit. After a strong and profitable start late in 1995, **Blue Moon far exceeded volume expectations in 1996,** its first full year of distribution. In early 1997, Blue Moon achieved national distribution and expanded its brand portfolio to six specialty ales. Specialty beers are an important and lucrative part of our business, providing significant profits despite the relatively small volume.

BLUE MOON BREWING COMPANY'S SIX SPECIALTY ALES MAKE COORS A STRONG COMPETITOR IN THE PROFITABLE MICROBREW SEGMENT.

These products not only allow us to better serve our retailers, but they satisfy the desires of consumers when they feel adventurous and want to treat themselves to something special.

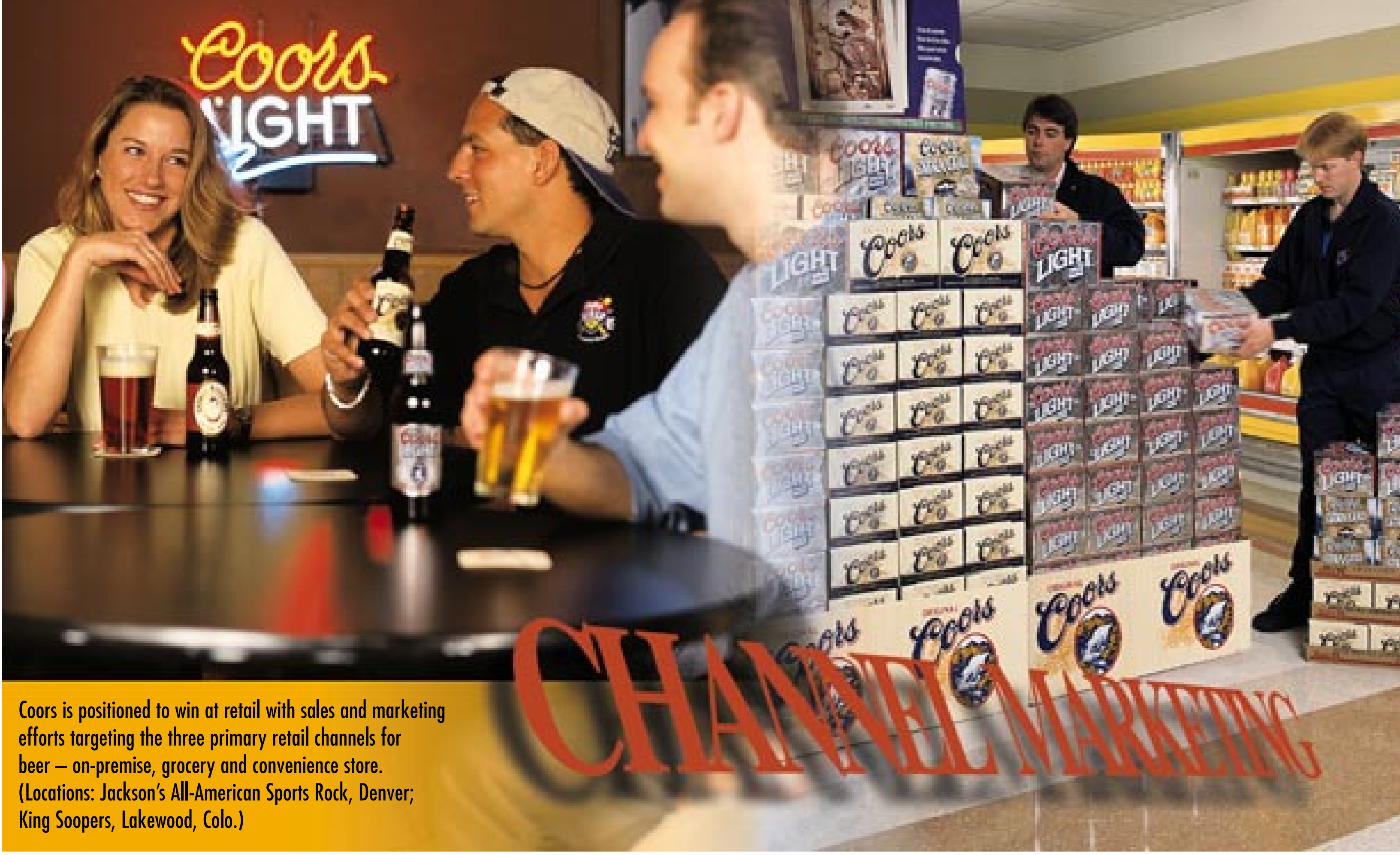
7) **Quality is taking on even greater importance with consumers** due in part to the interest in specialty beers. Our five medals – one gold and two silvers for our premium beers and two silvers for our specialty beers – at the 1996 Great American Beer Festival® show that **Coors is committed to delivering the highest quality.** We are the only major brewer using 2-row barley exclusively in all of the products we brew to assure smoother, cleaner-tasting beers. We also use carefully selected premium hops and, of course, virtually ideal brewing water. Our traditional brewing process – the longest among the major brewers – produces a naturally aged, smooth and drinkable beer.

8) **Productivity improvements are receiving greater attention** in the drive to reduce costs and grow profits. Coors achieved very modest cost improvements in 1996, primarily associated with streamlined product distribution. **The focus in 1997 is reducing manufacturing costs** through better forecasting, planning, coordination, decision making and flexibility. With new leadership directing Coors' manufacturing operations, we have strengthened our ability to improve productivity and expect to build momentum throughout 1997.

9) **Streamlining and strengthening the distribution network are key** to growing volume and profitability. These measures are particularly important for Coors as we focus on building underdeveloped, high-potential geographic markets.

Nationally, Coors is the number-three brewer with a 10% market share. Yet, we outperform those numbers in many major markets. **Coors ranks first or second in sales volume in 30 of the nation's 200 largest markets.** These 30 markets represent more than 20% of the U.S. population. This strength is spread across the country from our historical base in the West to markets such as New York City, New Jersey and Pittsburgh that we reached for the first time during our national market expansion in the 1980s. In most instances, these are markets served by our strongest wholesalers.

As part of our efforts to duplicate these successes, **we are strengthening our entire distributor network** through increased support, consolidation, and ownership and management changes where needed. We have developed a new distributor agreement that emphasizes accountability for achieving performance goals. It also takes a more proactive approach to ensuring that our wholesalers are financially viable, have capable ownership and management, and fully support Coors' business objectives.




Coors is positioned to win at retail with sales and marketing efforts targeting the three primary retail channels for beer – on-premise, grocery and convenience store. (Locations: Jackson's All-American Sports Rock, Denver; King Soopers, Lakewood, Colo.)

10) **The real battleground in the beer industry is at retail.** As in football, the game here is won in the trenches through basic hard work, agility and quickness. For the past two years, **Coors has greatly improved the fundamentals of our retail execution.** We call it "blocking and tackling." Our focus is to "build an obsession with retailers" and our objective is to excel at channel marketing. We are rapidly becoming recognized for our expertise in the three primary retail channels for beer – grocery, convenience store and on-premise (bars, restaurants, stadiums, etc.) – working with retailers to establish detailed plans based on how beer fits into the total retail and profit picture. These three channels together move about 75% of Coors' beer volume. On-premise is particularly important in the long term because it is where many 21- to 29-year-old males try different products and establish brand preferences. Our on-premise emphasis in 1996 produced a double-digit jump for Coors' volume at targeted national accounts in this channel.

11) **International markets present opportunities to grow volume and profitability.** Coors takes a prudent, strategic and systematic approach to foreign expansion. Our goal is to position Coors products to capture market share in high-potential markets without diverting resources needed domestically. **That approach helped Coors to achieve stronger international earnings in 1996.** Today, Coors products are available in more than 40 international markets in North America, Central America, the Caribbean, Europe and Asia. **Coors Light is the number-one light beer in both Canada and Puerto Rico.**

In October 1996, an arbitration panel ruled in favor of Coors in a contract dispute with Molson Breweries, which had brewed and marketed Coors products under a licensing agreement since 1985. The panel terminated the contract, freeing Coors to explore new arrangements that are expected to generate significantly greater revenues and give Coors greater control over our products in Canada.

# Financial Review

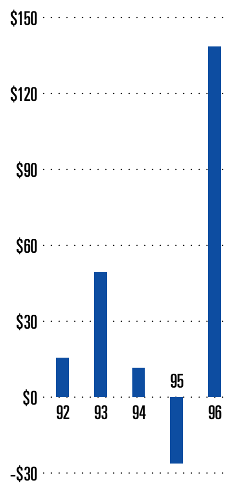
Coors' overall financial goal is to achieve consistent growth in profitability and shareholder value. The key to reaching this goal is better management of our resources, which includes building stronger, appropriate financial processes and discipline. The progress we made in 1996 gave an early indication of what can be accomplished. Through better resource management, we can improve the company's financial flexibility and invest in our business to build long-term shareholder value.

The combination of improving discipline and higher sales produced better financial results in 1996 (reported here excluding special items):

- **Gross profit increased 5%, or $30 million.**
- **Operating income grew 34% to $87 million from $65 million in 1995.**
- **Earnings per share climbed 39% to $1.24 from $0.89 in 1995.**
- **Return on equity rose to 6.7%, up from 5.0% in 1995.**
- **Return on invested capital (ROIC) – including gains related to changes in non-pension postretirement benefits – was 6.2% compared to 5.9% in 1995.**

Cash flow improved significantly as well, primarily due to better working capital efficiencies and protocols for capital spending. The protocols guide capital allocation so that we make needed investments in our operations while placing greater emphasis on projects that provide sound returns.

**Cash from Operating and Investing Activities**
*(In millions)*




In 1996, cash from operating and investing activities improved $164 million, helped by a prudent reduction of $81 million in capital spending. Year-end cash balances grew to $111 million from $32 million in the previous year, and our working capital ratio rose to 1.43, up 28% from 1.12 at the end of 1995. Our stronger cash position prompted the board to authorize the repurchase of up to $40 million in Class B common stock during 1997. We believe the repurchase is an attractive investment that will benefit the company and our shareholders.

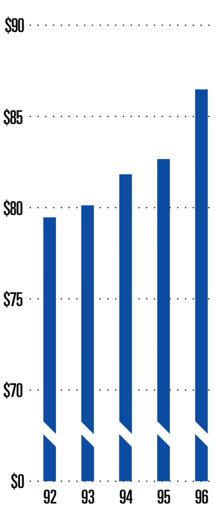
We made progress in 1996 toward our medium-term goal of bringing ROIC into an operating range of 8% to 12%. Further progress depends on productivity gains that reduce and control our per unit costs, particularly in manufacturing operations and logistics. We are pursuing several opportunities to improve our cost structure, including further savings in distribution costs through more direct shipments to distributors, more strategic leveraging of transportation costs and greater efficiencies at satellite redistribution centers.

Coors is doing a better job today of managing resources, an important advance in our drive to deliver more consistent growth in profitability and shareholder value. Looking ahead, we believe that the progress made in 1996 provides a good foundation for future improvement.

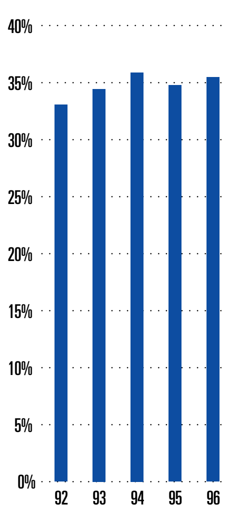
## Financial Trends*

*Adolph Coors Company and Subsidiaries*

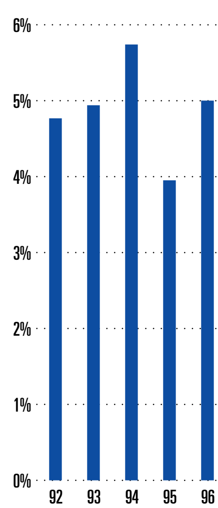
**Net Sales per Barrel**



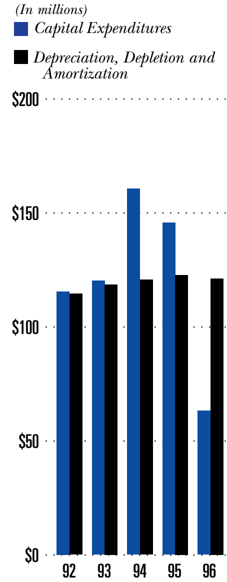

**Gross Margin**
*(% of net sales)*




**Operating Margin**
*(% of net sales)*




**Capital Expenditures/Depreciation, Depletion and Amortization**
*(In millions)*




*From continuing operations only, excluding net special credits (in 1995 and 1994) and special charges (in 1996 and 1993).*

## INTRODUCTION

Adolph Coors Company (ACC) is the holding company for Coors Brewing Company (CBC), which produces and markets high-quality malt-based beverages.

This discussion summarizes the significant factors affecting ACC's consolidated results of operations, liquidity and capital resources for the three-year period ended December 29, 1996, and should be read in conjunction with the financial statements and the notes thereto included elsewhere in this report.

ACC's fiscal year is a 52- or 53-week year that ends on the last Sunday in December. The 1996 and 1994 fiscal years were 52 weeks long, while fiscal 1995 was 53 weeks long.

Certain unusual or non-recurring items impacted ACC's financial results for 1996, 1995 and 1994, making clear evaluation of its ongoing operations somewhat complicated. These items are summarized below.

Summary of operating results:

| | For the years ended | | |
|---|---|---|---|
| *(In thousands, except earnings per share)* | **Dec. 29, 1996** | Dec. 31, 1995 | Dec. 25, 1994 |
| **Operating income:** | | | |
| As reported | **$81,019** | $80,378 | $108,163 |
| Excluding special items | **87,360** | 65,178 | 94,214 |
| **Net income:** | | | |
| As reported | **43,425** | 43,178 | 58,120 |
| Excluding special items | **47,299** | 33,944 | 49,720 |
| **Earnings per share:** | | | |
| As reported | **$1.14** | $1.13 | $1.52 |
| Excluding special items | **$1.24** | $0.89 | $1.30 |

**1996:** For the 52-week fiscal year ended December 29, 1996, ACC reported net income of $43.4 million, or $1.14 per share. During 1996, the Company received royalties and interest from Molson Breweries of Canada Limited (Molson) in response to the October 1996 arbitration ruling that Molson had underpaid royalties from January 1, 1991, to April 1, 1993. Further, ACC recorded a gain from the 1995 curtailment of certain postretirement benefits, charges for Molson-related legal expenses and severance expenses for a limited work force reduction. The net effect of these special items was a pretax charge of $6.3 million, or $0.10 per share, after tax. Without this net special charge, ACC would have reported net earnings of $47.3 million, or $1.24 per share.

**1995:** For the 53-week fiscal year ended December 31, 1995, ACC reported net income of $43.2 million, or $1.13 per share. In the fourth quarter, the Company recorded a gain from the curtailment of certain postretirement benefits and a severance charge for a limited work force reduction. The net effect of these special items was a pretax credit of $15.2 million, or $0.24 per share, after tax. ACC would have reported net income of $33.9 million, or $0.89 per share, without this net special credit.

**1994:** For the 52-week fiscal year ended December 25, 1994, ACC reported net income of $58.1 million, or $1.52 per share. During 1994, the Company recovered some of the costs associated with the Lowry Landfill Superfund site and wrote down certain distributor assets. The net effect of these special items was a pretax credit of $13.9 million, or $0.22 per share, after tax. Without this net special credit, ACC would have reported net income of $49.7 million, or $1.30 per share.

## CONSOLIDATED RESULTS OF CONTINUING OPERATIONS - 1996 VS. 1995 AND 1995 VS. 1994

*Excluding special items.*

**1996 vs. 1995:** Even though unit volume decreased 1.3%, net sales increased 3.1% in 1996 from 1995. The decrease in unit volume was caused by a shorter fiscal year in 1996; 1996 consisted of 52 weeks versus 53 weeks in 1995. On a comparable-calendar basis, 1996 sales volume was essentially unchanged from 1995. Net sales increased in 1996 from 1995 due to price increases; lower price promotion expenses; reduced freight charges as a result of direct shipments to certain markets; increased international sales, which generate higher revenue per barrel than domestic sales; the impact of CBC's interim agreement with Molson; and the slight reductions in excise taxes with the increase in export sales. Lower Zima and Artic Ice volumes and greater proportionate Keystone volumes negatively impacted net sales per barrel in 1996.

Gross profit in 1996 rose 5.2% to $614.4 million from 1995 due to the 3.1% increase in net sales, as discussed above, offset in part by a 2.0% increase in cost of goods sold. Cost of goods sold increased due to cost increases in paper and glass packaging materials; abandonments of certain capital projects; cost increases for certain new contract-brewing arrangements; and cost increases for Japanese operations, which began in the fourth quarter of 1995. Total gross profit was impacted positively in 1996 by decreases in brewing material costs; changes in brand mix (specifically, increases in Coors Light volume offset in part by decreases in Zima volume and increases in Keystone volume); and slightly favorable labor costs. Additionally, 1995 gross profit included the cost of the Zima Gold termination and withdrawal.

Operating income increased 34.0% to $87.4 million in 1996 from 1995 primarily due to the 5.2% increase in gross profit, as discussed earlier; the 17.1% decrease in research and development expenses; offset partially by the 13.5% increase in general and administrative (G&A) expenses. Although marketing expenses were relatively unchanged from 1995, the focus of such spending was redirected from Zima and Artic Ice to Original Coors and Coors Light. G&A expenses increased due to continued investments made in domestic and foreign sales organizations; incentive compensation increases; increases in officers' life insurance expenses; increases in costs of operating distributorships (a distributorship was acquired in 1995); and increases in administrative costs for certain foreign operations. Research and development expenses decreased due to the planned reduction in the number of capital projects in 1996.

Net non-operating expenses in 1996 declined 14.9% from 1995 because of a 47.5% increase in net miscellaneous income offset in part by a 5.4% increase in net interest expense. Increased royalties earned on certain can-decorating technologies caused the increase in miscellaneous income. Additionally, even though the Company repaid $38 million in principal on its medium-term notes and incurred no interest charges on its line of credit (no amounts were borrowed against the line of credit during 1996), net interest expense increased due to interest incurred on the private placement Senior Notes and reductions in the amount of interest capitalized on capital projects.

The Company's effective tax rate increased to 41.8% in 1996 from 41.6% in 1995 primarily due to changes in cash surrender values of officers' life insurance. Further, the 1996 effective tax rate exceeded the statutory rate because of the effects of certain non-deductible expenses and foreign investments.

Net earnings for 1996 were $47.3 million, or $1.24 per share, compared to $33.9 million, or $0.89 per share, for 1995, representing a 39.3% increase in earnings per share.

**1995 vs. 1994:** Although total unit volume declined 0.3%, 1995 net sales increased 0.7% from 1994 because of fourth quarter price increases in a few high volume states and, to a lesser extent, because of volume increases in higher-priced international markets. Lower Zima volumes negatively impacted net sales; Zima volumes declined approximately 49% in 1995 versus 1994's national rollout volumes.

### Trend summary

*[percentage increase (decrease) for 1996, 1995 and 1994]*

*The following table summarizes trends in operating results, excluding special items.*

| | 1996 | 1995 | 1994 |
|---|---|---|---|
| Volume | (1.3%) | (0.3%) | 2.7% |
| Net sales | 3.1% | 0.7% | 5.1% |
| Average price increase | 2.1% | 1.0% | 0.3% |
| Gross profit | 5.2% | (2.6%) | 10.1% |
| Operating income | 34.0% | (30.8%) | 21.1% |
| Advertising expense | 0.5% | 0.9% | 20.1% |
| General and administrative | 13.5% | 2.2% | (9.7%) |



In 1995, gross profit decreased $15.8 million and also decreased as a percentage of net sales, to 34.8% from 36.0% in 1994. This decrease was primarily due to significant increases in aluminum and other packaging costs and reduced Zima sales volume, which has a higher gross profit margin than other brands. Non-recurring costs from the sale of the power plant equipment and support facilities, the operation of the Rocky Mountain Bottle Company plant, and the write-off of obsolete packaging supplies also impacted gross profit unfavorably; however, container joint venture income partially offset these costs. (See Note 10 to the financial statements.)

From 1994 to 1995, operating income declined 30.8% because of the decrease in gross profit, as discussed previously; a 2.3% increase in marketing expenses, including advertising; a 2.2% increase in G&A expenses; and a 16% increase in research and development expenses. The Company's efforts to strengthen the domestic and international sales organizations increased marketing expenses. Total advertising expense was relatively unchanged from 1994; however, the focus was redirected from Zima, Artic Ice, and Artic Ice Light to Coors Light and new brand introductions. Labor cost increases and continuing efforts to develop and execute ACC's performance initiatives caused the increase in G&A expenses. The increase in the numbers of new products and packages being considered increased research and development expenses.

Net non-operating expense increased $3.2 million in 1995 compared to 1994. Although ACC paid $44 million in principal on its medium-term notes, interest expense increased 3.5% in 1995 over 1994 due to the additional $100 million placement of Senior Notes in the third quarter of 1995. Further, miscellaneous income decreased 42.8% in 1995 due to non-recurring gains recognized in 1994 on sales of a distributorship and certain other investments.

The Company's effective tax rate declined in 1995 to 41.6% from 45% in 1994, primarily due to the effect of a valuation allowance for a tax loss carryforward and some non-recurring, non-taxable income items in 1995. The 1995 effective tax rate exceeded the statutory rate because of certain non-deductible expenses.

Net earnings for 1995 were $33.9 million, or $0.89 per share, compared to $49.7 million, or $1.30 per share, for 1994, representing a 31.5% decline in earnings per share.

### Liquidity and capital resources

The Company's primary sources of liquidity are cash provided by operating activities and external borrowings. As of December 29, 1996, ACC had working capital of $124.2 million, and its net cash position was $110.9 million compared to $32.4 million as of December 31, 1995, and $27.2 million as of December 25, 1994. The Company believes that cash flows from operations and short-term borrowings will be sufficient to meet its ongoing operating requirements; scheduled principal and interest payments on indebtedness; dividend payments; and anticipated capital expenditures of approximately $85 million for production equipment, information systems, repairs and upkeep, and environmental compliance.

**Operating activities:** Net cash provided by operating activities was $195.1 million for 1996, $90.1 million for 1995, and $186.4 million for 1994. The increase in cash flows provided by operating activities in 1996 compared to 1995 was primarily attributable to decreases in inventories; moderate decreases (relative to significant decreases in 1995) in accounts payable and accrued expenses and other liabilities; and decreases in accounts and notes receivable. The decrease in inventories primarily resulted from a higher proportion of shipments directly to distributors rather than shipments through satellite redistribution centers. The moderate decreases in accounts payable and accrued expenses and other liabilities relative to 1995 reflects the significant payment of obligations to various suppliers, including advertising agencies, in 1995. Accounts and notes receivable declined because sales were lower during the last 12 to 16 days of 1996 than during the same period of 1995. CBC's credit terms are generally 12 to 16 days.

The 1995 decrease in cash flows from operations was primarily due to lower net income, significantly lower accounts payable and other liabilities, and increases in accounts and notes receivable and other assets. The reduction in accounts payable reflects the payment of obligations to various suppliers, including advertising agencies. Some of these amounts were particularly high at the end of 1994 due to new or markedly different supplier relationships, such as the new container joint venture between CBC and American National Can. Other liabilities declined in 1995 primarily due to the payment of obligations for the Lowry site and 1993 restructuring accruals. Accounts and notes receivable increased in 1995 because of an increase in international credit sales, which was partially offset by decreased receivables from the container joint venture. Other assets increased primarily due to increased investments and equity in the container joint ventures.

**Investing activities:** During 1996, ACC spent $56.9 million on investing activities compared to $116.2 million in 1995 and $174.7 million in 1994. Capital expenditures decreased to $64.8 million in 1996 from $145.8 million in 1995 and $160.3 million in 1994. In 1996, capital expenditures focused on information systems and expansion of packaging capacity, while 1995 expenditures focused on upgrades and expansion of Golden-based facilities – particularly bottling capacity. In 1994, capital expenditures focused on expansion of facilities (primarily bottling capacity) and the purchase of a brewery in Zaragoza, Spain. Proceeds from property sales were $8.1 million in 1996, compared to $44.4 million in 1995 and $4.4 million in 1994. The Company primarily sold distribution rights in 1996. Proceeds from property sales in 1995 were unusually high because of the sale of the power plant equipment and support facilities for $22 million and certain bottleline machinery and equipment, under a sale-leaseback transaction, for $17 million. Intangible assets and other items declined $0.2 million in 1996 compared to increases of $14.8 million in 1995 and $18.7 million in 1994. Purchases of distributorships increased intangible assets in 1995 and 1994.

**Financing activities:** ACC spent $59.3 million on financing activities during 1996 due primarily to principal payments on its medium-term notes of $38 million, purchases of Class B common stock for $3 million and dividend payments of $19 million.

During 1995, the Company generated $31 million of cash from financing activities due to the receipt of $100 million from a private placement of Senior Notes, which was offset by principal payments on medium-term notes of $44 million, purchases of Class B common shares of $9.9 million and dividend payments of $19.1 million.

ACC spent $67 million on financing activities in 1994. These activities included principal repayments on medium-term notes of $50 million and dividend payments of $19.1 million.

**Debt obligations:** As of December 29, 1996, ACC had $88 million outstanding in medium-term notes. With cash on hand, the Company repaid principal of $38 million on these notes in 1996. Principal payments of $44 million in 1995 and $50 million in 1994 were funded by a combination of cash on hand and borrowings. Fixed interest rates on these notes range from 8.63% to 9.05%. Aggregate annual maturities on outstanding notes are $17 million in 1997, $31 million in 1998 and $40 million in 1999.

In the third quarter of 1995, ACC completed a $100 million private placement of Senior Notes at fixed interest rates ranging from 6.76% to 6.95% per annum. The repayment schedule is $80 million in 2002 and $20 million in 2005. The proceeds from this borrowing were used primarily to reduce debt under the revolving line of credit and to repay principal on the medium-term notes.

The Company's debt-to-total capitalization ratio was 21.2% at the end of 1996, 24.9% at the end of 1995 and 20.6% at the end of 1994.

**Revolving line of credit:** In addition to the medium-term notes and the private placement Senior Notes, the Company has an unsecured, committed revolving line of credit totaling $144 million. From time to time, this line of credit is used for working capital requirements and general corporate purposes. As of December 29, 1996, the full $144 million was available. For 1996, ACC met the two financial covenants under this line of credit: a minimum tangible net worth requirement and a debt-to-total capitalization requirement.

**Hedging activities:** As of December 29, 1996, hedging activities consisted exclusively of hard currency forward contracts to directly offset hard currency exposures. These irrevocable contracts eliminated the risk to financial position and results of operations of changes in the underlying foreign exchange rate. Any variation in the exchange rate accruing to the contract would be directly offset by an equal change in the related obligation. Therefore, after execution of the contract, variations in exchange rates would not impact the Company's financial statements. ACC's hedging activities and hard currency exposures are minimal. The Company does not enter into derivative financial instruments for speculation or trading purposes.

**Stock repurchase plan:** On December 20, 1996, the board of directors authorized the repurchase of up to $40 million of ACC's outstanding Class B common stock during 1997. Repurchases will be financed by funds generated from operations or short-term borrowings.

## OUTLOOK 1997

Following industry pricing trends, CBC raised prices in the first quarter of 1997 in the majority of its U.S. markets. The increases in 1997 were smaller than those achieved in 1996. Additionally, several key markets, most notably Texas, did not absorb a 1997 price increase. CBC continues to be pressured by the industry pricing environment; 1997 price increases are expected to be smaller than those in 1996. There is also uncertainty as to the degree to which these increases may be eroded by price discounting and the degree to which these increases may impact volume.

International income is expected to be up in 1997 primarily due to the Company's Canadian business. The Company's interim agreement with Molson, which expires no earlier than July 1, 1997, provides for greater earnings to the Company than royalties recognized under the terminated licensing agreement with Molson. Management continues to work on CBC's options for future business in Canada.

For fiscal 1997, raw material costs are expected to be up slightly. CBC continues to pursue improvements in its operations and technology functions to deliver cost reductions over time.

Total net interest expense is expected to be lower in 1997 resulting from CBC's more favorable cash position and its lower outstanding debt relative to its 1996 financial position. Additional outstanding common stock may be repurchased in 1997 as approved by the ACC board of directors in December 1996.

Overall, sales, marketing and G&A expenses are likely to be up slightly in 1997. Management continues to monitor CBC's market opportunities and invest behind its brands and its sales efforts accordingly. Incremental sales and marketing spending will be determined on an opportunity-by-opportunity basis.



The effective tax rate for 1997 is not expected to deviate materially from the 1996 rate.

In 1997, CBC has planned capital expenditures (including contributions to its container joint ventures for capital improvements) of approximately $85 million. In addition to CBC's 1997 capital expenditures, incremental strategic investments will be considered on a case-by-case basis.

**Cautionary Statement Pursuant to Safe Harbor Provisions of the Private Securities Litigation Reform Act of 1995:** This report contains "forward-looking statements" within the meaning of the federal securities laws. These forward-looking statements include, among others, statements concerning the Company's outlook for 1997; overall and brand-specific volume trends; pricing trends and industry forces; cost reduction strategies and their results; targeted goals for return on invested capital; the Company's expectations for funding its 1997 capital expenditures and operations; and other statements of expectations, beliefs, future plans and strategies, anticipated events or trends, and similar expressions concerning matters that are not historical facts. These forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those expressed in or implied by the statements.

To improve its financial performance, the Company must grow premium beverage volume, achieve modest price increases for its products and reduce its overall cost structure. The most important factors that could influence the achievement of these goals – and cause actual results to differ materially from those expressed in the forward-looking statements – include, but are not limited to, the following:

- the inability of the Company and its distributors to develop and execute effective marketing and sales strategies for Coors products;
- the Company's inability to develop its Canadian business more profitably than under previous arrangements;
- the potential erosion of recent price increases through discounting or a higher proportion of sales in multi-packs;
- a potential shift in consumer preferences toward lower-priced products in response to price increases;
- a potential shift in consumer preferences away from the premium light beer category including Coors Light;
- the intensely competitive, slow-growth nature of the beer industry;
- demographic trends and social attitudes that can reduce beer sales;
- the continued growth in the popularity of microbrews and other specialty beers;
- increases in the cost of aluminum, paper packaging, and other raw materials;
- the Company's inability to reduce manufacturing, freight, and overhead costs to more competitive levels;
- changes in significant government regulations affecting environmental compliance, income taxes and advertising or other marketing efforts for the Company's products;
- increases in federal or state beer excise taxes;
- increases in rail transportation rates or interruptions of rail service;
- potential impact of industry consolidation; and

- risks associated with investments and operations in foreign countries, including those related to foreign regulatory requirements; exchange rate fluctuations; and local political, social and economic factors.

These and other risks and uncertainties affecting the Company are discussed in greater detail in this report and in the Company's other filings with the Securities and Exchange Commission.

## ENVIRONMENTAL

The Company was one of numerous parties named by the Environmental Protection Agency (EPA) as a "potentially responsible party" (PRP) for the Lowry site, a legally permitted landfill owned by the City and County of Denver. In 1990, the Company recorded a special pretax charge of $30 million for potential cleanup costs of the site.

The City and County of Denver, Waste Management of Colorado, Inc. and Chemical Waste Management, Inc. brought litigation in 1991 in U.S. District Court against the Company and 37 other PRPs to determine the allocation of costs of Lowry site remediation. In 1993, the Court approved a settlement agreement between the Company and the plaintiffs, resolving the Company's liabilities for the site. The Company agreed to initial payments based on an assumed present value of $120 million in total site remediation costs. Further, the Company agreed to pay a specified share of costs if total remediation costs exceeded this amount. The Company remitted its agreed share, based on the $120 million assumption, to a trust for payment of site remediation, operating and maintenance costs.

The City and County of Denver, Waste Management of Colorado, Inc. and Chemical Waste Management, Inc. are expected to implement site remediation. The EPA's projected costs to meet the announced remediation objectives and requirements are below the $120 million assumption used for ACC's settlement. The Company has no reason to believe that total remediation costs will result in additional liability to the Company.

In 1991, the Company filed suit against certain of its former and current insurance carriers, seeking recovery of past defense costs and investigation, study and remediation costs. Settlements were reached during 1993 and 1994 with all defendants, and, as a result, the Company recognized a special pretax credit of $18.9 million in the fourth quarter of 1994.

From time to time, ACC also is notified that it is or may be a PRP under the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA) or similar state laws for the cleanup of other sites where hazardous substances have allegedly been released into the environment. The Company cannot predict with certainty the total costs of cleanup, its share of the total cost or the extent to which contributions will be available from other parties, the amount of time necessary to complete the cleanups, or insurance coverage. However, based on investigations to date, the Company believes that any liability would be immaterial to its financial position and results of operations for these sites. There can be no certainty, however, that the Company will not be named as a PRP at additional CERCLA sites in the future, or that the costs associated with those additional sites will not be material.

While it is impossible to predict the Company's eventual aggregate cost for environmental and related matters, management believes that any payments, if required, for these matters would be made over a period of time in amounts that would not be material in any one year to the Company's results of operations or its financial or competitive position. The Company believes adequate disclosures have been provided for losses that are reasonably possible. Further, as the Company continues to focus on resource conservation, waste reduction and pollution prevention, it believes that potential future liabilities will be reduced.

## Responsibility for Financial Statements

The management of Adolph Coors Company and its subsidiaries has the responsibility for preparing the accompanying financial statements and for their integrity and objectivity.

The statements were prepared in accordance with generally accepted accounting principles applied on a consistent basis and, in management's opinion, are fairly presented.

The financial statements include amounts that are based on management's best estimates and judgments. Management also prepared the other information in the annual report and is responsible for its accuracy and consistency with the financial statements.

In order to meet these responsibilities, management maintains policies and procedures that are consistent with high standards of accounting and administrative practices which are regularly communicated within the organization. In addition, management maintains a program of internal auditing within the Company to examine and evaluate the adequacy and effectiveness of established internal controls as related to company policies, procedures and objectives.

William K. Coors
Chairman and President

Timothy V. Wolf
Senior Vice President and Chief Financial Officer
Coors Brewing Company

## Report of Independent Accountants

*To the Board of Directors and Shareholders of Adolph Coors Company:*

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, shareholders' equity and cash flows present fairly, in all material respects, the financial position of Adolph Coors Company and its subsidiaries at December 29, 1996, and December 31, 1995, and the results of their operations and their cash flows for each of the three years in the period ended December 29, 1996, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

Price Waterhouse LLP

Denver, Colorado
February 18, 1997

# Consolidated Statements of Income

*Adolph Coors Company and Subsidiaries*

| | For the years ended | | |
|---|---|---|---|
| | **December 29, 1996** | December 31, 1995 | December 25, 1994 |
| | *(In thousands, except per share data)* | | |
| **Sales** – domestic and international | **$2,111,544** | $2,064,802 | $2,044,867 |
| **Less** – beer excise taxes | **379,311** | 385,216 | 377,659 |
| **Net sales** | **1,732,233** | 1,679,586 | 1,667,208 |
| **Costs and expenses:** | | | |
| Cost of goods sold | **1,117,866** | 1,095,520 | 1,067,326 |
| Marketing, general and administrative | **514,246** | 503,503 | 492,403 |
| Research and project development | **12,761** | 15,385 | 13,265 |
| Special charges (credits) (Note 9) | **6,341** | (15,200) | (13,949) |
| Total | **1,651,214** | 1,599,208 | 1,559,045 |
| **Operating income** | **81,019** | 80,378 | 108,163 |
| **Other income (expense):** | | | |
| Interest income | **2,821** | 1,345 | 1,546 |
| Interest expense | **(13,907)** | (11,863) | (11,461) |
| Miscellaneous – net | **5,042** | 3,418 | 5,972 |
| Total | **(6,044)** | (7,100) | (3,943) |
| **Income before income taxes** | **74,975** | 73,278 | 104,220 |
| **Income tax expense (Note 5)** | **31,550** | 30,100 | 46,100 |
| **Net income** | **$ 43,425** | $ 43,178 | $ 58,120 |
| **Net income per common share** | **$1.14** | $1.13 | $1.52 |
| **Weighted average number of outstanding common shares** | **37,991** | 38,170 | 38,283 |

*See notes to consolidated financial statements.*

# Consolidated Balance Sheets

*Adolph Coors Company and Subsidiaries*

| Assets | December 29, 1996 | December 31, 1995 |
|---|---|---|
| | *(In thousands)* | |
| **Current assets:** | | |
| Cash and cash equivalents | **$ 110,905** | $ 32,386 |
| Accounts and notes receivable: | | |
| Trade, less allowance for doubtful accounts of **$275 in 1996** and $30 in 1995 | **86,421** | 89,579 |
| Affiliates | **14,086** | 16,329 |
| Other | **13,836** | 10,847 |
| Inventories: | | |
| Finished | **43,477** | 58,486 |
| In process | **23,157** | 28,787 |
| Raw materials | **40,737** | 37,298 |
| Packaging materials, less allowance for obsolete inventories of **$1,046 in 1996** and $1,000 in 1995 | **13,699** | 14,854 |
| Total inventories | **121,070** | 139,425 |
| Other supplies, less allowance for obsolete supplies of **$2,273 in 1996** and $1,942 in 1995 | **36,103** | 39,364 |
| Prepaid expenses and other assets | **24,794** | 13,634 |
| Deferred tax asset (Note 5) | **9,427** | 18,629 |
| Total current assets | **416,642** | 360,193 |
| **Properties,** at cost, less accumulated depreciation, depletion and amortization of **$1,313,709 in 1996** and $1,219,473 in 1995 (Note 2) | **814,102** | 887,409 |
| **Excess of cost over net assets of business acquired,** less accumulated amortization of **$4,778 in 1996** and $4,097 in 1995 | **21,374** | 26,470 |
| **Other assets** (Note 10) | **110,418** | 110,458 |
| **Total assets** | **$1,362,536** | $1,384,530 |

*See notes to consolidated financial statements.*

## Consolidated Balance Sheets

*Adolph Coors Company and Subsidiaries*

| Liabilities and Shareholders' Equity | December 29, 1996 | December 31, 1995 |
|---|---|---|
| | *(In thousands)* | |
| **Current liabilities:** | | |
| Current portion of long-term debt (Note 4) | **$ 17,000** | $ 36,000 |
| Accounts payable: | | |
| Trade | **110,696** | 118,207 |
| Affiliates | **12,424** | 14,142 |
| Accrued salaries and vacations | **39,482** | 37,178 |
| Taxes, other than income taxes | **30,976** | 39,788 |
| Federal and state income taxes (Note 5) | **8,983** | 9,091 |
| Accrued expenses and other liabilities | **72,887** | 69,257 |
| Total current liabilities | **292,448** | 323,663 |
| **Long-term debt** (Note 4) | **176,000** | 195,000 |
| **Deferred tax liability** (Note 5) | **76,083** | 67,589 |
| **Postretirement benefits** (Note 8) | **69,773** | 69,827 |
| **Other long-term liabilities** | **32,745** | 33,435 |
| **Total liabilities** | **647,049** | 689,514 |
| **Commitments and contingencies** (Notes 3, 4, 5, 6, 7, 8, 10 and 12) | | |
| **Shareholders' equity** (Notes 6 and 11): | | |
| Capital stock: | | |
| Preferred stock, non-voting, $1 par value (authorized: 25,000,000 shares; issued: none) | **—** | — |
| Class A common stock, voting, $1 par value (authorized and issued: 1,260,000 shares) | **1,260** | 1,260 |
| Class B common stock, non-voting, no par value, $0.24 stated value (authorized: 100,000,000 shares; issued: **36,662,404 in 1996** and 36,736,512 in 1995) | **8,729** | 8,747 |
| Total capital stock | **9,989** | 10,007 |
| Paid-in capital | **31,436** | 33,719 |
| Retained earnings | **671,972** | 647,530 |
| Foreign currency translation adjustment | **2,090** | 3,760 |
| **Total shareholders' equity** | **715,487** | 695,016 |
| **Total liabilities and shareholders' equity** | **$1,362,536** | $1,384,530 |

*See notes to consolidated financial statements.*

## CONSOLIDATED STATEMENTS OF CASH FLOWS

*Adolph Coors Company and Subsidiaries*

| | For the years ended | | |
|---|---|---|---|
| | **December 29, 1996** | December 31, 1995 | December 25, 1994 |
| | | *(In thousands)* | |
| **Cash flows from operating activities:** | | | |
| Net income | **$ 43,425** | $ 43,178 | $ 58,120 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Depreciation, depletion and amortization | **121,121** | $122,830 | $120,793 |
| Deferred income taxes | **17,696** | 3,610 | 20,071 |
| Loss on sale or abandonment of properties and intangibles | **12,535** | 1,274 | 808 |
| Change in operating assets and liabilities: | | | |
| Accounts and notes receivable | **2,232** | (9,952) | (30,264) |
| Inventories | **18,076** | 2,135 | 5,627 |
| Other assets | **(8,086)** | (16,659) | (5,899) |
| Accounts payable | **(8,175)** | (32,180) | 43,054 |
| Accrued expenses and other liabilities | **(3,712)** | (24,139) | (25,884) |
| Net cash provided by operating activities | **195,112** | 90,097 | 186,426 |
| **Cash flows from investing activities:** | | | |
| Additions to properties | **(64,799)** | (145,797) | (160,314) |
| Proceeds from sale of properties and intangibles | **8,098** | 44,448 | 4,382 |
| Additions to intangible assets | **(313)** | (11,802) | (16,876) |
| Other | **102** | (3,021) | (1,863) |
| Net cash used in investing activities | **(56,912)** | (116,172) | (174,671) |
| **Cash flows from financing activities:** | | | |
| Proceeds from long-term debt | **—** | 100,000 | — |
| Principal payment of long-term debt | **(38,000)** | (44,000) | (50,000) |
| Issuance of stock under stock plans | **649** | 4,117 | 2,102 |
| Purchase of stock | **(2,950)** | (9,936) | — |
| Dividends paid | **(18,983)** | (19,066) | (19,146) |
| Other | **—** | (116) | 24 |
| Net cash (used in) provided by financing activities | **(59,284)** | 30,999 | (67,020) |
| **Cash and cash equivalents:** | | | |
| Net increase (decrease) in cash and cash equivalents | **78,916** | 4,924 | (55,265) |
| Effect of exchange rate changes on cash and cash equivalents | **(397)** | 294 | 222 |
| Balance at beginning of year | **32,386** | 27,168 | 82,211 |
| **Balance at end of year** | **$110,905** | $ 32,386 | $ 27,168 |

*See notes to consolidated financial statements.*

# Consolidated Statements of Shareholders' Equity

*Adolph Coors Company and Subsidiaries*

| | Common stock issued | | | | Foreign currency translation adjustment | |
|---|---|---|---|---|---|---|
| | Class A | Class B | Paid-in capital | Retained earnings | | Total |
| | *(In thousands, except per share data)* | | | | | |
| **Balances, December 26, 1993** | $1,260 | $8,795 | $37,388 | $584,444 | $ 40 | $631,927 |
| Shares issued under stock plans | | 30 | 2,072 | | | 2,102 |
| Other | | | | | 1,198 | 1,198 |
| Net income | | | | 58,120 | | 58,120 |
| Cash dividends – $0.50 per share | | | | (19,146) | | (19,146) |
| **Balances, December 25, 1994** | 1,260 | 8,825 | 39,460 | 623,418 | 1,238 | 674,201 |
| Shares issued under stock plans | | 59 | 4,058 | | | 4,117 |
| Purchase of stock | | (137) | (9,799) | | | (9,936) |
| Other | | | | | 2,522 | 2,522 |
| Net income | | | | 43,178 | | 43,178 |
| Cash dividends – $0.50 per share | | | | (19,066) | | (19,066) |
| **Balances, December 31, 1995** | 1,260 | 8,747 | 33,719 | 647,530 | 3,760 | 695,016 |
| Shares issued under stock plans | | 16 | 633 | | | 649 |
| Purchase of stock | | (34) | (2,916) | | | (2,950) |
| Other | | | | | (1,670) | (1,670) |
| Net income | | | | 43,425 | | 43,425 |
| Cash dividends – $0.50 per share | | | | (18,983) | | (18,983) |
| **Balances, December 29, 1996** | **$1,260** | **$8,729** | **$31,436** | **$671,972** | **$2,090** | **$715,487** |

*See notes to consolidated financial statements.*

## NOTE 1

### Summary of Significant Accounting Policies

**Principles of consolidation:** The consolidated financial statements include the accounts of Adolph Coors Company (ACC), its principal subsidiary, Coors Brewing Company (CBC), and the majority-owned and controlled domestic and foreign subsidiaries of both ACC and CBC (collectively referred to as "the Company"). All significant intercompany accounts and transactions have been eliminated. The equity method of accounting is used for the Company's 50% or less owned affiliates over which the Company has the ability to exercise significant influence (see Note 10). The Company has other investments which are accounted for at cost.

**Nature of operations:** The Company is a multinational brewer and marketer of beer and other malt-based beverages. The vast majority of the Company's volume is sold in the United States to independent wholesalers. The Company's international volume is produced, marketed and distributed under varying business arrangements including export, direct investment, joint ventures and licensing.

**Fiscal year:** The fiscal year of the Company is a 52- or 53-week period ending on the last Sunday in December. Fiscal years for the financial statements included herein ended December 29, 1996, a 52-week period; December 31, 1995, a 53-week period; and December 25, 1994, a 52-week period.

**Concentration of credit risk:** The majority of the accounts receivable balances are from malt beverage distributors. The Company secures substantially all of this credit risk with purchase money security interests in inventory and proceeds, personal guarantees and/or letters of credit.

**Inventories:** Inventories are stated at the lower of cost or market. Cost is determined by the last-in, first-out (LIFO) method for substantially all inventories.

Current cost, as determined principally on the first-in, first-out method, exceeded LIFO cost by $43.1 million and $42.2 million at December 29, 1996, and December 31, 1995, respectively. During 1996 and 1995, total inventory costs and quantities were reduced resulting in LIFO liquidations, the effects of which were not material.

**Properties:** Land, buildings and equipment are stated at cost. Depreciation is provided principally on the straight-line method over the following estimated useful lives: buildings and improvements, 10 to 45 years; and machinery and equipment, 3 to 20 years. Accelerated depreciation methods are generally used for income tax purposes. Expenditures for new facilities and improvements that substantially extend the capacity or useful life of an asset are capitalized. Start-up costs associated with manufacturing facilities, but not related to construction, are expensed as incurred. Ordinary repairs and maintenance are expensed as incurred.

The Company continually evaluates its assets to assess their recoverability from future operations using undiscounted cash flows. Impairment would be recognized in operations if a permanent diminution in value occurs.

**Hedging transactions:** The Company periodically enters into short-term forward, future and option contracts for foreign currency and commodities to hedge its exposure to exchange rates and price fluctuations for raw materials and fixed assets used in the production of beer. The gains and losses on these contracts are deferred and recognized in cost of sales as part of the product cost.

As of December 29, 1996, hedging activities consisted exclusively of hard currency forward contracts to directly offset hard currency exposures. These irrevocable contracts eliminated the risk to financial position and results of operations of changes in the underlying foreign exchange rate. Any variation in the exchange rate accruing to the contract would be directly offset by an equal change in the related obligation. Therefore, after the execution of the contract, variations in exchange rates would not impact the Company's financial statements. The Company's hedging activities and hard currency exposures are minimal. The Company does not enter into derivative financial instruments for speculation or trading purposes.

**Excess of cost over net assets of businesses acquired:** The excess of cost over the net assets of businesses acquired in transactions accounted for as purchases is being amortized on a straight-line basis, generally over a 40-year period.

**Advertising:** Advertising costs, included in marketing, general and administrative, are expensed when the advertising first takes place. Advertising expense was $331.9 million, $330.4 million and $327.6 million for years 1996, 1995 and 1994, respectively. The Company had $10.9 million and $8.9 million of prepaid advertising production costs reported as assets at December 29, 1996, and December 31, 1995, respectively.

**Environmental expenditures:** Environmental expenditures that relate to current operations are expensed or capitalized, as appropriate. Expenditures that relate to an existing condition caused by past operations, which do not contribute to current or future revenue generation, are expensed. Liabilities are recorded when environmental assessments and/or remedial efforts are probable and the costs can be estimated reasonably.

**Net income per common share:** Net income per common share is based on the weighted average number of shares of common stock outstanding during each year.

**Statement of Cash Flows:** The Company defines cash equivalents as highly liquid investments with original maturities of 90 days or less. The fair value of these investments approximates their carrying value. The Company's 1995 investment in the Rocky Mountain Bottle Company was a $16.2 million non-cash transaction that is not reflected as an investing activity in the Statement of Cash Flows. Income taxes paid were $13.2 million in 1996, $15.8 million in 1995 and $31 million in 1994.

**Use of estimates:** The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

**Reclassifications:** Certain reclassifications have been made to the 1995 and 1994 financial statements to conform with the 1996 presentation.

## NOTE 2

### Properties

The cost of properties and related accumulated depreciation, depletion and amortization consists of the following:

| *(In thousands)* | **Dec. 29, 1996** | Dec. 31, 1995 |
|---|---|---|
| Land and improvements | **$ 98,666** | $ 98,404 |
| Buildings | **477,184** | 470,677 |
| Machinery and equipment | **1,511,665** | 1,436,254 |
| Natural resource properties | **10,423** | 10,954 |
| Construction in progress | **29,873** | 90,593 |
| | **2,127,811** | 2,106,882 |
| Less accumulated depreciation, depletion and amortization | **1,313,709** | 1,219,473 |
| Net properties | **$ 814,102** | $ 887,409 |

At December 29, 1996, and December 31, 1995, properties included $21.5 million and $7.5 million, respectively, in unamortized internally developed and purchased software costs. Amortization expense related to this software totaled $5 million, $2.2 million and $1.1 million for 1996, 1995 and 1994, respectively.

Interest capitalized, expensed and paid was as follows:

| | For the years ended | | |
|---|---|---|---|
| *(In thousands)* | **Dec. 29, 1996** | Dec. 31, 1995 | Dec. 25, 1994 |
| Interest costs | **$17,057** | $18,433 | $17,761 |
| Interest capitalized | **(3,150)** | (6,570) | (6,300) |
| Interest expensed | **$13,907** | $11,863 | $11,461 |
| Interest paid | **$17,711** | $16,613 | $21,169 |

## NOTE 3

### Leases

The Company leases certain office facilities and operating equipment under cancelable and non-cancelable agreements accounted for as operating leases. At December 29, 1996, the minimum aggregate rental commitment under all non-cancelable leases was (in thousands): 1997, $9,684; 1998, $5,290; 1999, $3,242; 2000, $1,906; and $13,734 for years thereafter. Total rent expense was (in thousands) $11,680, $10,376 and $11,231 for years 1996, 1995 and 1994, respectively.

## NOTE 4

### Debt

Long-term debt consists of the following:

| | **Dec. 29, 1996** | | Dec. 31, 1995 | |
|---|---|---|---|---|
| *(In thousands)* | Carrying value | Fair value | Carrying value | Fair value |
| Medium-term notes | **$ 88,000** | **$ 94,000** | $126,000 | $134,000 |
| Senior notes | **100,000** | **101,000** | 100,000 | 106,000 |
| Industrial development bonds | **5,000** | **5,000** | 5,000 | 4,000 |
| Total | **193,000** | **200,000** | 231,000 | 244,000 |
| Less current portion | **17,000** | **17,000** | 36,000 | 37,000 |
| Long-term debt | **$176,000** | **$183,000** | $195,000 | $207,000 |

*Fair values were determined using discounted cash flows at current interest rates for similar borrowings.*

As of December 29, 1996, the Company had outstanding $88 million of unsecured medium-term notes. Interest is due semiannually in April and October at fixed interest rates ranging from 8.63% to 9.05% per annum. Aggregate annual maturities for the notes issued are $17 million in 1997, $31 million in 1998 and $40 million in 1999.

On July 14, 1995, the Company completed a $100 million private placement of unsecured Senior Notes at fixed interest rates ranging from 6.76% to 6.95% per annum. Interest on the notes is due semiannually in January and July. The notes are payable as follows: $80 million in 2002 and $20 million in 2005.

The Company is obligated to pay the principal, interest and premium, if any, on the $5 million, City of Wheat Ridge, Colorado Industrial Development Bonds (Adolph Coors Company Project) Series 1993. The bonds mature in 2013 and are secured by a letter of credit. They are currently variable rate securities with interest payable on the first of March, June, September and December. The interest rate on December 29, 1996, was 4.3%.

The Company has an unsecured, committed credit arrangement totaling $144 million, and as of December 29, 1996, had all $144 million available. This line of credit has a three-year term through December 12, 1998. Fees paid under this line of credit include a facilities fee on the total amount of the committed credit and a commitment fee, which is based on the undrawn portion of the line of credit. The only restriction for withdrawal is that the Company meet specific covenant criteria. The Company was in compliance with the covenants for all years presented. As of December 29, 1996, the Company also had approximately $100 million of uncommitted credit arrangements available, of which none was outstanding. The Company pays no commitment fees for these uncommitted arrangements, which are on a funds-available basis. Interest rates are negotiated at the time of borrowing.

## NOTE 5

### Income Taxes

Income tax expense includes the following current and deferred provisions:

| | For the years ended | | |
|---|---|---|---|
| *(In thousands)* | **Dec. 29, 1996** | Dec. 31, 1995 | Dec. 25, 1994 |
| Current: | | | |
| Federal | **$ 8,878** | $24,275 | $19,875 |
| State and foreign | **4,976** | 2,215 | 6,154 |
| Total current tax expense | **13,854** | 26,490 | 26,029 |
| Deferred: | | | |
| Federal | **12,154** | 6,062 | 16,804 |
| State and foreign | **5,542** | (2,452) | 3,267 |
| Total deferred tax expense | **17,696** | 3,610 | 20,071 |
| Total income tax expense | **$31,550** | $30,100 | $46,100 |

The Company's income tax expense varies from the amount expected by applying the statutory federal corporate tax rate to income as follows:

| | For the years ended | | |
|---|---|---|---|
| | **Dec. 29, 1996** | Dec. 31, 1995 | Dec. 25, 1994 |
| Expected tax rate | **35.0%** | 35.0% | 35.0% |
| State income taxes, net of federal benefit | **4.3** | 4.7 | 5.1 |
| Revaluation of deferred income tax liability | **—** | — | 0.8 |
| Effect of foreign investments | **1.6** | 0.6 | (0.2) |
| Non-deductible expenses and losses | **1.9** | 0.8 | 1.3 |
| Other, net | **(0.8)** | — | 2.2 |
| Effective tax rate | **42.0%** | 41.1% | 44.2% |

The Company's deferred taxes are composed of the following:

| *(In thousands)* | **Dec. 29, 1996** | Dec. 31, 1995 |
|---|---|---|
| Current deferred tax assets: | | |
| Deferred compensation and other employee related | **$11,865** | $11,491 |
| Change in balance sheet reserves and accruals | **9,051** | 8,216 |
| Other | **2,054** | 1,583 |
| Total current deferred tax assets | **22,970** | 21,290 |
| Current deferred tax liabilities: | | |
| Change in balance sheet reserves and accruals | **4,545** | 2,398 |
| Other | **8,998** | 263 |
| Net current deferred tax assets | **$ 9,427** | $18,629 |
| Non-current deferred tax assets: | | |
| Book in excess of tax depreciation and amortization | **$ 7,895** | $ 7,848 |
| Loss on sale or write-down of assets | **6,297** | 4,851 |
| Deferred compensation and other employee related | **7,077** | 7,066 |
| Change in balance sheet reserves and accruals | **9,006** | 8,851 |
| Other employee postretirement benefits | **27,724** | 29,239 |
| Environmental accruals | **2,308** | 2,327 |
| Deferred foreign losses | **—** | 4,779 |
| Other | **3,403** | 2,841 |
| Total non-current deferred tax assets | **63,710** | 67,802 |
| Non-current deferred tax liabilities: | | |
| Tax in excess of book depreciation and amortization | **132,339** | 130,091 |
| Capitalized interest | **5,708** | 3,002 |
| Other | **1,746** | 2,298 |
| Total non-current deferred tax liabilities | **139,793** | 135,391 |
| Net non-current deferred tax liabilities | **$ 76,083** | $ 67,589 |

The Internal Revenue Service currently is examining the federal income tax returns for fiscal years 1991 through 1995. In the opinion of management, adequate accruals have been provided for all income tax matters and related interest.

The Company and ACX Technologies, Inc. (ACX) are parties to a tax sharing agreement that provides for, among other things, the treatment of tax matters for periods prior to the distribution of ACX stock and the assignment of responsibility for adjustments as a result of audits by taxing authorities and is designed to preserve the status of the distribution as tax-free (see Note 12).

## NOTE 6

### Stock Option, Restricted Stock Award and Employee Award Plans

At December 29, 1996, the Company has four stock-based compensation plans, which are described in greater detail below. The Company applies APB Opinion No. 25 and related interpretations in accounting for its plans. Accordingly, no compensation cost has been recognized for the stock option portion of the plans. Had compensation cost been determined for the Company's stock option portion of the plans based on the fair value at the grant dates for awards under those plans consistent with the alternative method set forth under Financial Accounting Standards Board Statement No. 123, the Company's net income and earnings per share would have been reduced to the pro forma amounts indicated below:

| *(In thousands, except per share data)* | **1996** | 1995 |
|---|---|---|
| Net income: | | |
| As reported | **$ 43,425** | $ 43,178 |
| Pro forma | **$ 42,793** | $ 41,799 |
| Net income per common share: | | |
| As reported | **$ 1.14** | $ 1.13 |
| Pro forma | **$ 1.13** | $ 1.10 |
| The weighted-average fair value of options granted under the 1990 Equity Incentive Plan during the year is: | **$ 7.21** | $ 6.21 |

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions used for grants in 1996 and 1995, respectively: dividend yield of 2.535% and 2.78%; expected volatility of 26.7% for both years, risk-free interest rates of 5.74% and 7.93% for the 1990 plan options, and expected lives of 10 and nine years for the 1990 plan options.

**1983 Plan:** The 1983 non-qualified Adolph Coors Company Stock Option Plan, as amended, (the 1983 Plan) provides for options to be granted at the discretion of the board of directors. These options expire 10 years from date of grant. No options have been granted under this plan since 1989. At this time, the board of directors has decided not to grant additional options under this plan.

A summary of the status of the Company's 1983 Plan as of December 29, 1996, December 31, 1995, and December 25, 1994, and changes during the years ending on those dates is presented below:

| | Shares | Weighted average exercise price |
|---|---|---|
| | 1994 | |
| Outstanding at beginning of year | 538,568 | $15.84 |
| Exercised | 109,630 | 15.21 |
| Forfeited | 17,837 | 18.06 |
| Outstanding at end of year | 411,101 | 15.92 |
| Options exercisable at year-end | 411,101 | 15.92 |
| | 1995 | |
| Outstanding at beginning of year | 411,101 | $15.92 |
| Exercised | 228,636 | 15.24 |
| Forfeited | 13,811 | 18.02 |
| Outstanding at end of year | 168,654 | 16.66 |
| Options exercisable at year-end | 168,654 | 16.66 |
| | **1996** | |
| Outstanding at beginning of year | **168,654** | **$16.66** |
| Exercised | **100,231** | **16.54** |
| Forfeited | **18,908** | **21.97** |
| Outstanding at end of year | **49,515** | **14.85** |
| Options exercisable at year-end | **49,515** | **14.85** |

Common stock reserved for options under the 1983 Plan as of December 29, 1996, December 31, 1995, and December 25, 1994 was 712,998 shares, 694,090 shares and 680,279 shares, respectively.

**1990 Plan:** The 1990 Equity Incentive Plan (1990 EI Plan) that became effective January 1, 1990, as amended, provides for two types of grants: stock options and restricted stock awards. The stock options have a term of 10 years with exercise prices equal to fair market value on the day of the grant. Prior to 1994, one-third of the stock option grant was vested in each of the three successive years after the date of grant. Effective January 1, 1994, stock options vest at 10% for each $1 increase in fair market value of ACC stock from date of grant, with a one-year holding period, or vest 100% after nine years. Once a portion has vested, it is not forfeited even if the fair market value drops.

A summary of the status of the Company's 1990 EI Plan as of December 29, 1996, December 31, 1995, and December 25, 1994, and changes during the years ending on those dates is presented below:

| | Shares | Weighted average exercise price |
|---|---|---|
| | 1994 | |
| Outstanding at beginning of year | 309,698 | $15.57 |
| Granted | 530,693 | 16.25 |
| Exercised | 17,288 | 15.08 |
| Forfeited | 47,855 | 16.07 |
| Outstanding at end of year | 775,248 | 16.02 |
| Options exercisable at year-end | 232,635 | 15.44 |
| | 1995 | |
| Outstanding at beginning of year | 775,248 | $16.02 |
| Granted | 600,561 | 16.75 |
| Exercised | 25,190 | 14.98 |
| Forfeited | 64,567 | 16.57 |
| Outstanding at end of year | 1,286,052 | 16.35 |
| Options exercisable at year-end | 512,708 | 15.95 |
| | **1996** | |
| Outstanding at beginning of year | **1,286,052** | **$16.35** |
| Granted | **614,674** | **21.27** |
| Exercised | **107,327** | **16.26** |
| Forfeited | **70,035** | **18.84** |
| Outstanding at end of year | **1,723,364** | **18.01** |
| Options exercisable at year-end | **846,273** | **16.30** |

Common stock reserved for options as of December 29, 1996, December 31, 1995, and December 25, 1994, was 3,105,844 shares, 3,650,483 shares, and 1,186,477 shares, respectively.

In 1996, 45,390 shares of restricted stock were issued under the 1990 EI Plan. Vesting in the restricted stock awards is over a three-year period from the date of grant. The compensation cost associated with these awards is amortized to expense over the vesting period. Compensation cost associated with these awards was immaterial in 1996.

**1991 Plan:** In 1991, the Company adopted the Equity Compensation Plan for Non-Employee Directors (EC Plan). The EC Plan provides for two grants of the Company's stock: the first grant is automatic and equals 20% of the director's annual retainer, and the second grant is elective and covers all or any portion of the balance of the retainer. A director may elect to receive his remaining 80% retainer in cash, restricted stock or any combination of the two. Grants of stock vest after completion of the director's annual term. The compensation cost associated with the EC Plan is amortized over the director's term. Compensation cost associated with this plan was immaterial in 1996 and 1995.

**1995 Supplemental Compensation Plan:** In 1995, the Company adopted a supplemental compensation plan that covers substantially all its employees. Under the plan, management is allowed to recognize employee achievements through awards of Coors Stock Units (CSUs) or cash. CSUs are a measurement component equal to the fair market value of the Company's Class B common stock. CSUs have a six-month holding period after which the recipient may redeem the CSUs for cash, or, if the holder has 100 or more CSUs, in shares of the Company's Class B common stock. Awards under the plan in 1996 and 1995 were immaterial.

Common stock reserved for this plan as of December 29, 1996, and December 31, 1995, was 83,707 shares and 84,000 shares, respectively.

## NOTE 7

### Employee Retirement Plans

The Company maintains several defined benefit pension plans for the majority of its employees. Benefits are based on years of service and average base compensation levels over a period of years. Plan assets consist primarily of equity, interest-bearing investments and real estate. The Company's funding policy is to contribute annually not less than the ERISA minimum funding standards, nor more than the maximum amount that can be deducted for federal income tax purposes. Total expense for all these plans was $24.8 million in 1996, $22.7 million in 1995 and $29.5 million in 1994. These amounts include the Company's matching for the savings and investment (thrift) plan of $5.7 million for 1996, $5.7 million for 1995 and $5.8 million for 1994. The increase in 1996 pension expense versus 1995 was caused primarily by a decrease in the discount rate (settlement rate) from the 1995 rate of 8.5% to the 1996 rate of 7.25%. The decrease in pension expense in 1995 versus 1994 was caused primarily by an increase in the discount rate (settlement rate) from the 1994 rate of 7.25% to the 1995 rate of 8.5%. Pension expense in years 1994 and 1996 were calculated at the same 7.25% discount (settlement) rate, but expense in 1996 was significantly lower than 1994 because consistent contributions and strong investment returns have boosted asset levels, which results in higher actuarially assumed returns and lower pension expense.

Note that the settlement rates shown in the table were selected for use at the end of each of the years shown. Actuaries calculate pension expense annually based on data available at the beginning of each year, which includes the settlement rate selected and disclosed at the end of the previous year.

| (In thousands) | Dec. 29, 1996 | Dec. 31, 1995 | Dec. 25, 1994 |
|---|---|---|---|
| | For the years ended | | |
| Service cost – benefits earned during the year | **$12,729** | $ 9,858 | $12,517 |
| Interest cost on projected benefit obligations | **31,162** | 29,285 | 28,377 |
| Actual gain on plan assets | **(65,504)** | (69,346) | (872) |
| Net amortization and deferral | **40,691** | 47,005 | (16,351) |
| Net pension expense | **$19,078** | $16,802 | $23,671 |

The funded status of the pension plans and amounts recognized in the accompanying balance sheets are as follows:

| (In thousands) | Dec. 29, 1996 | Dec. 31, 1995 |
|---|---|---|
| Actuarial present value of accumulated plan benefits, including vested benefits of **$332,444 in 1996** and $311,366 in 1995 | **$350,506** | $341,595 |
| Projected benefit obligations for services rendered to date | **$422,516** | $423,614 |
| Plan assets available for benefits | **394,206** | 330,823 |
| Plan assets less than projected benefit obligations | **28,310** | 92,791 |
| Unrecognized net gain (loss) | **2,359** | (62,492) |
| Prior service cost not yet recognized | **(18,851)** | (20,897) |
| Unrecognized net assets being recognized over 15 years | **5,800** | 7,491 |
| Net accrued pension liability | **$ 17,618** | $ 16,893 |

Significant assumptions used in determining the valuation of the projected benefit obligations as of the end of 1996, 1995 and 1994 were:

| | 1996 | 1995 | 1994 |
|---|---|---|---|
| Settlement rate | **7.75%** | 7.25% | 8.50% |
| Increase in compensation levels | **5.00%** | 5.00% | 5.00% |
| Rate of return on plan assets | **10.25%** | 9.75% | 9.50% |

## NOTE 8

### Non-Pension Postretirement Benefits

The Company has postretirement plans that provide medical benefits and life insurance for retirees and eligible dependents. The plans are not funded.

The obligation under these plans was determined by the application of the terms of medical and life insurance plans, together with relevant actuarial assumptions and health care cost trend rates ranging ratably from 10% in 1996 to 5% in the year 2007. The effect of an annual 1% increase in trend rates would increase the accumulated postretirement benefit obligation by approximately $1.9 million and $4.7 million in 1996 and 1995, respectively. The effect of a 1% increase in trend rates also would have increased the ongoing annual cost by $0.6 million and $0.7 million in 1996 and 1995, respectively. The discount rate used in determining the accumulated postretirement benefit obligation was 7.75% and 7.25% at December 29, 1996, and December 31, 1995, respectively.

Net periodic postretirement benefit cost included the following:

| (In thousands) | Dec. 29, 1996 | Dec. 31, 1995 | Dec. 25, 1994 |
|---|---|---|---|
| | For the years ended | | |
| Service cost – benefits attributed to service during the period | **$2,065** | $2,281 | $3,097 |
| Interest cost on accumulated postretirement benefit obligations | **5,082** | 6,426 | 6,698 |
| Amortization of net loss (gain) | **(310)** | (560) | 78 |
| Net periodic postretirement benefit cost | **$6,837** | $8,147 | $9,873 |

Effective November 29, 1995, changes were made to postretirement life insurance and medical benefits which resulted in a curtailment gain of $3.3 million and $18.6 million in 1996 and 1995, respectively. The 1996 decrease in plan expense resulted principally from the curtailment of these benefits.

The status of the postretirement benefit plan was as follows:

| (In thousands) | Dec. 29, 1996 | Dec. 31, 1995 |
|---|---|---|
| Retirees | **$39,780** | $35,465 |
| Fully eligible active plan participants | **5,014** | 11,146 |
| Other active plan participants | **17,883** | 22,935 |
| Accumulated postretirement obligation | **62,677** | 69,546 |
| Unrecognized net gain | **8,452** | 975 |
| Unrecognized prior service cost | **2,209** | 2,871 |
| Accrued postretirement benefit obligation | **73,338** | 73,392 |
| Less current portion | **3,565** | 3,565 |
| Postretirement benefits | **$69,773** | $69,827 |

## NOTE 9

### Special Charges (Credits)

The annual results for 1996 include a pretax net special charge of $6.3 million which resulted in expense of $0.10 per share after tax. Second quarter results include a $5.2 million pretax charge for the ongoing Molson Breweries of Canada Limited legal proceedings and severance costs for restructuring the Company's engineering and construction operations. Results of the third quarter include a $6.7 million pretax credit for underpaid past royalties and interest from Molson (net of related legal expenses) and income from the continuing effect of changes made in payroll-related practices during 1995. Fourth quarter results include a $7.9 million pretax charge for Molson-related legal expenses, partially offset by underpaid past royalties from Molson and the continuing effect of changes made in payroll-related practices during 1995.

Fourth quarter results for 1995 include a pretax net special credit of $15.2 million which resulted in income of $0.24 per share after tax. The net credit was primarily the result of a gain for the curtailment of certain postretirement benefits other than pensions (see Note 8). Offsetting a portion of this curtailment gain are severance charges for limited reductions of the Company's work force.

Fourth quarter results for 1994 include a pretax net special credit of $13.9 million and resulted in income of $0.22 per share after tax. Two non-recurring items contributed to the net credit. First, the Company reached a settlement with a number of its insurance carriers which enabled it to recover a portion of the costs associated with the Lowry Landfill Superfund site. Offsetting this was a write-down for impairment of certain distributor assets.

In 1993, the Company restructured certain of its operations. This restructuring charge and subsequent activity are summarized as follows:

| *(In thousands)* | Personnel | Workplace redesign | Total |
|---|---|---|---|
| Balance as of December 26, 1993 | $12,316 | $18,400 | $30,716 |
| 1994 payments | 3,045 | 16,480 | 19,525 |
| Balance as of December 25, 1994 | 9,271 | 1,920 | 11,191 |
| 1995 payments | 4,623 | 1,920 | 6,543 |
| Balance as of December 31, 1995 | 4,648 | — | 4,648 |
| 1996 payments | 647 | — | 647 |
| Balance as of December 29, 1996 | **$ 4,001** | — | **$ 4,001** |

The majority of the remaining personnel accruals relate to obligations under deferred compensation arrangements and postretirement benefits other than pensions.

## NOTE 10

### Investments

**Equity investments:** The Company has 50% or less owned investments in affiliates that are accounted for using the equity method of accounting. The Company's investments aggregated $47.6 million and $42.3 million at December 29, 1996, and December 31, 1995, respectively. These investment amounts are included in other assets on the Company's consolidated balance sheets.

Summarized combined balance sheet and income statement information for the Company's equity investments are as follows:

Summarized Combined Balance Sheet

| *(In thousands)* | **Dec. 29, 1996** | Dec. 31, 1995 |
|---|---|---|
| Current assets | **$69,975** | $61,370 |
| Non-current assets | **79,162** | 58,011 |
| Current liabilities | **38,186** | 37,432 |
| Non-current liabilities | **4,236** | 2,228 |

Summarized Combined Statement of Operations

| | For the years ended | | |
|---|---|---|---|
| *(In thousands)* | **Dec. 29, 1996** | Dec. 31, 1995 | Dec. 25, 1994 |
| Net sales | **$357,273** | $363,864 | $ 49,187 |
| Gross profit | **37,372** | 44,890 | 4,032 |
| Operating income (loss) | **19,289** | 32,039 | (1,383) |
| Company's equity in operating income | **11,630** | 13,687 | 1,112 |

The Company's share of operating income of these non-consolidated affiliates is primarily included in cost of goods sold on the Company's consolidated statements of income.

In 1995, CBC and Anchor Glass Container Corporation (Anchor) formed a 50/50 joint venture to produce glass bottles at the CBC glass manufacturing facility for sale to CBC and outside customers. In 1996, Owens-Brockway Glass Container, Inc. (Owens) purchased certain Anchor assets and assumed Anchor's role in the partnership. The agreement has an initial term of 10 years and can be extended for additional two-year periods. Under the terms of the agreement, CBC agreed to contribute machinery, equipment and certain personal property with an approximate net book value of $16.2 million, and Owens agreed to contribute technology and capital, which would be used to modernize and expand the capacity of the plant. Also under the agreement, CBC agreed to reimburse certain annual operating costs of the facility and to purchase an annual quantity of bottles, which together represent a 1997 commitment of approximately $59 million. The expenditures under this agreement in 1996 and 1995 were approximately $54 million and $23 million, respectively. Additionally, the companies entered into another agreement that made Owens a long-term, preferred supplier for CBC, satisfying 100% of CBC's other glass requirements.

In 1994, CBC and American National Can Company (ANC) formed a 50/50 joint venture to produce beverage cans and ends at CBC manufacturing facilities for sale to CBC and outside customers. The agreement has an initial term of seven years and can be extended for two additional three-year periods. Additionally, the agreement requires CBC to purchase 100% of its can and end needs from the joint venture at contracted unit prices and to pay an annual fee for certain operating costs. The aggregate amount paid to the joint venture for cans and ends in 1996 and 1995 was approximately $217 million and $238 million, respectively. In 1994, the aggregate amount paid to the joint venture for ends was approximately $31 million. The estimated cost in 1997 under this agreement for cans and ends is $205 million. Additionally, during 1996, CBC received a $5 million distribution from the joint venture.

**Cost investments:** CBC invested approximately $22 million in Jinro-Coors Brewing Company (JCBC) in 1992 for a 33% interest. At that time and thereafter, it has accounted for this investment under the cost basis of accounting given that CBC does not have the ability to exercise significant influence over JCBC and that CBC's investment in JCBC is considered temporary. This investment includes a put option, whereby Jinro Limited, the 67% owner of JCBC, guarantees CBC's investment. The put option, which is held for other than trading purposes, entitles CBC to require Jinro Limited to purchase CBC's investment at the greater of cost or market value in Korean Won through March 1999. JCBC achieved positive operating income in 1996 but has not yet been profitable due to debt service costs.

## NOTE 11

### Stock Activity

**Common stock:** Both classes of common stock have the same rights and privileges, except for voting, which is the sole right of the holder of Class A stock.

The revised Colorado Business Corporation Act, which became effective in July 1994, eliminated the concept of treasury stock for Colorado corporations. Pursuant to that revision, shares that were previously classified as treasury shares were restored to status of "authorized but unissued." This elimination of treasury stock in the Company's consolidated balance sheets reduced the balances of Class B common stock and paid-in capital. At December 31, 1995, the Class B common stock was reduced by $2.3 million to a stated value of $0.24 per share, and paid-in capital was reduced by $26.6 million.

Activity in the Company's Class A and Class B common stock for each of the three years ended December 29, 1996, December 31, 1995, and December 25, 1994, is summarized below:

| | Common stock | |
|---|---|---|
| | Class A | Class B |
| **Balances at Dec. 26, 1993** | 1,260,000 | 36,939,221 |
| Shares issued under stock plans | — | 127,719 |
| **Balances at Dec. 25, 1994** | 1,260,000 | 37,066,940 |
| Shares issued under stock plans | — | 248,778 |
| Purchase of stock | — | (579,206) |
| **Balances at Dec. 31, 1995** | 1,260,000 | 36,736,512 |
| Shares issued under stock plans | — | 256,897 |
| Purchase of stock | — | (331,005) |
| **Balances at Dec. 29, 1996** | 1,260,000 | 36,662,404 |

At December 29, 1996, December 31, 1995, and December 25, 1994, 25,000,000 shares of $1 par value preferred stock were authorized but unissued.

On December 20, 1996, the board of directors authorized the repurchase of up to $40 million of ACC's outstanding Class B common stock during 1997. As of March 14, 1997, the company has repurchased 413,000 shares for approximately $8.9 million under this stock repurchase program. Additionally, subsequent to year end, the Company purchased 150,000 shares of Class B common stock for $3.2 million from a director of the Company.

## NOTE 12

### Commitments and Contingencies

**Molson:** On October 18, 1996, an arbitration panel ruled that the licensing agreement terminated in 1993 when Miller acquired its ownership interest in Molson. This ruling returns Canadian rights to all CBC brands to CBC and requires Molson to compensate CBC for the period beginning April 2, 1993. Although CBC believes the compensation awarded will be significant, that compensation cannot be quantified until the next phase of arbitration is completed during 1997. Accordingly, no such compensation has been reflected in the 1996 financial statements.

Also in its ruling, the arbitration panel found that Molson had underpaid royalties from January 1, 1991, to April 1, 1993. Thus, Molson paid CBC $6.1 million in cash (net of $680,000 of withholding taxes) during 1996 to cover the unpaid royalties plus interest. In January 1997, Molson filed an appeal to this phase of the arbitration. Management believes the appeal is without merit.

CBC and Molson have agreed that Molson will continue to brew and distribute CBC's products for an interim period ending no earlier than July 1, 1997. Income from the interim agreement is based upon actual CBC brand sales volume in Canada and is reported as gross sales in the accompanying financial statements.

**Insurance:** It is the Company's policy to act as a self-insurer for certain insurable risks consisting primarily of employee health insurance programs, workers' compensation and general liability contract deductibles.

In 1991, the Company became aware that Mutual Benefit Life Insurance Company (MBLIC) had been placed under the control of the State of New Jersey. The Company is a holder of several life insurance policies and annuities through MBLIC. The cash surrender value under these policies is approximately $7.5 million. Policyholders have been notified that all claims, benefits and annuity payments will continue to be paid in full; however, at this time, policyholders are unable to redeem the full value of their policies for cash. A moratorium charge would be applied to policies that are redeemed.

**Letters of credit:** As of December 29, 1996, the Company has approximately $5.5 million outstanding in letters of credit with certain financial institutions. They generally expire within 12 months from the date of issuance, which ranges from March 1997 to October 1997. These letters of credit are being maintained as security for performance on certain insurance policies, operations of underground storage tanks, and payments of liquor and duty taxes and energy billings.

Additionally, the product distributor for Coors Japan Company, Inc. advances certain funds to Coors Japan under a contractual arrangement between the parties. As of December 29, 1996, such advances totaled approximately $4.3 million.

**Power supplies:** In 1995, Coors Energy Company (CEC), a subsidiary of CBC, sold a portion of its coal reserves to Bowie Resources Ltd. (Bowie). CEC also entered into a 10-year agreement to purchase 100% of the coal requirements from Bowie. The coal then is sold to Trigen-Nations Energy Corporation, L.L.L.P. (Trigen).

In September 1995, CBC concluded the sale of its power plant and support facilities to Trigen. In conjunction with this sale, CBC agreed to purchase the electricity and steam needed to operate the brewery's Golden facilities. CBC's financial commitment under this agreement is divided between a fixed, non-cancelable cost of approximately $12.5 million for 1997, which adjusts annually for inflation, and a variable cost, which is generally based on fuel cost and CBC's electricity and steam use.

**ACX Technologies, Inc.:** At the end of 1992, the Company distributed to its shareholders the common stock of ACX Technologies, Inc. (ACX or ACX Technologies). ACX was formed in late 1992 to own the ceramics, aluminum, packaging and technology-based development businesses which were then owned by ACC. Joseph Coors and William K. Coors, directors of both ACC and ACX during 1996, along with Peter H. Coors, are trustees of one or more family trusts that collectively own all of ACC's voting stock and approximately 47% of ACX's common stock. Joseph Coors resigned as director of ACX in July 1996. ACC and ACX, or their subsidiaries, have certain business relationships and have engaged, or proposed to engage, in certain transactions with one another, as described below.

CBC is a limited partner in a partnership in which a subsidiary of ACX is the general partner. The partnership owns, develops, operates, and sells certain real estate previously owned directly by CBC or ACC. Each partner is obligated to make additional contributions of up to $500,000 upon call of the general partner. Distributions are allocated equally between the partners until CBC recovers its investment, and thereafter 80% to the general partner and 20% to CBC.

When ACX was spun off in 1992, CBC entered into market-based, long-term supply agreements with certain ACX subsidiaries to provide CBC packaging, aluminum and starch products. Under the packaging supply agreement, CBC agreed to purchase all of its paperboard (including composite packages, labels and certain can wrappers) from an ACX subsidiary through 1997. In early 1997, this contract was modified and extended until at least 1999. In early 1997, ACX's aluminum manufacturing business was sold to a third party. The aluminum contracts were canceled in 1995. Since late 1994, ANC has been the purchasing agent for the joint venture between ANC and CBC and has ordered limited quantities of can, end and tab stock from the now former ACX subsidiary. Additionally, ANC purchased a small quantity of tab stock for the joint venture in early 1997. Under the starch supply agreement, CBC agreed to purchase 100 million pounds of refined corn starch annually from an ACX subsidiary through 1997. In early 1997, this agreement was renegotiated, at slightly higher rates, and extended through 1999. CBC's total purchases under these agreements in 1996 were approximately $145 million. Purchases in 1997 under the packaging and starch supply agreements are estimated to be approximately $120 million.

**Investments:** In 1991, CBC entered into an agreement with Colorado Baseball Partnership 1993, Ltd. for an equity investment and multiyear signage and advertising package. This commitment, totaling approximately $30 million, was finalized upon the awarding of a National League baseball franchise to Colorado in 1991. The initial investment as a limited partner has been paid. The carrying value of this investment approximates its fair value at December 29, 1996 and December 31, 1995. The recognition of liability under the multiyear signage and advertising package began in 1995 with the opening of Coors Field.

**Environmental:** In 1991, the City and County of Denver, Waste Management of Colorado, Inc. and Chemical Waste Management, Inc. brought litigation in U.S. District Court against the Company and 37 other "potentially responsible parties" (PRPs) to determine the allocation of costs of Lowry site remediation. In 1993, the Court approved a settlement agreement between the Company and the plaintiffs, resolving the Company's liabilities for the site. The Company agreed to initial payments based on an assumed present value of $120 million in total site remediation costs. Further, the Company agreed to pay a specified share of costs if total remediation costs exceeded this amount. The Company remitted its agreed share, based on the $120 million assumption, to a trust for payment of site remediation, operating and maintenance costs. None of these payments were material to the Company's results of operations or financial position.

The City and County of Denver, Waste Management of Colorado, Inc. and Chemical Waste Management, Inc. are expected to implement site remediation. The Environmental Protection Agency's projected costs to meet the announced remediation objectives and requirements are below the $120 million assumption used for ACC's settlement. The Company has no reason to believe that total remediation costs will result in additional liability to the Company.

In 1991, the Company filed suit against certain of its former and current insurance carriers, seeking recovery of past defense costs and investigation, study and remediation costs. Settlements were reached during 1993 and 1994 with all defendants, and, as a result, the Company recognized a special pretax credit of $18.9 million in the fourth quarter of 1994 (see Note 9).

**Litigation:** The Company also is named as defendant in various actions and proceedings arising in the normal course of business. In all of these cases, the Company is denying the allegations and is vigorously defending itself against them and, in some instances, has filed counterclaims. Although the eventual outcome of the various lawsuits cannot be predicted, it is management's opinion that these suits will not result in liabilities that would materially affect the Company's financial position or results of operations.

## NOTE 13

### Quarterly Financial Information (Unaudited)

The following summarizes selected quarterly financial information for each of the two years in the period ended December 29, 1996. During 1996 and 1995, the first, second and third quarters were 12 weeks. During 1996, the fourth quarter was 12 weeks; during 1995, the fourth quarter was 13 weeks.

In the second, third and fourth quarters of 1996 and the fourth quarter of 1995, certain adjustments were made which were of a normal and recurring nature. As described in Note 9, income in 1996 was decreased by a special pretax charge of $6.3 million, or $0.10 per share, and income in the fourth quarter of 1995 was increased by a special pretax credit of $15.2 million, or $0.24 per share.

| *(In thousands, except per share data)* | First | Second | Third | Fourth | **Year** |
|---|---|---|---|---|---|
| **1996** | | | | | |
| Net sales without international income | $368,729 | $502,426 | $453,513 | $396,498 | **$1,721,166** |
| International income | 1,258 | 1,092 | 1,093 | 7,624 | **11,067** |
| Net sales, as currently reported | $369,987 | $503,518 | $454,606 | $404,122 | **$1,732,233** |
| Gross profit | $107,952 | $194,959 | $164,156 | $147,300 | **$ 614,367** |
| Net (loss) income | ($ 3,007) | $ 23,796 | $ 18,675 | $ 3,961 | **$ 43,425** |
| Net (loss) income per common share | ($0.08) | $0.63 | $0.49 | $0.10 | **$1.14** |
| **1995** | | | | | |
| Net sales without international income | $348,393 | $457,440 | $455,352 | $414,194 | **$1,675,379** |
| International income | 686 | 1,055 | 1,095 | 1,371 | **4,207** |
| Net sales, as currently reported | $349,079 | $458,495 | $456,447 | $415,565 | **$1,679,586** |
| Gross profit | $111,429 | $174,476 | $166,257 | $131,904 | **$ 584,066** |
| Net (loss) income | ($ 917) | $ 21,444 | $ 16,492 | $ 6,159 | **$ 43,178** |
| Net (loss) income per common share | ($0.02) | $0.56 | $0.43 | $0.16 | **$1.13** |

## Selected Financial Data

*Adolph Coors Company and Subsidiaries*

| *(In thousands, except per share data)* | **1996** | 1995* | 1994 | 1993 |
|---|---|---|---|---|
| **Barrels of Malt Beverages Sold** | **20,045** | 20,312 | 20,363 | 19,828 |
| **Summary of Operations** | | | | |
| Net sales | **$1,732,233** | $1,679,586 | $1,667,208 | $1,586,370 |
| Cost of goods sold | **1,117,866** | 1,095,520 | 1,067,326 | 1,041,423 |
| Marketing, general and administrative | **514,246** | 503,503 | 492,403 | 454,130 |
| Research and project development | **12,761** | 15,385 | 13,265 | 13,008 |
| Special charges (credits) | **6,341** | (15,200) | (13,949) | 122,540 |
| Total operating expenses | **1,651,214** | 1,599,208 | 1,559,045 | 1,631,101 |
| Operating income (loss) | **81,019** | 80,378 | 108,163 | (44,731) |
| Other expense – net | **6,044** | 7,100 | 3,943 | 12,099 |
| Income (loss) before income taxes | **74,975** | 73,278 | 104,220 | (56,830) |
| Income tax expense (benefit) | **31,550** | 30,100 | 46,100 | (14,900) |
| Income (loss) from continuing operations | **$ 43,425** | $ 43,178 | $ 58,120 | $ (41,930) |
| Per share of common stock | **$1.14** | $1.13 | $1.52 | ($1.10) |
| Income (loss) from continuing operations as a percentage of net sales | **2.5%** | 2.6% | 3.5% | (2.6%) |
| **Financial Position** | | | | |
| Working capital | **$ 124,194** | $ 36,530 | $ (25,048) | $ 7,197 |
| Properties – net | **$ 814,102** | $ 887,409 | $ 922,208 | $ 884,102 |
| Total assets** | **$1,362,536** | $1,384,530 | $1,371,576 | $1,350,944 |
| Long-term debt | **$ 176,000** | $ 195,000 | $ 131,000 | $ 175,000 |
| Other long-term liabilities | **$ 32,745** | $ 33,435 | $ 30,884 | $ 34,843 |
| Shareholders' equity** | **$ 715,487** | $ 695,016 | $ 674,201 | $ 631,927 |
| Net book value per share of common stock** | **$18.83** | $18.21 | $17.59 | $16.54 |
| Total debt to total capitalization | **21.2%** | 24.9% | 20.6% | 26.3% |
| Return on average shareholders' equity | **6.2%** | 6.3% | 8.9% | (6.4%) |
| **Other Information** | | | | |
| Dividends | **$ 18,983** | $ 19,066 | $ 19,146 | $ 19,003 |
| Per share of common stock | **$ 0.50** | $ 0.50 | $ 0.50 | $ 0.50 |
| Average number of common shares outstanding | **37,991** | 38,170 | 38,283 | 37,989 |
| Gross profit | **$ 614,367** | $ 584,066 | $ 599,882 | $ 544,947 |
| Capital expenditures | **$ 64,799** | $ 145,797 | $ 160,314 | $ 120,354 |
| Depreciation, depletion and amortization | **$ 121,121** | $ 122,830 | $ 120,793 | $ 118,955 |
| Full-time employees | **5,800** | 6,200 | 6,300 | 6,200 |
| Total taxes | **$ 459,502** | $ 466,740 | $ 472,854 | $ 401,667 |
| Market price range of common stock: | | | | |
| High | **$24¼** | $23¼ | $20⅞ | $23⅛ |
| Low | **$16¾** | $15⅛ | $14¾ | $15 |

*Note: Numbers in italics include results of discontinued operations.*

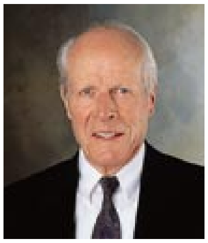
**53 weeks.*

***Reflects the dividend of ACX Technologies, Inc. to shareholders during 1992.*

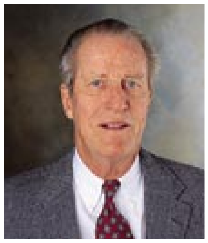
| 1992 | 1991 | 1990 | 1989* | 1988 | 1987 |
|---|---|---|---|---|---|
| 19,569 | 19,521 | 19,297 | 17,698 | 16,534 | 15,658 |
| | | | | | |
| $1,555,243 | $1,534,948 | $1,482,422 | $1,371,406 | $1,277,619 | $1,172,546 |
| 1,039,999 | 1,044,169 | 984,901 | 913,027 | 828,945 | 753,504 |
| 429,573 | 434,141 | 398,889 | 386,991 | 369,006 | 329,313 |
| 12,370 | 14,252 | 10,196 | 10,853 | 11,125 | 11,105 |
| — | 29,599 | 30,000 | 41,670 | — | — |
| 1,481,942 | 1,522,161 | 1,423,986 | 1,352,541 | 1,209,076 | 1,093,922 |
| 73,301 | 12,787 | 58,436 | 18,865 | 68,543 | 78,624 |
| 14,672 | 4,403 | 5,903 | 2,546 | (6,471) | (6,022) |
| 58,629 | 8,384 | 52,533 | 16,319 | 75,014 | 84,646 |
| 22,900 | (8,700) | 20,300 | 9,100 | 28,700 | 33,500 |
| $ 35,729 | $ 17,084 | $ 32,233 | $ 7,219 | $ 46,314 | $ 51,146 |
| $0.95 | $0.46 | $0.87 | $0.20 | $1.26 | $1.40 |
| | | | | | |
| 2.3% | 1.1% | 2.2% | 0.5% | 3.6% | 4.4% |
| | | | | | |
| $ 112,302 | *$ 110,443* | *$ 201,043* | *$ 193,590* | *$ 196,687* | *$ 242,406* |
| $ 904,915 | $ 933,692 | *$1,171,800* | *$1,012,940* | *$1,033,012* | *$ 975,781* |
| $1,373,371 | *$1,844,811* | *$1,761,664* | *$1,530,783* | *$1,570,765* | *$1,456,493* |
| $ 220,000 | $ 220,000 | *$ 110,000* | — | — | — |
| $ 52,291 | $ 53,321 | *$ 58,011* | *$ 16,138* | *$ 19,367* | *$ 26,376* |
| $ 685,445 | *$1,099,420* | *$1,091,547* | *$1,060,900* | *$1,062,064* | *$1,031,811* |
| $18.17 | *$29.33* | *$29.20* | *$28.75* | *$29.00* | *$28.19* |
| 24.3% | *19.5%* | *9.2%* | *2.0%* | *1.7%* | *0.4%* |
| *(0.2%)* | *2.3%* | *3.6%* | *1.2%* | *4.5%* | *4.8%* |
| | | | | | |
| $ 18,801 | $ 18,718 | $ 18,591 | $ 18,397 | $ 18,311 | $ 18,226 |
| $ 0.50 | $ 0.50 | $ 0.50 | $ 0.50 | $ 0.50 | $ 0.50 |
| | | | | | |
| 37,561 | 37,413 | 37,148 | 36,781 | 36,621 | 36,497 |
| $ 515,244 | $ 490,779 | $ 497,521 | $ 458,379 | $ 448,674 | $ 419,042 |
| $ 115,450 | $ 241,512 | $ 183,368 | *$ 149,616* | *$ 157,995* | *$ 199,541* |
| $ 114,780 | $ 108,367 | $ 98,081 | *$ 122,439* | *$ 111,432* | *$ 99,422* |
| 7,100 | 7,700 | 7,000 | 6,800 | 6,900 | 6,800 |
| $ 437,089 | $ 405,789 | $ 251,606 | *$ 236,740* | *$ 236,683* | *$ 234,352* |
| | | | | | |
| *$22 7/8* | *$24 1/4* | *$27 3/8* | *$24 3/8* | *$21* | *$30* |
| *$15 1/2* | *$17 3/8* | *$17 1/8* | *$17 3/8* | *$16 1/2* | *$16 1/4* |

# Directors and Officers

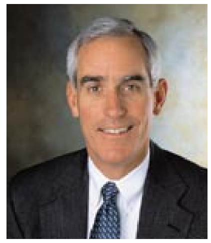
## Boards of Directors
### Adolph Coors Company and Coors Brewing Company



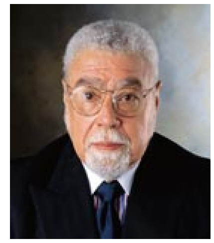
**William K. Coors**
Chairman, Adolph Coors Company and Coors Brewing Company.
Director since 1940.



**Joseph Coors**
Vice Chairman, Adolph Coors Company.
Director since 1942.



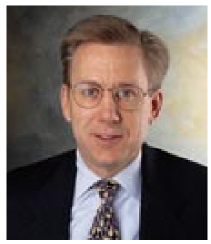
**Peter H. Coors**
Vice Chairman and Chief Executive Officer, Coors Brewing Company.
Director since 1973.



**J. Bruce Llewellyn**
Chairman and Chief Executive Officer, The Philadelphia Coca-Cola Bottling Company.
Director since 1989.

**Luis G. Nogales**
President, Nogales Partners.
Director since 1989.

**Pamela H. Patsley**
President, Chief Executive Officer and a Director, First USA Paymentech Inc.
Named Director in 1996.



**Wayne R. Sanders**
Chairman and Chief Executive Officer, Kimberly-Clark Corporation.
Director since 1995.

## Officers
### Coors Brewing Company

**William K. Coors**
Chairman of the Board

**Peter H. Coors**
Vice Chairman and Chief Executive Officer

**W. Leo Kiely III**
President and Chief Operating Officer

*Officers reporting directly to CEO, COO and CFO*

**Carl L. Barnhill**
Senior Vice President, Sales

**L. Don Brown**
Senior Vice President, Operations and Technology

**Robert W. Ehret**
Senior Vice President, Human Resources

**John R. Fawcett**
General Manager, UniBev, Ltd.

**Robert D. Klugman**
Senior Vice President, Corporate Development

**Norman E. Kuhl**
Vice President, Container Business Units

**Katherine L. MacWilliams**
Vice President and Treasurer

**Michael A. Marranzino**
Senior Vice President and Chief International Officer

**Patricia J. Smith**
Secretary

**M. Caroline Turner**
Senior Vice President, General Counsel and Assistant Secretary

**William H. Weintraub**
Senior Vice President, Marketing

**Timothy V. Wolf**
Senior Vice President and Chief Financial Officer

### Adolph Coors Company

**William K. Coors**
Chairman of the Board and President

**Peter H. Coors**
Vice President

**W. Leo Kiely III**
Vice President

**Katherine L. MacWilliams**
Vice President and Treasurer

**Patricia J. Smith**
Secretary

**M. Caroline Turner**
Vice President and Assistant Secretary

**Timothy V. Wolf**
Vice President and Chief Financial Officer

## Annual Shareholders' Meeting
The company will hold its Annual Shareholders' Meeting from 11:30 a.m. to noon on Thursday, May 15, 1997, in the Sixth-floor Auditorium, located in the Brewery Office Complex, Coors Brewing Company, Golden, Colorado.

## Shareholder Relations
Questions about stock ownership and dividends should be directed to Ann Boe in Shareholder Relations, (303) 277-3466. Shareholders may obtain a copy of the Company's 1995 Annual Report on Form 10-K filed with the Securities and Exchange Commission by writing to the Coors Consumer Information Center, Mail No. NH475, Adolph Coors Company, P.O. Box 4030, Golden, Colorado 80401, or by calling (800) 642-6116.

Shareowners holding stock in street-name accounts who wish to receive Adolph Coors Company financial reports may contact Investor Relations to be placed on the mailing list.

## Investor Relations
Securities analysts, investment professionals and shareholders with business-related inquiries or requests for financial information regarding Adolph Coors Company should contact Dave Dunnewald in Investor Relations, (303) 277-2555.

For the latest copy of the Company's annual report to shareholders, write to the Coors Consumer Information Center, Mail No. NH475, Adolph Coors Company, P.O. Box 4030, Golden, Colorado 80401, or call (800) 642-6116.

## Customer/News Media Relations
Customers are invited to call our Consumer Information Center, (800) 642-6116, for information about the Company and our products.

The news media should direct questions to Corporate Communications, (303) 277-2555 or (800) 525-3786.

Coors Brewing Company is pleased to offer specific information to the public regarding the Company's financial, environmental and social performance, as well as other areas of interest. For example, interested individuals can get the latest issue of the Coors Brewing Company Environmental Health and Safety Progress Report or Corporate Social Performance briefings on a wide range of topics of interest to our customers, investors, neighbors and other stakeholders. Simply call the Coors Consumer Information Center at (800) 642-6116.

## Transfer Agent
Boston EquiServe, 150 Royall Street, Canton, Massachusetts 02021, (617) 575-3400.

## Stock Information
Adolph Coors Company Class B common stock is traded on the over-the-counter market and is included in the National Association of Securities Dealers Automated Quotation (NASDAQ) National Market (NNM) listings under the symbol "ACCOB." Daily stock prices are listed in major newspapers, generally alphabetically under "CoorsB."

Dividends on common stock have historically been paid in the months of March, June, September and December to shareholders of record on the last day of the preceding month.

Shareowners of record at March 15, 1997: 4,943

Common shares outstanding at March 15, 1997: 36.14 million

The range of the high and low quotations and the dividends paid per share for each quarter of the past two years are shown in the following tables:

**1996**

| | Market Price | | |
|---|---|---|---|
| | High | Low | Dividends |
| First Quarter | 24¼ | 17¾ | $0.125 |
| Second Quarter | 19⅞ | 16¾ | $0.125 |
| Third Quarter | 23¾ | 17½ | $0.125 |
| Fourth Quarter | 22¾ | 17½ | $0.125 |

**1995**

| | Market Price | | |
|---|---|---|---|
| | High | Low | Dividends |
| First Quarter | 17¼ | 15½ | $0.125 |
| Second Quarter | 18⅛ | 15⅛ | $0.125 |
| Third Quarter | 18⅜ | 15⅛ | $0.125 |
| Fourth Quarter | 23¼ | 17 | $0.125 |

In February, the Company declared a quarterly dividend of 12.5 cents per share, which was paid March 17, 1997, to shareholders of record February 28, 1997.

## Equal Opportunity at Coors
Adolph Coors Company employs 5,800 people worldwide and maintains a long-standing commitment to equal opportunity in the areas of employment, promotion and purchasing. We enthusiastically support the Company's policy, which states that "Coors recruits, hires and promotes individuals regardless of race, color, national origin, sexual orientation, religion, disability, veteran status, sex or age."

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Adolph Coors Company

Golden, Colorado 80401

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