

A d o l p h C o o r s C o m p a n y
1 9 9 7 A n n u a l R e p o r t

Coors®

Coors®

1 2 5 Y e a r s o f B r e w i n g E x c e l l e n c e

A MESSAGE FROM BILL COORS

This year, 1998, is Adolph Coors Company's 125th anniversary. That's a rather remarkable achievement, and a tribute to the many talented people who have worked at Coors throughout our history.

There's no simple explanation why Coors succeeded while many hundreds of other breweries doing business back in 1873 did not. But the first place to look is at the vision and values established by my grandfather, Adolph Coors, when he opened his little brewery in Golden three years before Colorado became the 38th state.

Our founder had learned the business and craft of brewing starting as a 14-year-old brewer's apprentice in Germany. He knew that success in the beer industry required total dedication to superior quality, prudent management and exceptional service to the customer. He also had a strong, personal belief in the promise of the individual – for himself, his family and his employees. Clearly, it takes the right people to provide the caring leadership, innovation, skills and commitment needed to run a prosperous business.

Together, these heartfelt convictions formed the values that brought our company early success and sustained us through both good times and bad. These values have been passed down ever since, through my family and through generations of Coors employees.

Of course, nature gets the credit for that unique attribute that has defined Coors from the start and is the envy of our competitors – our Rocky Mountain heritage. The snow-capped Colorado Rockies just beyond Golden provide Coors with a solid and enduring advantage in the marketplace because consumers know that the connection between the mountains and our products is genuine.

Putting these pieces together begins to explain why Coors, despite our late arrival as a national brand, is now one of the nation's "Big 3" brewers and a growing force internationally. That's pretty good for a company started by a 26-year-old entrepreneur who had come to the United States on his own as a penniless stowaway.

Our future success is now in the very capable hands of my nephew Pete, Coors Brewing Company President Leo Kiely and their exceptional management team. They are focusing the entire organization on the fundamentals of the beer business and tapping into the skills and dedication of the wonderful people who work at Coors to make us the best brewing company in the world. They are building on the vision and values that began with Adolph Coors in 1873 and that, I believe, provide the cornerstone for even greater success at Coors in the years to come.



ABOUT THE COVER
Look behind the rich heritage of brewing excellence at Coors and you'll find today's portfolio of refreshing malt beverages. During our 125th anniversary, Coors is celebrating this tradition of quality, one that is recognized by our customers and fundamental to our success.



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Adolph Coors Company, founded in 1873, throughout the United States and in more than 40 international markets. In 1996, *Business Ethics* is ranked among the 675 largest publicly traded corporations in the United States. Its principal magazine ranked Coors second in its list of “The subsidiary is Coors Brewing Company, the nation’s 100 Best Corporate Citizens” in the United States.

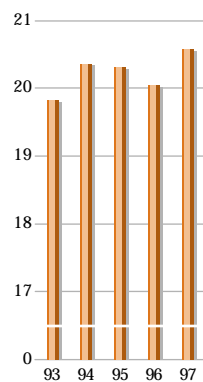
third-largest brewer. Throughout its 125-year history, Coors has provided consumers with high-quality malt beverages produced using an all-natural brewing process and the finest ingredients available. The corporate headquarters and primary brewery are in Golden, Colorado, with other major brewing and packaging facilities in Elkton, Virginia; Memphis, Tennessee; and Zaragoza, Spain. In addition, Coors owns major aluminum can and end manufacturing facilities near Golden and is a partner in the joint venture that operates these plants. Coors is also a partner in a joint venture that owns and operates a glass bottle manufacturing plant in Colorado.

The company’s portfolio of products includes Coors Light – the fourth-largest-selling beer in the country – Original Coors and more than a dozen other malt-based beverages, primarily premium and superpremium beers. Coors products are available

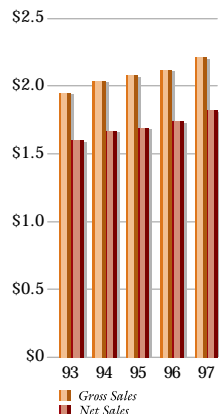
F I N A N C I A L T R E N D S *

Adolph Coors Company and Subsidiaries

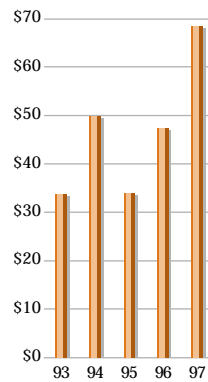
MALT BEVERAGE SALES VOLUME
(In millions of barrels)



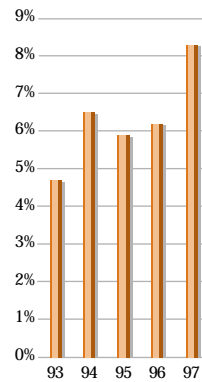
SALES FROM CONTINUING OPERATIONS**
(In billions)



INCOME FROM CONTINUING OPERATIONS
(In millions)



RETURN ON INVESTED CAPITAL***



* From continuing operations only, excluding net special credits (in 1997, 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.

F I N A N C I A L H I G H L I G H T S

	For the years ended		Percentage Change
	December 28, 1997	December 29, 1996	
	(Dollars in thousands, except per share data)		
Barrels of beer and other malt beverages sold	20,581,000	20,045,000	2.7%
Net sales	\$ 1,822,151	\$ 1,742,056	4.6%
Net income	\$ 82,260	\$ 43,425	89.4%
Properties – net	\$ 733,117	\$ 814,102	(9.9%)
Total assets	\$ 1,412,083	\$ 1,362,536	3.6%
Shareholders' equity	\$ 736,568	\$ 715,487	2.9%
Dividends	\$ 20,523	\$ 18,983	8.1%
Number of full-time employees	5,800	5,800	—
Number of shareholders of record	3,227	5,007	(35.6%)
Number of Class A common shares outstanding	1,260,000	1,260,000	—
Number of Class B common shares outstanding	35,599,356	36,662,404	(2.9%)
Per share of common stock:			
Net income – basic	\$2.21	\$1.14	93.9%
– diluted	\$2.16	\$1.14	89.5%
Net book value	\$19.79	\$18.83	4.6%
Dividends	\$0.55	\$0.50	10%

Dear Fellow Shareholders:

This year, our company celebrates its 125th birthday. The fascinating story of Adolph Coors Company and our Rocky Mountain heritage, history and success is told through the achievements, milestones and talents of many people who have contributed to more than a century of brewing excellence at Coors. Maintaining that legacy continues to be our objective for building a strong company for the future.

During the past couple of years, we have been guided by our long-term goal to establish a solid business foundation of consistent, profitable growth. In 1996, our results demonstrated substantial progress toward that goal, and in 1997 we capitalized on our momentum, strengthened our position in the industry and achieved earnings growth that outpaced our major competitors.

Overall, 1997 was a very good year for Coors Brewing Company.

Breakthrough Performance in 1997

Our 1997 results included important breakthrough improvements in margins, profitability and operating cash flow, as well as other critical performance measures for our business. Despite an extraordinarily tough competitive environment, in 1997 we:

- gained market share,
- significantly increased our investments in the marketplace,
- achieved higher pricing,
- increased and diversified income in the international sector, and

- grew overall pretax profits, even excluding the positive impact of our settlement with Molson Breweries of Canada Limited (Molson).

Unit volume for Coors beers and other malt beverages achieved a record in 1997, with a total of 20.6 million barrels sold, a 2.7% increase over the previous year. This was driven primarily by another great year for Coors Light, which remained a solid brand in the biggest growth segment of the industry – premium light beers. Sales growth for Keystone Light and George Killian's Irish Red also contributed to the overall volume gain. We were pleased as well to achieve noteworthy improvements in Zima and Original Coors volume trends, especially in the second half of the year.

Net sales grew by 4.6% to set a new record at \$1.82 billion. Net sales per barrel increased 1.9% due in part to our ability to achieve some positive domestic pricing. Our prudent and selective use of price promotions helped make Coors unique among our major competitors, which generally saw declines in revenue per barrel during the year.

Financial results showed the most dramatic improvements of all. The company achieved 1997 after-tax income of \$68.3 million, a 44% increase from the previous year excluding special items previously reported for 1996 and the first two quarters of 1997. Basic earnings per share (excluding special items) increased to \$1.84 in 1997, up 47% from \$1.25 a year earlier. Diluted earnings per share increased to \$1.80, rising 45% from \$1.24 per share in 1996. Reported 1997 net





Packaging area at the Golden brewery. Front: Specialist Rick McCloskey and operator Becky Martin. Back: (right to left) Operator Rayfield Harper Jr., specialist Larry Valdez and loader Jeff Cramer.

EMPLOYEES THROUGHOUT COORS
ARE DRIVING PRODUCTIVITY GAINS
THAT REDUCE COSTS WHILE INCREASING
PRODUCT QUALITY. ENGAGING AND
DEVELOPING OUR PEOPLE ARE ESSENTIAL
TO GREATER PROFITABILITY AND
MAINTAINING COORS' LONG TRADITION
OF PRODUCING THE FINEST-TASTING BEERS.





Peter Coors, Leo Kiely and Bill Coors next to a 1930s-era refrigerated Coors railcar at the Colorado Railroad Museum near Golden.

income (including special items) was \$82.3 million, 89% higher than a year earlier.

We believe that our successes during the past two years, and particularly in 1997, demonstrate the positive direction our company is taking as we enjoy our 125th year in the brewing business. The company's achievements during the year were broad-based, reaching nearly all areas that are vital to sustainable, high-quality earnings growth.

Continuing Our Focus on the Fundamentals

Our business priorities, identified five years ago as essential to maximizing shareholder value, guided us through a successful 1997. In 1998 and beyond,

we will continue to focus on the fundamentals of making great beer, amazing our customers, making money, and tapping and developing the unequalled creativity and potential of our people.

Of course, ongoing investment in our core brands is critical to maintaining the momentum that Coors has achieved in the marketplace. Our unique Rocky Mountain heritage and ability to excite consumers with marketing and packaging innovations continue to differentiate Coors products and support the company's tradition of quality.

Focusing on the fundamentals will help us meet the challenges and capitalize on the opportunities in the beer business. For example, the pricing environment in 1998 is expected to be at least as challenging as it has been in recent years. This is perhaps the most difficult dimension of our industry – and one of the hardest to predict. However, we will continue to be prudent and creative in the pricing arena as we strive to outperform our competitors.

Another fundamental area critical to the business is our cost structure. To date, Coors has achieved significant productivity gains through the vigorous efforts of a talented and dedicated work force. Coors people at every level have worked hard over the years to streamline brewing, packaging, transportation, administration and other areas of our business. We also made substantial investments in systems to strengthen our technology infrastructure and prepare the company for the new millennium. Year 2000 projects will require further resources through 1999. We believe that more opportunities for improved

productivity exist, and we will pursue them to further boost the efficiency and reliability of our operations.

We will also continue to pursue promising international sales opportunities. During 1997, Coors substantially increased and diversified earnings from international operations. Canadian income from our interim agreement with Molson was significantly higher in 1997 than the year before. Although income from the company's Canadian business in 1998 is expected to be somewhat lower per barrel than in 1997, we see considerable growth potential for Coors products in Canada in the future. The popularity of Coors Light in the Caribbean once again fueled double-digit growth in this market, with Puerto Rico leading the way. Coors will continue to increase its presence and potential in international markets through a prudent, selective approach to these opportunities.

Staying the Course

The health of our business and breadth of our most recent performance improvements are cause for considerable optimism in the year ahead. Achievements in 1997 were the result of many years of hard work by a great team of people whose pursuit of quality has made Coors the great company that it continues to be, 125 years after its founding.

We would like to acknowledge the contributions that your Board of Directors has made to the company's past and continued success. We also are announcing the retirement of an outstanding member of our board,

Bruce Llewellyn. The experience and leadership that Bruce has brought to our business are reflected in the progress we've made since he joined the board in 1989. We will miss Bruce's good counsel and wish him the very best in his future pursuits.

In closing, we know that 1998 will be another very challenging and competitive year in the beer industry. We will continue to focus on the fundamentals and stay the course to advance the progress that Coors has made on quality, customer service and productivity. These priorities form the foundation and strengths needed to consistently grow profitability and shareholder value.

We thank you, our shareholders, for your continued support and commitment to the future of our company.



BILL COORS

*Chairman, President and Chief Executive Officer
Adolph Coors Company*



PETER COORS

*Vice Chairman and Chief Executive Officer
Coors Brewing Company*



LEO KIELY

*President and Chief Operating Officer
Coors Brewing Company*

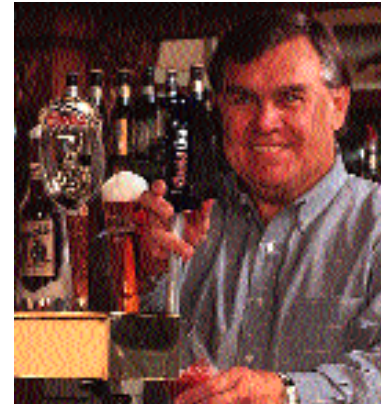
Q&A

ATTERSTEIN

Distributor

Coors

Leo Kiely joined Coors Brewing Company in March 1993 as the company's first president and chief operating officer who is not a member of the Coors family. Working closely with CEO Pete Coors, Leo challenged the entire organization to focus all of its energies on the fundamentals of the beer business and to "amaze our customers" with ever-improving quality in both products and service. After a very good year for Coors in 1997, Leo reviews the company's operations and discusses current and future challenges.



Coors Brewing Company President Leo Kiely

How does a company like Coors succeed in the beer business today?

By sticking to the basics and executing them better than everybody else in the industry. To do this, we need to stay focused on the quality of our beer, amazing our customers, making money, and tapping into and developing the talents of our people.

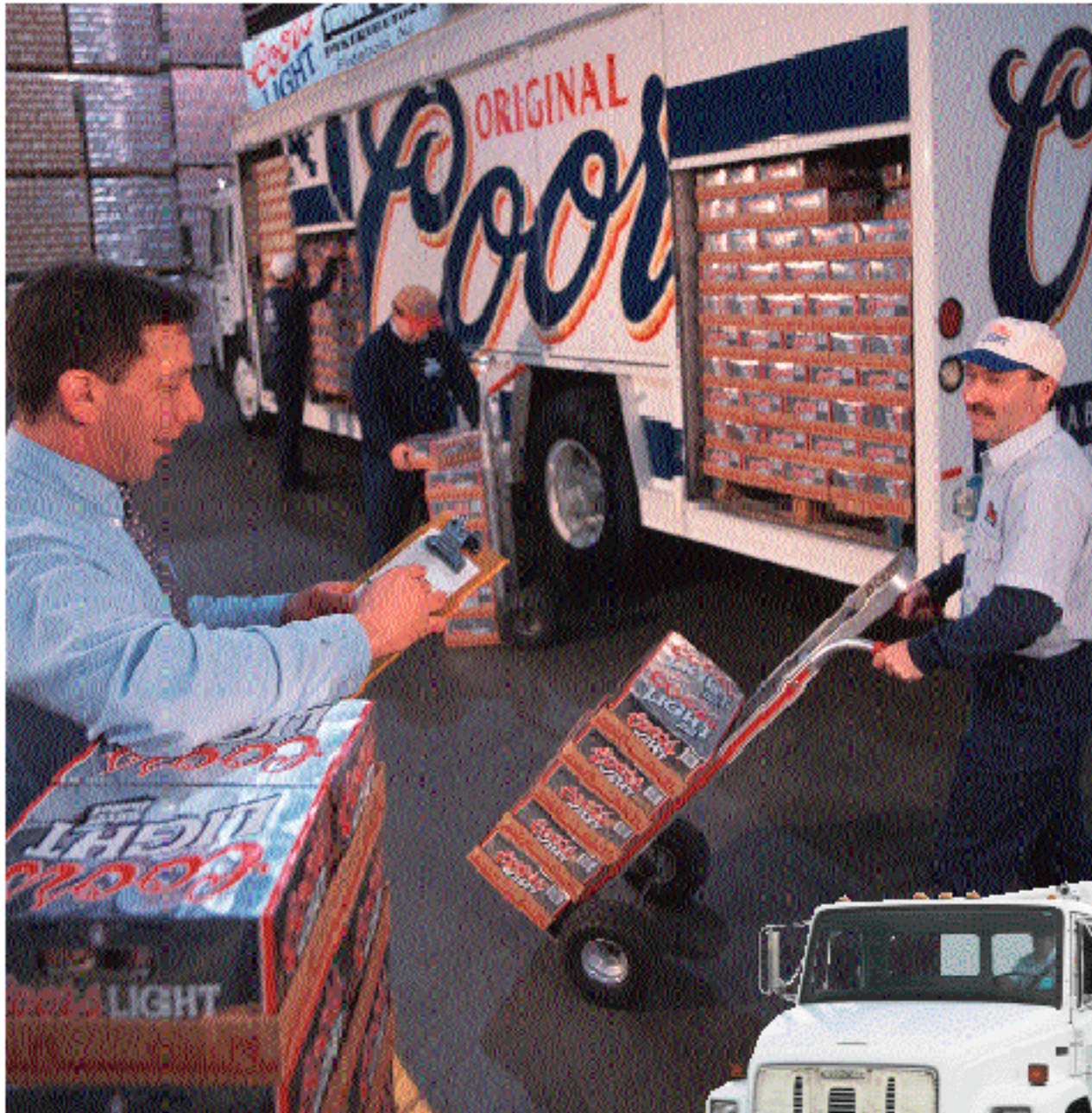
We'll continue investing in our premium-and-above brands to keep the volume momentum moving in the right direction. We also have to keep building

on our tradition of innovation in the way we brew, package, ship and sell our products. And we have to make even more progress on what we've achieved in productivity and in the strengthening of our distributor network. There are many more specific things that we need to do to remain successful, but it basically comes down to maintaining top-line growth and, at the same time, reducing and leveraging our cost structure.

What can Coors expect to achieve as the number-three brewer? Does Coors have any advantages over Anheuser-Busch and Miller?

Our goal is to grow our business profitably and consistently over the long term. When you look at the playing field, it's obvious that we can't outspend or outmuscle our competitors.

BY EVERY KEY QUALITY MEASURE,
COORS DISTRIBUTORS STRENGTHENED
THEIR OPERATIONS DRAMATICALLY
IN 1997. WHILE GETTING COORS
BEERS TO CONSUMERS HAS CHANGED
OVER THE YEARS, COORS AND ITS
DISTRIBUTORS REMAIN COMMITTED
TO GROWING SALES TOGETHER AS
PARTNERS IN THE BEER BUSINESS.



Shore Point Distributing Co. in Freehold, New Jersey. Front: Warehouse manager Jim Arillo (left) and shop steward Rob Vetrano. Back: Steve Morales and Craig Ward.



COORS LIGHT REMAINS A SOLID PLAYER WITH GREAT MOMENTUM IN THE INDUSTRY'S LARGEST CATEGORY – PREMIUM LIGHT BEERS. THE NATION'S FOURTH-BEST-SELLING BEER CONTINUED ITS IMPRESSIVE RUN OF STRONG, STEADY GROWTH IN 1997.



Nonetheless, we believe that we have considerable competitive strength in the areas of quality, brand portfolio, talented people and track record for marketing and technical innovation. Coors has a unique brand equity, including our strong association with the Rocky Mountains, which is something our customers say is a substantial and very positive point of difference in the marketplace. Most important, the momentum of our largest brand continues. Coors Light posted its third-straight summer of mid-single-digit growth in 1997. The Silver Bullet is a great brand with solid demographics in the biggest growth segment in the industry. Another good example is George Killian's Irish Red, which still is recognized as the first and leading red beer in the United States.

Finally, you have to remember that Coors has a special heritage in our industry. This year we're celebrating the brewery's 125th anniversary. Few domestic brewers have been in business that long. Our longevity and history reinforce Coors' reputation as a brewer that is experienced, innovative and committed to producing quality beers.

How will Coors meet its goal of beating the annual industry volume growth rate by 1% to 2%?

We are focused on driving both baseline and incremental growth. Let me explain what we mean when we use those two terms. First, we'll drive baseline growth by profitably growing key brands and key markets, in essence, capitalizing on the strong equities of our frontline

brands – Coors Light, Original Coors and Killian's – in markets where we're strongest.

During 1997, Coors Light achieved 10% or better growth in 52 of our top 200 markets, driven by excellent advertising, breakthrough promotions, innovative packaging and enthusiastic distributor support. In addition, our revitalization programs for Original Coors returned this brand to growth as sales to retailers improved in the second half of 1997. And Killian's has become a year-round beer, not just a St. Patrick's Day beer, which is evident from its revitalized sales.

Achieving incremental growth also will be key to our success, both domestically and internationally. This will be done by selectively investing to grow high-opportunity geographies,

retail channels, ethnic markets and new brands. We've developed a discipline to identify opportunity and growth markets through a cross-functional effort by Sales, Marketing, Distributor Development, International and Finance. Last year, incremental growth was achieved by innovative, uniquely developed programs with high levels of local distributor support. The distributor element is critical. That's why we're continuing to enhance our wholesaler organization to make it even stronger than it is today.

Do you see positive trends for Original Coors and Zima?

Original Coors celebrates its 125th anniversary this year. We renewed our emphasis on Original Coors with the brand's relaunch

in 1996. We've made significant progress since then, but we have a ways to go to recapture Original Coors' historical consumer base of 21- to 29-year-old men. It's our first and most enduring brand, so obviously it has special status for the company and among consumers. And it carries many of our company's equities. We're confident we can make more progress by capitalizing on Original Coors' history and quality, and by continuing to support the brand with captivating marketing executions.

Zima was a noteworthy contributor to the volume growth we achieved in the second half of 1997. Zima continues to have many fans in the marketplace, and the brand responded well to our new "refreshment" positioning last year. It's an

innovative product that offers consumers something refreshing and unique. Zima is good for our bottom line because it continues to provide attractive margins and incremental sales volume.

What kinds of investments is the company planning to make in core brands to ensure that Coors' market share position is strong and growing?

We have to make sure that we continue to be innovative in the way we brew, package, market and sell our core brands. Innovations in packaging such as our baseball bat bottle, Widemouth Can opening and John Wayne cans are critical in keeping us ahead of the curve in the marketplace.



ETHNIC MARKETS PROVIDE EXCITING OPPORTUNITIES FOR INCREMENTAL GROWTH FOR OUR FRONT-LINE BRANDS. AS WITH ALL OF OUR MARKETING PROGRAMS, COORS' EFFORTS IN ETHNIC MARKETS ARE DIRECTED TO ADULT CONSUMERS AND PROMOTE ONLY LEGAL AND RESPONSIBLE CONSUMPTION OF OUR PRODUCTS.



They're also examples of the customer focus that we need to maintain to keep captivating and motivating consumers.

Our new "Hey. Beer. Man." advertising has been very successful in broadening our appeal among the important market segment of young adult males, those 21 to 29 years old. We need to be sure that our advertising copy is both strategically sound and "talked about." We'll also continue making investments in our domestic and international sales organizations, particularly those related to geographic and demographic areas of opportunity.

What is Coors doing in international markets?

International markets continue to present opportunities for us to grow volume and profitability. Over the years, we've been building our international

presence and diversifying the income stream from this part of our business. Sales from export operations were up double digits in 1997, led by sales in the Caribbean, and represented approximately 5% of our reported volume last year. In addition, we now have a new joint-venture arrangement in Canada where we believe prospects for continued growth are very positive. Beyond that, opportunities for international growth are exciting in both Europe and Asia, and we'll continue to be selective and prioritize our investments.

Is the specialty beer segment still an attractive one for Coors?

Yes, but here, too, we need to be focused and selective. Killian's remains the top-selling brand in its category. Though

Killian's Family of Brands sales as a whole were flat during 1997, Killian's Irish Red was up in low-single digits and remains a profitable and attractive contributor to our brand portfolio.

While the domestic micro or "craft" brewing industry has slowed considerably, the segment is expected to continue offering growth opportunities to quality brands in the future. Our Blue Moon Brewing Company brands continue to show growth potential, but on a small base. Specialty brands are important to Coors because the above-premium category, including domestic and imported specialty brands, is growing well and is a very profitable piece of the business. We have a big opportunity to grow our share in this category. In addition, specialty brands represent just one more way we can demonstrate our ability to innovate and



Safeway in Lakewood, Colorado.

FOCUSING ON THE FUNDAMENTALS OF RETAIL EXECUTION HELPED COORS BEAT THE VOLUME GROWTH RATE FOR THE INDUSTRY AND THE OTHER MAJOR U.S. BREWERS IN 1997. WITH THE RIGHT PROMOTIONAL MATERIALS FOR TODAY'S ADULT CONSUMERS, COORS PRODUCT DISPLAYS ARE DRIVING RETAIL SALES.



GEORGE KILLIAN'S
IRISH RED LAGER IS
ONE OF THE NATION'S
MOST RECOGNIZED AND
POPULAR PRODUCTS IN
THE SPECIALTY CATEGORY.
BREWED BY COORS
SINCE 1981, KILLIAN'S
ESTABLISHED THE
COMPANY AS A LEADER
IN PRODUCING HIGH-
QUALITY AND PROFITABLE
SPECIALTY BEERS.



satisfy a wide variety of consumer tastes. That's why we feature our SandLot microbrewery at Coors Field in Denver. And the specialty beer segment remains profitable for us, too, despite the relatively small volume.

Will pricing continue to be an obstacle to growth and profitability?

With no frontline pricing increase going into 1998, the environment looks at least as tough as last year. The key for the year will be the depth of dealing during the peak season this summer. The price environment will be the most volatile factor in how effectively we grow earnings in 1998. Clearly, our goal is to continue achieving a premium compared to our major competitors by staying focused on brand building for our major franchises – Coors Light, Original Coors and Killian's.

We can't control, or even predict, the pricing environment, but we can continue to improve productivity, balance our spending decisions, invest in brands that maximize the profitability of our product mix, and strengthen our wholesaler network. These key points of focus will help mitigate the potential effects of pricing factors in the short run and, most important, will strengthen the value of our franchise for the long haul.

What is Coors doing to ensure it has the organization and leadership to accomplish the company's goals?

To be the best beer company in the world, we must build the best team in the business. I truly believe that we've assembled an outstanding leadership team at Coors. In my mind, it's the best team in the industry. Nevertheless, we continue to refine our top team.

For example, we recently increased the level of leadership and experience on both our International and Information Technology teams. We will keep refining our leadership capabilities in all areas, especially those where we must excel to achieve our goals.

In addition, we believe that we can continuously improve our business performance by engaging and developing all the people who work at Coors. Over the years, we have made solid progress toward our goal of creating an environment in which people with diverse backgrounds, styles, cultures and functions work together to assure the long-term success of our company. Our people represent a unique resource for Coors. We will continue our efforts to ensure that our company remains a place where people are valued, trusted, respected and rewarded for their contributions.

Are there any special challenges in the industry today due to renewed focus on health, underage drinking and responsibility issues?

As in the past, we will continue to demonstrate responsibility in how we market and sell our products and in how we support the communities in which we do business. Coors has a history of promoting responsible decisions. Fifteen years ago, Coors voluntarily launched community prevention and education campaigns and responsibility advertising. Today, we've integrated messages that promote responsible decision making into our advertising. In fact, both Magic Johnson and Kareem Abdul-Jabbar are appearing in our advertising to promote legal and responsible decisions about drinking. Bottom line, we are well-positioned to address alcohol issues at a national, state and local level.

Given the attention to tobacco industry issues, does Coors believe alcohol beverages are next?

No, we don't. There are more than 80 million beer consumers, and the vast majority of them drink legally and responsibly. We believe that consumers and public policy-makers understand the difference and recognize our efforts, and those of other brewers, to promote responsible consumption of alcohol and to prevent alcohol abuse. Coors has been in the forefront of efforts to prevent underage drinking, drunk driving and overconsumption by supporting education and prevention efforts that work.

We follow strict industry and company policies to ensure responsible advertising targeted to adult consumers. We work closely with our distributors and retailers encouraging responsible serving and sale. And we support the Alcohol Beverage Medical

Research Foundation in its efforts to understand the social and biomedical aspects of alcohol consumption. Clearly, beer is different from tobacco and may even provide some consumers with health benefits.

We've taken the "high road" on how we're marketing our products. Sure, some people may try to construct similarities between tobacco and alcohol, but we believe such moves would be misdirected and, worst of all, counterproductive in our industry's voluntary efforts to promote responsible behavior.

OUR SIX PLANKS

Our focus in 1998 and beyond can be summarized by the following business priorities – our six planks – that will help Coors deliver consistent, quality earnings growth:

1

BASELINE GROWTH

We will profitably grow key brands and key markets.

2

INCREMENTAL GROWTH

We will selectively invest to grow high-potential markets, channels, demographics and brands.

3

PRODUCT QUALITY

We will continuously elevate consumer-perceived quality by improving taste, freshness, package integrity and package appearance at point of purchase.

4

DISTRIBUTOR SERVICE

We will significantly enhance distributor service as measured by improved freshness, less damage, increased on-time arrivals and accurate order fill at a lower cost to Coors.

5

PRODUCTIVITY GAINS

We will continuously lower total company costs per barrel so Coors can balance improved profitability, investments to grow volume, share and revenues, and funding for the resources needed to drive long-term productivity and success.

6

PEOPLE

We will continuously improve our business performance through engaging and developing our people.

1997 was an important year financially for Adolph Coors Company. It was important because we achieved solid and broad-based progress, as discussed earlier in this annual report. Margins, productivity, earnings, cash flow, dividends, market capitalization and returns to shareholders all improved in 1997. Additionally, through our repurchase program, the company bought back almost a million shares of Coors Class B common stock, which we believe has proven to be a sound investment.

As the hallmark of our progress in 1997, return on invested capital (ROIC) climbed to 8.3% and return on average shareholders' equity grew to 9.4%. (Both ratios exclude the impact of a net special credit in 1997.) While we are mindful that these are below competitive returns and below what we believe Coors is capable of achieving, the improvements in these benchmarks are noteworthy. In 1993, we established a medium-term goal of bringing ROIC into an operating range of 8% to 12%. We achieved that important objective for the first time in 1997, making it a significant year for the company's efforts to improve financial performance.

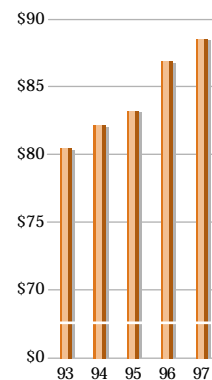
Also of note is the company's overall financial flexibility. With significantly improved liquidity, including greater cash resources, a stronger and more flexible Coors Brewing Company is now better positioned to achieve the next higher level of financial performance. We are aware of and energized by the challenges we confront as the number-three brewer in a highly competitive industry. The great improvement in our cash flow during the past two years makes us a much more competitive number-three.

With the solid accomplishments of 1997, our financial condition is the strongest it has been this decade, providing the flexibility and resources for further improvements in our company's performance. Going forward, strengthening our margins, lowering costs and managing both our balance sheet and use of working capital are priorities for our financial plan. Our objective is to make consistent and sustainable progress by pursuing those opportunities that offer substantial long-term benefits. Achieving this objective will help make Coors successful for another 125 years.

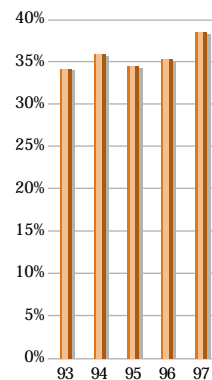
Adolph Coors Company and Subsidiaries

F I N A N C I A L T R E N D S *

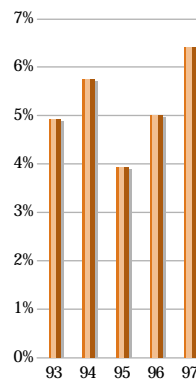
NET SALES PER BARREL



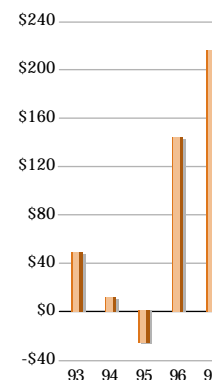
GROSS MARGIN
(% of net sales)



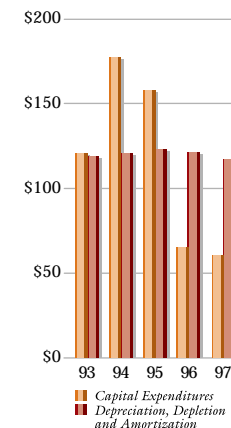
OPERATING MARGIN
(% of net sales)



CASH FROM OPERATING
AND INVESTING ACTIVITIES**
(In millions)



CAPITAL EXPENDITURES/
DEPRECIATION, DEPLETION
AND AMORTIZATION
(In millions)



* From continuing operations only, excluding net special credits (in 1997, 1995 and 1994) and special charges (in 1996 and 1993).

** Excluding purchases, sales and maturities of marketable investments in 1997 and 1996.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Introduction

Adolph Coors Company (ACC or the Company) 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 28, 1997, 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 1997 and 1996 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 1997, 1996 and 1995; restatement of results excluding special items permits clear evaluation of its ongoing operations. These special items are summarized below.

Summary of operating results:

	For the years ended		
	Dec. 28, 1997	Dec. 29, 1996	Dec. 31, 1995
<i>(In thousands, except earnings per share)</i>			
Operating income:			
As reported	\$147,399	\$81,019	\$80,378
Excluding special items	\$115,882	\$87,360	\$65,178
Net income:			
As reported	\$ 82,260	\$43,425	\$43,178
Excluding special items	\$ 68,309	\$47,299	\$33,944
Earnings per share:			
As reported – basic	\$2.21	\$1.14	\$1.13
– diluted	\$2.16	\$1.14	\$1.13
Excluding special items – basic	\$1.84	\$1.25	\$0.89
– diluted	\$1.80	\$1.24	\$0.89

1997: For the 52-week fiscal year ended December 28, 1997, ACC reported net income of \$82.3 million, or \$2.21 per basic share (\$2.16 per diluted share). During 1997, the Company received a \$71.5 million payment from Molson Breweries of Canada Limited (Molson) to settle legal disputes with ACC and CBC, less approximately \$3.2 million in related legal expenses. ACC also recorded a \$22.4 million reserve related to the recoverability of CBC's investment in Jinro-Coors Brewing Company (JCBC) of Korea, as well as a \$14.4 million charge related to CBC's brewery in Zaragoza, Spain, for the impairment of certain long-lived assets and goodwill and for severance costs for a limited work force reduction. These special items amounted to a credit of \$31.5 million to pretax income, or \$0.37 per basic share (\$0.36 per diluted share), after tax. Without this special credit, ACC would have reported net earnings of \$68.3 million, or \$1.84 per basic share (\$1.80 per diluted share).

1996: For the 52-week fiscal year ended December 29, 1996, ACC reported net income of \$43.4 million, or \$1.14 per basic and diluted share. During 1996, the Company received royalties and interest from 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. These special items amounted to a pretax charge of \$6.3 million, or \$0.11 per basic share (\$0.10 per diluted share), after tax. Without this net special charge, ACC would have reported net earnings of \$47.3 million, or \$1.25 per basic share (\$1.24 per diluted share).

1995: For the 53-week fiscal year ended December 31, 1995, ACC reported net income of \$43.2 million, or \$1.13 per basic and diluted 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. These special items amounted to a pretax credit of \$15.2 million, or \$0.24 per basic and diluted share, after tax. ACC would have reported net income of \$33.9 million, or \$0.89 per basic and diluted share, without this net special credit.

Trend summary – percentage increase (decrease) for 1997, 1996 and 1995:

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

	1997	1996	1995
Volume	2.7%	(1.3%)	(0.3%)
Net sales	4.6%	3.0%	1.0%
Average base price increase	1.7%	2.1%	1.0%
Gross profit	14.2%	5.2%	(2.6%)
Operating income	32.6%	34.0%	(30.8%)
Advertising expense	8.5%	0.5%	0.9%
Selling, general and administrative	15.6%	13.5%	2.2%

Consolidated Results of Continuing Operations – 1997 vs. 1996 and 1996 vs. 1995 *(Excluding special items)*

1997 vs. 1996: Net sales increased 4.6% driven primarily by an increase in unit volume of 2.7%. This increase in net sales was also attributable to increased international sales, which generate higher revenue per barrel than domestic sales; greater revenues related to the Canadian business due to the favorable impact of the interim agreement in effect during the year with Molson; and net price increases.

Gross profit in 1997 rose 14.2% to \$701.4 million from 1996 due to the 4.6% increase in net sales, as discussed above, along with a 0.6% reduction in cost of goods sold. Increases in cost of goods caused by higher sales volume were offset by reduced can costs; higher income recognized from CBC's joint ventures that produce bottles and cans; lower costs related to fixed asset write-offs; lower costs for employee benefits; and less depreciation expense.

Operating income increased 32.6% to \$115.9 million in 1997 as a result of the higher gross profit discussed above, offset by an 11.1% increase in marketing, general and administrative expenses. Advertising costs increased 8.5% over 1996, with increased marketing investment in premium brands and international advertising costs. General and administrative (G&A) costs increased primarily due to incentive compensation, continued investment in both domestic and international sales organizations, higher costs of operating distributorships (a distributorship was acquired in mid-1997) and increases in administrative and start-up costs for certain foreign operations.

Net non-operating expenses in 1997 declined significantly from 1996 because of a 62.1% decrease in net interest expense partially offset by a 26.7% decrease in miscellaneous income. Increased cash and investment balances attributed to improved cash flow resulted in higher interest income on investments, causing the change in net interest expense. Decreased royalties earned on certain can production technologies caused the decrease in miscellaneous income.

The Company's effective tax rate decreased to 40.8% in 1997 from 41.8% in 1996 primarily due to higher tax-exempt income and foreign tax credits. The 1997 effective tax rate exceeded the statutory rate primarily because of the effects of certain foreign investments.

Net earnings for 1997 were \$68.3 million, or \$1.84 per basic share (\$1.80 per diluted share), compared to \$47.3 million, or \$1.25 per basic share (\$1.24 per diluted share) for 1996, representing increases of 47.2% (basic) and 45.2% (diluted) in earnings per share.

1996 vs. 1995: Even though unit volume decreased 1.3%, net sales increased 3.0% 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 essentially was 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 and export sales, which generate higher revenue per barrel than domestic sales; the impact of CBC's interim agreement with Molson Breweries, which became effective in the fourth quarter; and the slight reductions in excise taxes related to 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 3.0% increase in net sales, as discussed above, offset in part by a 1.9% 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. The increase in cost of goods sold was partially offset by the favorable impact of 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 a 5.2% increase in gross profit discussed earlier and a 6.1% decrease in research and development expenses, offset partially by a 13.5% increase in G&A

expenses. Marketing expenses were relatively unchanged from 1995. G&A expenses increased due to continued investments in domestic and foreign sales organizations; 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 drove the increase in miscellaneous income. Additionally, net interest expense increased due to interest incurred on the 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 \$1.25 per basic share (\$1.24 per diluted share), compared to \$33.9 million, or \$0.89 per basic and diluted share, for 1995, representing a 40.4% increase in basic 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 28, 1997, ACC had working capital of \$158.0 million, and its net cash position was \$168.9 million compared to \$110.9 million as of December 29, 1996, and \$32.4 million as of December 31, 1995. In addition to its cash resources, ACC had short-term investments of \$42.2 million at December 28, 1997, compared to \$6.0 million at December 29, 1996. ACC also had \$47.1 million of marketable investments with maturities exceeding one year at December 28, 1997, and no comparable investments at December 29, 1996. ACC had no marketable investments other than cash equivalents at December 31, 1995. 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; costs to make computer software Year 2000 compliant; and anticipated capital expenditures in the range of \$75 to \$85 million for production equipment, information systems, repairs and upkeep, and environmental compliance.

Operating activities: Net cash provided by operating activities was \$260.6 million for 1997, \$189.6 million for 1996 and \$92.4 million for 1995. The increase in cash flows provided by operating activities in 1997 compared to 1996 was attributable primarily to higher net income; decreases in inventories and other assets; and increases in accounts payable and accrued expenses and other liabilities, partially offset by increases in accounts and notes receivable. The decrease in inventories primarily resulted from lower levels of packaging supplies inventories on hand. The decrease in other assets is due to a reduction in other supplies. The increase in accounts payable and accrued expenses and other liabilities relative to 1996 reflects

accruals for incentive compensation and increased payables for excise taxes. The increase in accounts and notes receivable reflects higher sales volumes and higher amounts due from container joint venture partners.

The 1996 increase in cash flows from operations was primarily due to decreases in inventories; moderate decreases in accounts payable and accrued expenses and other liabilities (relative to significant decreases in 1995); 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 to satellite redistribution centers. The moderate decreases in accounts payable and accrued expenses and other liabilities, compared 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.

Investing activities: During 1997, ACC spent \$127.9 million on investing activities compared to \$51.4 million in 1996 and \$118.5 million in 1995. The 1997 increase was due primarily to ACC's investments in marketable securities with extended maturities that are not considered cash equivalents. The net of purchases over sales of these securities was \$83.3 million in 1997. Capital expenditures decreased to \$60.4 million in 1997 from \$65.1 million in 1996 and \$157.6 million in 1995. In 1997, capital expenditures focused on enhancing packaging operations, while 1996 expenditures focused on information systems and expansion of packaging capacity. In 1995, capital expenditures focused on upgrades and expansion of Golden-based facilities – particularly bottling capacity. Proceeds from property sales were \$3.3 million in 1997 compared to \$8.1 million in 1996 and \$44.4 million in 1995. Proceeds from property sales in 1995 were unusually high because of the sale of the power plant equipment and support facilities for \$22.0 million and the sale of certain bottle-line machinery and equipment under a sale-leaseback transaction for \$17.0 million.

Financing activities: Net cash used in financing activities was \$72.0 million during 1997 attributable to principal payments on ACC's medium-term notes of \$20.5 million, net purchases of Class B common stock for \$35.6 million and dividend payments of \$20.5 million.

ACC spent \$59.3 million on financing activities during 1996 due primarily to principal payments on its medium-term notes of \$38.0 million, purchases of Class B common stock for \$3.0 million and dividend payments of \$19.0 million.

During 1995, the Company generated \$31.0 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.

Debt obligations: As of December 28, 1997, ACC had \$67.5 million outstanding in medium-term notes. With cash on hand, the Company repaid principal of \$20.5 million and \$38 million on these notes in 1997 and 1996, respectively. Principal payments of \$44 million in 1995 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 \$27.5 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 19.0% in 1997, 21.2% at the end of 1996 and 24.9% at the end of 1995.

Revolving line of credit: In addition to the medium-term notes and the Senior Notes, the Company has an unsecured, committed credit arrangement totaling \$200 million and as of December 28, 1997, had all \$200 million available. This line of credit has a five-year term that expires in 2002, with two optional one-year extensions. A facilities fee is paid on the total amount of the committed credit. The only restriction for withdrawal is a debt to total capitalization covenant, with which the Company was in compliance at year-end 1997.

CBC's distribution subsidiary in Japan has two revolving lines of credit that it uses in normal operations. Each of these facilities provides up to 500 million yen (approximately \$4.0 million each) in short-term financing. As of December 28, 1997, the approximate yen equivalent of \$4.5 million was outstanding under these arrangements and included in accrued expenses and other liabilities in the consolidated balance sheets.

Hedging activities: As of December 28, 1997, hedging activities consisted exclusively of hard currency forward contracts to directly offset hard currency exposures. These irrevocable contracts reduced 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 offset by a similar 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 November 13, 1997, the board of directors authorized the extension of the Company's stock repurchase program through 1998. The program authorizes repurchases of up to \$40 million of ACC's outstanding Class B common stock during 1998. Repurchases will be financed by funds generated from operations or possibly from short-term borrowings. The Company spent approximately \$25 million in 1997 to repurchase common stock, primarily in purchasing almost 1 million shares of outstanding Class B common stock under the previously approved stock repurchase program.

Investment in Jinro-Coors Brewing Company: CBC invested approximately \$22 million for a 33% interest in JCBC in 1992. CBC has accounted for this investment under the cost basis of accounting, given that CBC has not had the ability to exercise significant influence over JCBC and that CBC's investment in JCBC has

been considered temporary. This investment included a put option that was exercised by CBC in December 1997. The put option entitled CBC to require Jinro Limited (the 67% owner of JCBC) to purchase CBC's investment at the greater of cost or market value (both measured in Korean won).

Beginning in April 1997, Jinro Limited, a publicly traded subsidiary of Jinro Group, missed debt payments and began attempting to restructure. In response to its financial difficulties and those of its subsidiaries (including JCBC), Jinro Group has been working with its creditors and the government to restructure its debts and has begun selling real estate and merging and/or selling businesses. The financial difficulties of JCBC and Jinro Limited, the guarantor of the put option discussed above, called into question the recoverability of CBC's investment in JCBC. Therefore, during the second quarter of 1997, CBC fully reserved for its investment in JCBC. This reserve was classified as a special charge in the accompanying statements of income.

CBC exercised its put option in December 1997. Since Jinro Limited's obligation under the put option is measured in Korean won and given the current significant devaluation of that currency, the full amount received from Jinro Limited would be significantly less (approximately half as of December 28, 1997) than the value of CBC's original investment. Jinro Limited, which is operating under protection from its creditors under the Korean composition law, has until June 1998 to perform its obligation under the put option. Given Jinro Limited's current financial condition and the volatility of the Korean economy, CBC cannot predict whether Jinro Limited will be able to perform under this obligation.

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 1998; 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 1998 capital expenditures and operations; the Company's expectations for funding work on computer software to make it compliant with Year 2000; 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 potential erosion of sales revenues through discounting or a higher proportion of sales in value-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 imports 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 laws and government regulations affecting environmental compliance and income taxes;
- the inability to achieve targeted improvements in CBC's distribution system;
- the imposition of excise or other taxes;
- restrictions on advertising (e.g., media, outdoor ads or sponsorships);
- labor issues, including union activities that required a substantial increase in cost of goods sold or led to a strike, impairing production and decreasing sales;
- significant increases in federal, state or local beer or other excise taxes;
- increases in rail transportation rates or interruptions of rail service;
- the potential impact of industry consolidation;
- 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; and
- the risk that computer systems of the Company's significant suppliers and customers may not be Year 2000 compliant.

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.

Outlook for 1998

Volume gains are expected to increase net sales in 1998; however, the pricing environment is expected to be extremely competitive, restraining expectations of net sales per barrel. Also, increased value-pack activity may have an unfavorable impact on top-line performance due to lower margins.

Income from the Company's Canadian business is expected to be 25% to 30% lower per barrel in 1998 than in 1997, based on current sales trends and 1998 plans for marketing investments. Revenue received under the Company's interim agreement with Molson, which expired at year-end 1997, provided higher earnings per barrel than those expected as a result of the new partnership with The Molson Companies Ltd. and Carling O'Keefe Breweries of Canada Ltd. On the other hand, the partners of Coors Canada see considerable growth potential for Coors products in Canada in the future.

For fiscal year 1998, raw material costs are expected to be up slightly, but fixed costs and freight costs are expected to be down slightly. This outlook could change if aluminum or paper cost trends change during the first nine months of 1998. CBC continues to pursue improvements in its operations and technology functions to achieve cost reductions over time.

Advertising and other G&A costs are expected to increase but at a lower rate than in 1997. Management continues to monitor CBC's market opportunities and to invest behind its brands and sales efforts accordingly. Incremental sales and marketing spending will be determined on an opportunity-by-opportunity basis.

See the item titled Year 2000 under "Contingencies" of this section for a discussion of the expected financial impact of this issue.

Total net interest expense is expected to be lower in 1998 based on CBC's more favorable cash position and its lower outstanding debt relative to its 1997 financial position. Net interest expense could be less favorable than expected if the Company decides to invest a substantial portion of its cash balances. Additional outstanding common stock may be repurchased in 1998 as approved by the ACC board of directors in November 1997.

The effective tax rate for 1998 is not expected to differ significantly from the 1997 effective tax rate applied to income excluding special items. The level and mix of pretax income for 1998 could affect the actual rate for the year.

In 1998, CBC has planned capital expenditures (including contributions to its container joint ventures for capital improvements, which will be recorded on the books of the joint venture) in the range of \$75 to \$85 million. In addition to CBC's 1998 planned capital expenditures, incremental strategic investments will be considered on a case-by-case basis.

Contingencies

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 of \$30 million, 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 currently 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.

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.

Year 2000: As the Year 2000 approaches, ACC recognizes the need to ensure its operations will not be adversely impacted by Year 2000 software failures. The Company is addressing this issue to ensure the availability and integrity of its financial systems and the reliability of its operational systems. ACC has established processes for evaluating and managing the risks and costs associated with this problem. The Company has and will continue to make certain investments in its software systems and applications to ensure that it is Year 2000 compliant. The financial impact to ACC of Year 2000 remediation costs is anticipated to be in the range of \$10 to \$15 million in each of 1998 and 1999. In addition, ACC is working with its suppliers and customers to ensure their compliance with Year 2000 issues in order to avoid any interruptions in its business. While ACC does not at this time anticipate significant problems with suppliers and customers, it is developing contingency plans with these third parties due to the possibility of compliance issues.

Accounting Changes

In March 1998, the Accounting Standards Executive Committee issued Statement of Position 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use" (SOP 98-1). SOP 98-1 requires that specified costs incurred in developing or obtaining internal use software, as defined by SOP 98-1, be capitalized once certain criteria have been met and amortized in a systematic and rational manner over the software's estimated useful life. SOP 98-1 is effective for fiscal years beginning after December 15, 1998, and stipulates that costs incurred prior to initial application of the statement not be adjusted according to the statement's provisions. Adoption of SOP 98-1 is not expected to have a significant impact on the Company's financial position or results of operations.

**MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS**

The management of Adolph Coors Company and its subsidiaries has the responsibility for the preparation, integrity and fair presentation of the accompanying financial statements.

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, the Company maintains a system of internal control, which is designed to provide reasonable assurance to management and to the Board of Directors regarding the preparation and publication of reliable and accurate financial statements; over safeguarding of assets; the effectiveness and efficiency of operations; and compliance with applicable laws and regulations.

The system includes, among other things, division of responsibility, a documented organization structure, established policies and procedures that are communicated throughout the Company, and careful selection and training of our people.

In addition, the Company maintains an internal auditing program that assesses the effectiveness of the internal controls and recommends possible improvements. Management has considered the internal control recommendations and has taken actions that we believe are cost-effective to respond appropriately to these recommendations.

The Board of Directors, operating through its Audit Committee, which is composed of outside directors, provides oversight to the financial reporting process.

William K. Coors
Chairman, President and Chief Executive Officer

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 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 28, 1997, and December 29, 1996, and the results of their operations and their cash flows for each of the three years in the period ended December 28, 1997, 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 12, 1998

CONSOLIDATED STATEMENTS OF INCOME

	For the years ended		
	December 28, 1997	December 29, 1996	December 31, 1995
	<i>(in thousands, except per share data)</i>		
Sales – domestic and international	\$2,208,231	\$2,121,367	\$2,075,917
Less – beer excise taxes	386,080	379,311	385,216
Net sales	1,822,151	1,742,056	1,690,701
Costs and expenses:			
Cost of goods sold	1,120,778	1,127,689	1,106,635
Marketing, general and administrative	585,491	527,007	518,888
Special (credits) charges (Note 9)	(31,517)	6,341	(15,200)
Total operating expenses	1,674,752	1,661,037	1,610,323
Operating income	147,399	81,019	80,378
Other income (expense):			
Interest income	9,360	2,821	1,345
Interest expense	(13,560)	(13,907)	(11,863)
Miscellaneous – net	3,694	5,042	3,418
Total	(506)	(6,044)	(7,100)
Income before income taxes	146,893	74,975	73,278
Income tax expense (Note 5)	64,633	31,550	30,100
Net income	\$ 82,260	\$ 43,425	\$ 43,178
Net income per common share – basic	\$2.21	\$1.14	\$1.13
– diluted	\$2.16	\$1.14	\$1.13
Weighted-average number of outstanding common shares – basic	37,218	37,966	38,164
– diluted	38,056	38,219	38,283

See notes to consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

	December 28, 1997	December 29, 1996
Assets		
	<i>(In thousands)</i>	
Current assets:		
Cash and cash equivalents	\$ 168,875	\$ 110,905
Short-term investments	42,163	5,958
Accounts and notes receivable:		
Trade, less allowance for doubtful accounts of \$557 in 1997 and \$275 in 1996	89,731	86,421
Affiliates	19,677	14,086
Other, less allowance for certain claims of \$1,500 in 1997 and \$0 in 1996	15,077	13,836
Inventories:		
Finished	44,729	43,477
In process	20,119	23,157
Raw materials	35,654	40,737
Packaging materials, less allowance for obsolete inventories of \$1,049 in 1997 and \$1,046 in 1996	5,977	13,699
Total inventories	106,479	121,070
Other supplies, less allowance for obsolete supplies of \$4,165 in 1997 and \$2,273 in 1996	32,362	36,103
Prepaid expenses and other assets	18,224	18,836
Deferred tax asset (Note 5)	24,606	9,427
Total current assets	517,194	416,642
Properties, at cost and net (Note 2)	733,117	814,102
Excess of cost over net assets of businesses acquired, less accumulated amortization of \$5,726 in 1997 and \$4,778 in 1996	22,880	21,374
Other assets (Note 10)	138,892	110,418
Total assets	\$1,412,083	\$1,362,536

See notes to consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

	December 28, 1997	December 29, 1996
Liabilities and Shareholders' Equity		
	<i>(In thousands)</i>	
Current liabilities:		
Current portion of long-term debt (Note 4)	\$ 27,500	\$ 17,000
Accounts payable:		
Trade	113,864	110,696
Affiliates	18,072	12,424
Accrued salaries and vacations	58,257	39,482
Taxes, other than income taxes	52,805	30,976
Federal and state income taxes (Note 5)	13,660	8,983
Accrued expenses and other liabilities	74,988	72,887
Total current liabilities	359,146	292,448
Long-term debt (Note 4)	145,000	176,000
Deferred tax liability (Note 5)	76,219	76,083
Postretirement benefits (Note 8)	71,908	69,773
Other long-term liabilities	23,242	32,745
Total liabilities	675,515	647,049
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: 35,599,356 in 1997 and 36,662,404 in 1996)	8,476	8,729
Total capital stock	9,736	9,989
Paid-in capital	—	31,436
Retained earnings	730,628	671,972
Foreign currency translation adjustment	(3,796)	2,090
Total shareholders' equity	736,568	715,487
Total liabilities and shareholders' equity	\$1,412,083	\$1,362,536

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the years ended		
	December 28, 1997	December 29, 1996	December 31, 1995
	<i>(in thousands)</i>		
Cash flows from operating activities:			
Net income	\$ 82,260	\$ 43,425	\$ 43,178
Adjustments to reconcile net income to net cash provided by operating activities:			
Equity in net earnings of joint ventures	(15,893)	(11,467)	(13,687)
Reserve for joint venture investment	21,978	—	—
Depreciation, depletion and amortization	117,166	121,121	122,830
Loss on sale or abandonment of properties and intangibles	5,594	12,535	1,274
Impairment charge	10,595	—	—
Deferred income taxes	(15,043)	17,696	3,610
Change in operating assets and liabilities:			
Accounts and notes receivable	(10,971)	2,232	(9,952)
Inventories	14,051	18,076	2,135
Other assets	3,742	(2,128)	(655)
Accounts payable	9,599	(8,175)	(32,180)
Accrued expenses and other liabilities	37,475	(3,712)	(24,139)
Net cash provided by operating activities	260,553	189,603	92,414
Cash flows from investing activities:			
Purchases of investments	(122,800)	(5,958)	—
Sales and maturities of investments	39,499	—	—
Additions to properties and intangible assets	(60,373)	(65,112)	(157,599)
Proceeds from sale of properties and intangibles	3,273	8,098	44,448
Distributions from joint ventures	12,500	5,000	—
Other	(25)	6,569	(5,338)
Net cash used in investing activities	(127,926)	(51,403)	(118,489)
Cash flows from financing activities:			
Issuance of stock under stock plans	24,588	4,674	4,117
Purchases of stock	(60,151)	(6,975)	(9,936)
Dividends paid	(20,523)	(18,983)	(19,066)
Proceeds from long-term debt	—	—	100,000
Payments of long-term debt	(20,500)	(38,000)	(44,000)
Other	4,544	—	(116)
Net cash (used in) provided by financing activities	(72,042)	(59,284)	30,999
Cash and cash equivalents:			
Net increase in cash and cash equivalents	60,585	78,916	4,924
Effect of exchange rate changes on cash and cash equivalents	(2,615)	(397)	294
Balance at beginning of year	110,905	32,386	27,168
Balance at end of year	\$ 168,875	\$110,905	\$ 32,386

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

	Common stock issued		Paid-in capital	Retained earnings	Foreign currency translation adjustment	Total
	Class A	Class B				
<i>(in thousands, except per share data)</i>						
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		61	4,613			4,674
Purchase of stock		(79)	(6,896)			(6,975)
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
Shares issued under stock plans		236	25,145			25,381
Purchase of stock		(489)	(56,581)	(3,081)		(60,151)
Other					(5,886)	(5,886)
Net income				82,260		82,260
Cash dividends – \$0.55 per share				(20,523)		(20,523)
Balances, December 28, 1997	\$1,260	\$8,476	\$ —	\$730,628	\$(3,796)	\$736,568

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 that 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 28, 1997, a 52-week period; December 29, 1996, a 52-week period; and December 31, 1995, a 53-week period.

Investments in marketable securities: ACC invests excess cash on hand in interest-bearing debt securities. At December 28, 1997, \$42.2 million of these securities were classified as current assets and \$47.1 million were classified with longer term assets as their maturities exceeded one year. All of these securities were considered to be available-for-sale. The fair value of these securities at December 28, 1997, approximated their amortized cost.

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 \$43.4 million and \$43.1 million at December 28, 1997, and December 29, 1996, respectively.

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.

Hedging transactions: The Company periodically enters into short-term forward contracts for foreign currency to hedge its exposure to exchange rate fluctuations. The gains and losses on these contracts are deferred and recognized in income when realized.

As of December 28, 1997, hedging activities consisted exclusively of hard currency forward contracts to directly offset hard currency exposures. These irrevocable contracts reduced 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 offset by a similar 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.

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

Advertising: Advertising costs, included in marketing, general and administrative, are expensed when the advertising first takes place. Advertising expense was \$360.0 million, \$331.9 million and \$330.4 million for years 1997, 1996 and 1995, respectively. The Company had \$9.6 million and \$10.9 million of prepaid advertising production costs reported as assets at December 28, 1997, and December 29, 1996, respectively.

Research and development: Research and project development costs, included in marketing, general and administrative, are expensed as incurred. These costs totaled \$14.6 million, \$15.3 million and \$16.3 million in 1997, 1996 and 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.

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. During 1997, ACC issued \$0.8 million in restricted common stock under its management incentive compensation plan. Income taxes paid were \$66.8 million in 1997, \$13.2 million in 1996 and \$15.8 million in 1995.

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 1996 and 1995 financial statements to conform with the 1997 presentation.

Note 2:

Properties

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

	Dec. 28, 1997	Dec. 29, 1996
<i>(In thousands)</i>		
Land and improvements	\$ 97,117	\$ 98,666
Buildings	482,939	477,184
Machinery and equipment	1,516,034	1,511,665
Natural resource properties	8,906	10,423
Construction in progress	39,941	29,873
	2,144,937	2,127,811
Less accumulated depreciation, depletion and amortization	1,411,820	1,313,709
Net properties	\$ 733,117	\$ 814,102

In March 1994, CBC, through its subsidiary Coors Brewing Iberica, S.A. (Coors Iberica), purchased a 500,000-hectoliter brewery in Zaragoza, Spain. During 1997, Coors Iberica addressed certain capacity issues at its brewery, as well as certain employment matters. Coors Iberica negotiated severance terms with labor unions during the second quarter of 1997, which prompted CBC management to update its evaluation of the recoverability of Coors Iberica's long-lived assets and related goodwill. Certain of these assets were deemed impaired in light of expected future, undiscounted cash flows. During the second quarter of 1997, CBC recorded an impairment charge of approximately \$10.6 million and severance costs of approximately \$3.8 million, which have been classified as special charges in the accompanying statements of income. The impairment charge represented a reduction of the carrying amounts of the impaired assets to their estimated fair market values, which were determined with the aid of an independent, third-party appraisal.

Interest incurred, capitalized, expensed and paid was as follows:

	For the years ended		
	Dec. 28, 1997	Dec. 29, 1996	Dec. 31, 1995
<i>(In thousands)</i>			
Interest costs	\$15,460	\$17,057	\$18,433
Interest capitalized	(1,900)	(3,150)	(6,570)
Interest expensed	\$13,560	\$13,907	\$11,863
Interest paid	\$14,643	\$17,711	\$16,613

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 28, 1997, the minimum aggregate rental commitment under all non-cancelable leases was (in thousands): 1998, \$5,403; 1999, \$4,578; 2000, \$3,124; 2001, \$2,353; and \$15,021 for years thereafter. Total rent expense was (in thousands) \$13,870, \$11,680 and \$10,376 for years 1997, 1996 and 1995, respectively.

Note 4:

Debt

Long-term debt consists of the following:

	Dec. 28, 1997		Dec. 29, 1996	
	Carrying value	Fair value	Carrying value	Fair value
<i>(In thousands)</i>				
Medium-term notes	\$ 67,500	\$ 70,000	\$ 88,000	\$ 94,000
Senior Notes	100,000	101,000	100,000	101,000
Industrial development bonds	5,000	5,000	5,000	5,000
Total	172,500	176,000	193,000	200,000
Less current portion	27,500	27,500	17,000	17,000
Long-term debt	\$145,000	\$148,500	\$176,000	\$183,000

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

As of December 28, 1997, the Company had outstanding \$67.5 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 \$27.5 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 28, 1997, was 4.3%.

The Company has an unsecured, committed credit arrangement totaling \$200 million and as of December 28, 1997, had all \$200 million available. This line of credit has a five-year term that expires in 2002, with two optional one-year extensions. A facilities fee is paid on the total amount of the committed credit. The only restriction for withdrawal is a debt to total capitalization covenant, with which the Company was in compliance at year-end 1997.

CBC's distribution subsidiary in Japan has two revolving lines of credit that it utilizes in its normal operations. Each of these facilities provides up to 500 million yen (approximately \$4.0 million each) in short-term financing. As of December 28, 1997, the approximate yen equivalent of \$4.5 million was outstanding under these arrangements and included in accrued expenses and other liabilities in the accompanying balance sheets.

Note 5:

Income Taxes

Income tax expense (benefit) includes the following current and deferred provisions:

	For the years ended		
	Dec. 28, 1997	Dec. 29, 1996	Dec. 31, 1995
<i>(In thousands)</i>			
Current:			
Federal	\$ 68,435	\$ 8,878	\$24,275
State and foreign	11,241	4,976	2,215
Total current tax expense	79,676	13,854	26,490
Deferred:			
Federal	(12,935)	12,154	6,062
State and foreign	(2,108)	5,542	(2,452)
Total deferred tax (benefit) expense	(15,043)	17,696	3,610
Total income tax expense	\$ 64,633	\$31,550	\$30,100

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. 28, 1997	Dec. 29, 1996	Dec. 31, 1995
Expected tax rate	35.0%	35.0%	35.0%
State income taxes, net of federal benefit	3.9	4.3	4.7
Effect of foreign investments	0.8	1.6	0.6
(Non-taxable income) non-deductible expenses and losses	(0.4)	1.9	0.8
Effect of reserve for joint venture investment	4.8	—	—
Other, net	(0.1)	(0.8)	—
Effective tax rate	44.0%	42.0%	41.1%

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

	Dec. 28, 1997	Dec. 29, 1996
<i>(In thousands)</i>		
Current deferred tax assets:		
Deferred compensation and other employee related	\$ 11,773	\$ 11,865
Balance sheet reserves and accruals	18,560	9,051
Other	1,560	2,054
Valuation allowance	(7,002)	—
Total current deferred tax assets	24,891	22,970
Current deferred tax liabilities:		
Balance sheet reserves and accruals	285	4,545
Other	—	8,998
Total current deferred tax liabilities	285	13,543
Net current deferred tax assets	\$ 24,606	\$ 9,427
Non-current deferred tax assets:		
Deferred compensation and other employee related	\$ 2,999	\$ 7,077
Balance sheet reserves and accruals	2,784	9,006
Other employee postretirement benefits	28,158	27,724
Environmental accruals	1,469	2,308
Deferred foreign losses	2,142	—
Other	1,583	3,403
Total non-current deferred tax assets	39,135	49,518
Non-current deferred tax liabilities:		
Depreciation and capitalized interest	115,226	123,855
Other	128	1,746
Total non-current deferred tax liabilities	115,354	125,601
Net non-current deferred tax liabilities	\$ 76,219	\$ 76,083

The deferred tax assets have been reduced by a valuation allowance because management believes it is more likely than not that such benefits will not be fully realized.

The Internal Revenue Service (IRS) has completed its examination of the Company's federal income tax returns through 1992. The IRS currently is examining the federal income tax returns for fiscal years 1993 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 at the end of 1992 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 28, 1997, the Company had four stock-based compensation plans, which are described in greater detail below. The Company applies Accounting Principles Board Opinion No. 25 and related interpretations in accounting for its plans. Accordingly, as the exercise prices upon grant are equal to quoted market values, 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:

<i>(In thousands, except per share data)</i>	1997	1996	1995
Net income			
As reported	\$82,260	\$43,425	\$43,178
Pro forma	\$78,077	\$42,793	\$41,799
Net income per common share – basic			
As reported	\$2.21	\$1.14	\$1.13
Pro forma	\$2.10	\$1.13	\$1.09
Net income per common share – diluted			
As reported	\$2.16	\$1.14	\$1.13
Pro forma	\$2.05	\$1.12	\$1.09
The weighted-average fair value of options granted under the 1990 Equity Incentive Plan during the year is:	\$8.78	\$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 1997 and 1996, respectively: dividend yield of 2.47% and 2.535%; expected volatility of 36.06% and 26.7%; risk-free interest rates of 6.52% and 5.74% for the 1990 Plan options; and expected lives of 10 years for both years.

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 28, 1997, December 29, 1996, and December 31, 1995, and changes during the years ending on those dates is presented below:

	Options exercisable at year-end			
	Shares	Weighted-average exercise price	Shares	Weighted-average exercise price
Outstanding at Dec. 25, 1994	411,101	\$15.92	411,101	\$15.92
Exercised	228,636	15.24		
Forfeited	13,811	18.02		
Outstanding at Dec. 31, 1995	168,654	16.66	168,654	16.66
Exercised	100,231	16.54		
Forfeited	18,908	21.97		
Outstanding at Dec. 29, 1996	49,515	14.85	49,515	14.85
Exercised	45,627	14.55		
Forfeited	3,888	18.36		
Outstanding at Dec. 28, 1997	—	N/A	—	N/A

Common stock available for options under the 1983 Plan as of December 28, 1997, December 29, 1996, and December 31, 1995, was 716,886 shares, 712,998 shares and 694,090 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. For grants during 1997, one-third of the stock option grant vests in each of the three successive years after the date of grant. For grants during 1994 through 1996, stock options vested 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 28, 1997, December 29, 1996, and December 31, 1995, and changes during the years ending on those dates is presented below:

	Options exercisable at year-end			
	Shares	Weighted-average exercise price	Shares	Weighted-average exercise price
Outstanding at Dec. 25, 1994	775,248	\$16.02	232,635	\$15.44
Granted	600,561	16.75		
Exercised	25,190	14.98		
Forfeited	64,567	16.57		
Outstanding at Dec. 31, 1995	1,286,052	16.35	512,708	15.95
Granted	614,674	21.27		
Exercised	107,327	16.26		
Forfeited	70,035	18.84		
Outstanding at Dec. 29, 1996	1,723,364	18.01	846,273	16.30
Granted	1,573,742	20.23		
Exercised	901,834	17.71		
Forfeited	143,093	19.21		
Outstanding at Dec. 28, 1997	2,252,179	19.61	769,202	18.25

Common stock available for options under the 1990 EI Plan as of December 28, 1997, December 29, 1996, and December 31, 1995, was 4,675,195 shares, 3,105,844 shares and 3,650,483 shares, respectively.

In 1997, 40,201 shares of restricted stock were issued under the 1990 EI Plan. Vesting in the restricted stock award is one year from the date of grant. The compensation cost associated with these awards was immaterial.

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 1997 and 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 1997 and 1996. Common stock reserved for this plan as of December 28, 1997, was 47,810 shares.

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 one-year holding period after which the recipient may redeem the CSUs for cash, or, if the holder has 100 or more CSUs, shares of the Company's Class B common stock. Prior to 1997, the CSUs had a six-month holding period. Awards under the plan in 1997 and 1996 were immaterial.

Common stock available under this plan as of December 28, 1997, was 83,707 shares.

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 \$14.1 million in 1997, \$24.8 million in 1996 and \$22.7 million in 1995. These amounts include the Company's matching for the savings and investment (thrift) plan of \$5.8 million in 1997 and \$5.7 million each for 1996 and 1995. The decrease in 1997 pension expense versus 1996 was caused primarily by an improvement in the funded position of the Coors Retirement Plan and an increase in the discount rate (settlement rate) used to compute 1997 pension cost to 7.75% from the rate used for 1996 pension cost of 7.25%. The increase in 1996 pension expense versus 1995 was caused primarily by a decrease in the 1996 discount rate (settlement rate) to 7.25% from the 1995 rate of 8.5%.

Note that the settlement rates shown in the table on the following page 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.

	For the years ended		
	Dec. 28, 1997	Dec. 29, 1996	Dec. 31, 1995
<i>(In thousands)</i>			
Service cost – benefits earned during the year	\$ 11,234	\$ 12,729	\$ 9,858
Interest cost on projected benefit obligations	32,730	31,162	29,285
Actual gain on plan assets	(75,242)	(65,504)	(69,346)
Net amortization and deferral	39,539	40,691	47,005
Net pension cost	\$ 8,261	\$ 19,078	\$ 16,802

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

	Dec. 28, 1997	Dec. 29, 1996
<i>(In thousands)</i>		
Actuarial present value of accumulated plan benefits, including vested benefits of \$368,288 in 1997 and \$332,444 in 1996	\$385,989	\$350,506
Projected benefit obligations for services rendered to date	\$465,229	\$422,516
Plan assets available for benefits	465,494	394,206
Plan assets (more than) less than projected benefit obligations	(265)	28,310
Unrecognized net gain	21,560	2,359
Prior service cost not yet recognized	(16,577)	(18,851)
Unrecognized net assets being recognized over 15 years	4,110	5,800
Net accrued pension liability	\$ 8,828	\$ 17,618

Significant assumptions used in determining the valuation of the projected benefit obligations as of the end of 1997, 1996 and 1995 were:

	1997	1996	1995
Settlement rate	7.25%	7.75%	7.25%
Increase in compensation levels	4.50%	5.00%	5.00%
Rate of return on plan assets	10.25%	10.25%	9.75%

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 9.0% in 1997 to 4.5% in the year 2007. The effect of an annual 1% increase in trend rates would increase the accumulated postretirement benefit obligation by approximately \$3.5 million and \$3.2 million in 1997 and 1996, respectively. The effect of a 1% increase in trend rates also would have increased the ongoing annual cost by \$0.5 million and \$0.6 million in 1997 and 1996, respectively. The discount rate used in determining the accumulated postretirement benefit obligation was 7.25% and 7.75% at December 28, 1997, and December 29, 1996, respectively.

Net periodic postretirement benefit cost included the following:

	For the years ended		
	Dec. 28, 1997	Dec. 29, 1996	Dec. 31, 1995
<i>(In thousands)</i>			
Service cost – benefits attributed to service during the period	\$1,408	\$2,065	\$2,281
Interest cost on accumulated postretirement benefit obligation	4,775	5,082	6,426
Amortization of net (gain)	(353)	(310)	(560)
Net periodic postretirement benefit cost	\$5,830	\$6,837	\$8,147

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 1997 decrease in expense was a result of an increase in the discount rate used to 7.75% in 1997 from 7.25% in 1996.

The status of the postretirement benefit plan was as follows:

	Dec. 28, 1997	Dec. 29, 1996
<i>(In thousands)</i>		
Retirees	\$43,087	\$39,780
Fully eligible active plan participants	5,411	5,014
Other active plan participants	19,418	17,883
Accumulated postretirement obligation	67,916	62,677
Unrecognized net gain	7,188	8,452
Unrecognized prior service cost	434	2,209
Accrued postretirement benefit obligation	75,538	73,338
Less current portion	3,630	3,565
Long-term postretirement benefit	\$71,908	\$69,773

Note 9:

Special (Credits) Charges

The annual results for 1997 included a pretax net special credit of \$31.5 million, which resulted in after-tax income of \$0.37 per basic share (\$0.36 per diluted share). First quarter results included a \$1.0 million pretax charge for Molson Breweries of Canada Limited (Molson) legal proceedings. Second quarter results included a \$71.5 million special credit relating to a payment from Molson to settle legal disputes with the Company, less approximately \$2.2 million in related legal expenses. Also in the second quarter, CBC recorded a \$22.4 million reserve related to the recoverability of its investment in Jinro-Coors Brewing Company (JCBC) of

Korea (see Note 10), as well as a \$14.4 million charge related to CBC's brewery in Zaragoza, Spain, (see Note 2) for the impairment of certain long-lived assets and goodwill and for severance costs for a limited work force reduction.

The annual results for 1996 included a pretax net special charge of \$6.3 million which resulted in after-tax expense of \$0.11 per basic share (\$0.10 per diluted share). Second quarter results included a \$5.2 million pretax charge for the ongoing Molson legal proceedings and severance costs for restructuring the Company's engineering and construction operations. Results of the third quarter included 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 included 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 included a pretax net special credit of \$15.2 million which resulted in after-tax income of \$0.24 per basic and diluted share. 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.

Note 10: Investments

Equity method investments: The Company has 50% or less owned investments in affiliates that are accounted for using the equity method of accounting. These investments aggregated \$51.7 million and \$47.6 million at December 28, 1997, and December 29, 1996, respectively. These investment amounts are included in other assets on the Company's consolidated balance sheets.

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

Summarized condensed balance sheets

	Dec. 28, 1997	Dec. 29, 1996
<i>(In thousands)</i>		
Current assets	\$76,260	\$69,975
Non-current assets	78,829	79,162
Current liabilities	40,859	38,186
Non-current liabilities	4,437	4,236

Summarized condensed statements of operations

	For the years ended		
	Dec. 28, 1997	Dec. 29, 1996	Dec. 31, 1995
<i>(In thousands)</i>			
Net sales	\$372,479	\$357,273	\$363,864
Gross profit	39,459	37,372	44,890
Operating income	22,384	19,289	32,039
Company's equity in operating income	15,893	11,467	13,687

The Company's share of operating income of these non-consolidated affiliates is included primarily 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 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 1998 commitment of approximately \$59 million. The expenditures under this agreement in 1997, 1996 and 1995 were approximately \$59 million, \$54 million and \$23 million, respectively. Additionally, the companies entered into another 10-year 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 1997, 1996 and 1995 was approximately \$227 million, \$217 million and \$238 million, respectively. The estimated cost in 1998 under this agreement for cans and ends is \$231 million. Additionally, during 1997 CBC received a \$12.5 million distribution from this joint venture.

Cost investments: Included in other assets is \$47.1 million of investments in debt securities with maturities greater than one year. The fair value of these investments approximates their amortized cost, and they are considered to be available for sale.

CBC invested approximately \$22 million in JCBC in 1992 for a 33% interest. CBC has accounted for the investment under the cost basis of accounting, given that CBC has not had the ability to exercise significant influence over JCBC and that CBC's investment in JCBC has been considered temporary. This investment included a put option which, as discussed below, was exercised by CBC in December 1997. The put option entitled CBC to require Jinro Limited (the 67% owner of JCBC) to purchase CBC's investment at the greater of cost or market value (both measured in Korean won).

Beginning in April 1997, Jinro Limited, a publicly traded subsidiary of Jinro Group, missed debt payments and began attempting to restructure. In response to its financial difficulties and those of its subsidiaries (including JCBC), Jinro Group has been working with its creditors and the Korean government to restructure its debts and has begun selling real estate and merging and/or selling businesses. The financial difficulties of JCBC and Jinro Limited, the guarantor of the put option discussed above, called into question the recoverability of CBC's investment in JCBC. Therefore, during the second quarter of 1997, CBC fully reserved for its investment in JCBC. This reserve was classified as a special charge in the accompanying statements of income.

CBC exercised its put option in December 1997. Since Jinro Limited's obligation under the put option is measured in Korean won and given the current significant devaluation of that currency, the full amount received from Jinro Limited would be significantly less (by approximately half as of December 28, 1997) than the value of CBC's original investment. Jinro Limited, which is operating under protection from its creditors under the Korean composition law, has until June 1998 to perform its obligation under the put option. Given Jinro Limited's current financial condition and the volatility of the Korean economy, CBC cannot predict whether Jinro Limited will be able to perform under this obligation.

ACX: 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. Currently distributions are still being split equally between the partners.

Colorado Baseball Partnership: 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 28, 1997, and December 29, 1996. The recognition of liability under the multiyear signage and advertising package began in 1995 with the opening of Coors Field.

Note 11:

Stock Activity and Earnings per Share

Capital stock: Both classes of common stock have the same rights and privileges, except for voting, which (with certain limited exceptions) is the sole right of the holder of Class A stock.

Activity in the Company's Class A and Class B common stock for each of the three years ended December 28, 1997, December 29, 1996, and December 31, 1995, is summarized below:

	Common stock	
	Class A	Class B
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
Shares issued under stock plans	—	989,857
Purchase of stock	—	(2,052,905)
Balances at Dec. 28, 1997	1,260,000	35,599,356

At December 28, 1997, December 29, 1996, and December 31, 1995, 25 million shares of \$1 par value preferred stock were authorized but unissued.

On December 20, 1996, the board of directors authorized the repurchase during 1997 of up to \$40 million of ACC's outstanding Class B common stock on the open market. During 1997, the Company repurchased 969,500 shares for approximately \$24.9 million under this stock repurchase program. In November 1997, the board of directors authorized repurchases of up to \$40 million of stock during 1998. As of March 20, 1998, ACC had repurchased 647,000 shares for approximately \$20.5 million under this program.

Also during 1997, the Company purchased shares under the right-of-first-refusal provision of its stock option plans and purchased shares from one of its directors and various other sources.

Earnings per share: ACC adopted Statement of Financial Accounting Standards No. 128, "Earnings per Share" (SFAS 128), effective with year-end 1997 reporting. SFAS 128 requires mandatory presentation of both a basic and diluted earnings per share. All per share amounts have been restated to comply with the requirements of SFAS 128. Basic and diluted net income per common share were arrived at using the calculations that follow:

	For the years ended		
	Dec. 28, 1997	Dec. 29, 1996	Dec. 31, 1995
<i>(In thousands, except per share data)</i>			
Net income			
available to common shareholders	\$82,260	\$43,425	\$43,178
Weighted-average shares for basic EPS	37,218	37,966	38,164
Basic EPS	\$2.21	\$1.14	\$1.13
Effect of dilutive securities:			
Stock options	751	225	113
Contingent shares not included in			
shares outstanding for basic EPS	87	28	6
Weighted-average shares for diluted EPS	38,056	38,219	38,283
Diluted EPS	\$2.16	\$1.14	\$1.13

The dilutive effects of stock options were arrived at by applying the treasury stock method, assuming the Company was to purchase common shares with the proceeds from stock option exercises.

Note 12:

Commitments and Contingencies

Insurance: It is the Company's policy to act as a self-insurer for certain insurable risks consisting primarily of employee health insurance programs and general liability contract deductibles. During 1997, the Company fully insured future risks for workers' compensation and long-term disability, but maintains a self-insured position for claims incurred prior to the inception of the insurance coverage.

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 28, 1997, the Company had approximately \$17 million outstanding in letters of credit with certain financial institutions. These letters generally expire within 12 months from the dates of issuance, which range from March 1998 to October 1998. These letters of credit are being maintained as security for performance on certain insurance policies, operations of underground storage tanks, as parent guarantees for bank financing and overdraft protection of a foreign subsidiary and payments of liquor and duty taxes and energy billings.

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 brewery's 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 1998, which adjusts annually for inflation, and a variable cost, which is generally based on fuel cost and CBC's electricity and steam use.

ACX: At the end of 1992, the Company distributed to its shareholders the common stock of ACX. ACX was formed in 1992 to own the ceramics, aluminum, packaging and technology-based development businesses that were then owned by ACC. William K. Coors, a director of both ACC and ACX during 1997, and 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, a director of ACC, 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.

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 from this subsidiary 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 1997 were approximately \$118 million. Purchases in 1998 under the packaging and starch supply agreements are estimated to be approximately \$120 million.

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 was 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. have implemented site remediation. The Environmental Protection Agency's projected costs to meet the announced remediation objectives and requirements are currently 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.

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.

Restructuring liability: At December 28, 1997, the Company had a \$3.4 million liability related to personnel accruals as a result of a restructuring of operations that occurred in 1993. These accruals relate to obligations under deferred compensation arrangements and postretirement benefits other than pensions.

Labor: Approximately 7% of the Company's work force, located principally at the Memphis brewing and packaging facility, is represented by a labor union with whom the Company engages in collective bargaining. A labor contract prohibiting strikes took effect in early 1997 and extends to 2001.

Rail transportation: The Company relies heavily upon rail transportation to ship approximately half of its products to satellite redistribution centers and to distributors throughout the country. A major disruption in the railroad industry would impact CBC significantly. However, the risk of such a disruption at the current time appears to be low.

Year 2000 (unaudited): As the Year 2000 approaches, ACC recognizes the need to ensure its operations will not be adversely impacted by Year 2000 software failures. The Company is addressing this issue to ensure the availability and integrity of its financial systems and the reliability of its operational systems. ACC has established processes for evaluating and managing the risks and costs associated with this problem. The Company has and will continue to make certain investments in its software systems and applications to ensure that it is Year 2000 compliant. The financial impact to ACC of Year 2000 remediation costs is anticipated to be in the range of \$10 to \$15 million in each of 1998 and 1999. In addition, ACC is working with its suppliers and customers to ensure their compliance with Year 2000 issues in order to avoid any interruptions in its business. While ACC does not at this time anticipate significant problems with suppliers and customers, it is developing contingency plans with these third parties due to the possibility of compliance issues.

Note 13:

Quarterly Financial Information (Unaudited)

The following summarizes selected quarterly financial information for each of the two years in the period ended December 28, 1997.

In the first and second quarters of 1997 and the second, third and fourth quarters of 1996, certain adjustments were made that were not of a normal and recurring nature. As described in Note 9, income in 1997 was increased by a special pretax credit of \$31.5 million, or \$0.37 per basic share (\$0.36 per diluted share) after tax, and income in 1996 was decreased by a special pretax charge of \$6.3 million, or \$0.11 per basic share (\$0.10 per diluted share) after tax. Refer to Note 9 for a further discussion of special (credits) charges.

<i>(In thousands, except per share data)</i>	First	Second	Third	Fourth	Year
1997					
Net sales	\$398,995	\$520,826	\$489,699	\$412,631	\$1,822,151
Gross profit	\$143,828	\$220,163	\$190,930	\$146,452	\$ 701,373
Net income	\$ 8,045	\$ 51,018	\$ 17,439	\$ 5,758	\$ 82,260
Net income per common share – basic	\$0.21	\$1.37	\$0.47	\$0.16	\$2.21
Net income per common share – diluted	\$0.21	\$1.34	\$0.46	\$0.15	\$2.16
1996					
Net sales without certain international income	\$370,413	\$504,000	\$454,857	\$401,719	\$1,730,989
International income	1,258	1,092	1,093	7,624	11,067
Net sales, as currently reported	\$371,671	\$505,092	\$455,950	\$409,343	\$1,742,056
Gross profit	\$107,252	\$196,759	\$164,856	\$145,500	\$ 614,367
Net (loss) income	(\$ 3,007)	\$ 23,796	\$ 18,675	\$ 3,961	\$ 43,425
Net (loss) income per common share – basic	(\$0.08)	\$0.63	\$0.49	\$0.10	\$1.14
Net (loss) income per common share – diluted	(\$0.08)	\$0.63	\$0.49	\$0.10	\$1.14

SELECTED FINANCIAL DATA

<i>(In thousands, except per share)</i>	1997	1996	1995*	1994
Barrels of Malt Beverages Sold	20,581	20,045	20,312	20,363
Summary of Operations:				
Net sales	\$1,822,151	\$1,742,056	\$1,690,701	\$1,673,252
Cost of goods sold	1,120,778	1,127,689	1,106,635	1,073,370
Marketing, general and administrative	585,491	527,007	518,888	505,668
Special (credits) charges	(31,517)	6,341	(15,200)	(13,949)
Total operating expenses	1,674,752	1,661,037	1,610,323	1,565,089
Operating income (loss)	147,399	81,019	80,378	108,163
Other expense – net	506	6,044	7,100	3,943
Income (loss) before income taxes	146,893	74,975	73,278	104,220
Income tax expense (benefit)	64,633	31,550	30,100	46,100
Income (loss) from continuing operations	\$ 82,260	\$ 43,425	\$ 43,178	\$ 58,120
Per share of common stock				
Basic	\$2.21	\$1.14	\$1.13	\$1.52
Diluted	\$2.16	\$1.14	\$1.13	\$1.51
Income (loss) from continuing operations as a percentage of net sales	4.5%	2.5%	2.6%	3.5%
Financial Position:				
Working capital	\$ 158,048	\$ 124,194	\$ 36,530	\$ (25,048)
Properties – net	\$ 733,117	\$ 814,102	\$ 887,409	\$ 922,208
Total assets	\$1,412,083	\$1,362,536	\$1,384,530	\$1,371,576
Long-term debt	\$ 145,000	\$ 176,000	\$ 195,000	\$ 131,000
Other long-term liabilities	\$ 23,242	\$ 32,745	\$ 33,435	\$ 30,884
Shareholders' equity	\$ 736,568	\$ 715,487	\$ 695,016	\$ 674,201
Net book value per share of common stock	\$19.79	\$18.83	\$18.21	\$17.59
Total debt to total capitalization	19.0%	21.2%	24.9%	20.6%
Return on average shareholders' equity	11.3%	6.2%	6.3%	8.9%
Other Information:				
Dividends	\$ 20,523	\$ 18,983	\$ 19,066	\$ 19,146
Per share of common stock	\$0.55	\$0.50	\$0.50	\$0.50
Gross profit	\$ 701,373	\$ 614,367	\$ 584,066	\$ 599,882
Capital expenditures	\$ 60,373	\$ 65,112	\$ 157,599	\$ 160,314
Depreciation, depletion and amortization	\$ 117,166	\$ 121,121	\$ 122,830	\$ 120,793
Full-time employees	5,800	5,800	6,200	6,300
Market price range of common stock:				
High	\$41¼	\$24¼	\$23¼	\$20⅞
Low	\$17½	\$16¾	\$15⅞	\$14¾

Note: Numbers in italics include results of discontinued operations.

* 53-week year versus 52-week year.

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

1993	1992	1991	1990	1989*	1988	1987
19,828	19,569	19,521	19,297	17,698	16,534	15,658
\$1,595,597	\$1,566,606	\$1,543,007	\$1,483,873	\$1,372,373	\$1,278,097	\$ 1,170,098
1,050,650	1,051,362	1,052,228	986,352	913,994	829,423	751,056
467,138	441,943	448,393	409,085	397,844	380,131	340,418
122,540	—	29,599	30,000	41,670	—	—
1,640,328	1,493,305	1,530,220	1,425,437	1,353,508	1,209,554	1,091,474
(44,731)	73,301	12,787	58,436	18,865	68,543	78,624
12,099	14,672	4,403	5,903	2,546	(6,471)	(6,022)
(56,830)	58,629	8,384	52,533	16,319	75,014	84,646
(14,900)	22,900	(8,700)	20,300	9,100	28,700	33,500
\$ (41,930)	\$ 35,729	\$ 17,084	\$ 32,233	\$ 7,219	\$ 46,314	\$ 51,146
(S1.10)	\$0.95	\$0.46	\$0.87	\$0.20	\$1.26	\$1.40
(S1.10)	\$0.95	\$0.46	\$0.87	\$0.20	\$1.26	\$1.40
(2.6%)	2.3%	1.1%	2.2%	0.5%	3.6%	4.4%
\$ 7,197	\$ 112,302	\$ 110,443	\$ 201,043	\$ 193,590	\$ 196,687	\$ 242,406
\$ 884,102	\$ 904,915	\$ 933,692	\$ 1,171,800	\$ 1,012,940	\$ 1,033,012	\$ 975,781
\$1,350,944	\$1,373,371**	\$ 1,844,811	\$ 1,761,664	\$ 1,530,783	\$ 1,570,765	\$ 1,456,493
\$ 175,000	\$ 220,000	\$ 220,000	\$ 110,000	—	—	—
\$ 34,843	\$ 52,291	\$ 53,321	\$ 58,011	\$ 16,138	\$ 19,367	\$ 26,376
\$ 631,927	\$ 685,445**	\$ 1,099,420	\$ 1,091,547	\$ 1,060,900	\$ 1,062,064	\$ 1,031,811
\$16.54	\$18.17**	\$29.33	\$29.20	\$28.75	\$29.00	\$28.19
26.3%	24.3%	19.5%	9.2%	2.0%	1.7%	0.4%
(6.4%)	(0.2%)	2.3%	3.6%	1.2%	4.5%	4.8%
\$ 19,003	\$ 18,801	\$ 18,718	\$ 18,591	\$ 18,397	\$ 18,311	\$ 18,226
\$0.50	\$0.50	\$0.50	\$0.50	\$0.50	\$0.50	\$0.50
\$ 544,947	\$ 515,244	\$ 490,779	\$ 497,521	\$ 458,379	\$ 448,674	\$ 419,042
\$ 120,354	\$ 115,450	\$ 241,512	\$ 183,368	\$ 149,616	\$ 157,995	\$ 199,541
\$ 118,955	\$ 114,780	\$ 108,367	\$ 98,081	\$ 122,439	\$ 111,432	\$ 99,422
6,200	7,100	7,700	7,000	6,800	6,900	6,800
\$23 1/8	\$22 7/8	\$24 1/4	\$27 3/8	\$24 3/8	\$21	\$30
\$15	\$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 LEWELLYN
Chairman and Chief
Executive Officer, The
Philadelphia Coca-Cola
Bottling Company.
Director since 1989.
(Retiring May 1998.)



LUIS G. NOGALES
President,
Nogales Partners.
Director since 1989.



PAMELA H. PATSLEY
President, Chief Executive
Officer and a Director,
Paymentech Inc.
Director since 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

Other Senior Officers

CARL L. BARNHILL
Senior Vice President, Sales

L. DON BROWN
Senior Vice President,
Operations and Technology

ROBERT W. EHRET
Senior Vice President, Human Resources
and Communications

JOHN R. FAWCETT
General Manager, On-Premise Sales
and Marketing

PETER M. R. KENDALL
Senior Vice President and
Chief International Officer

ROBERT D. KLUGMAN
Senior Vice President,
Corporate Development

NORMAN E. KUHLE
Senior Vice President,
Container Business Units

KATHERINE L. MACWILLIAMS
Vice President and Treasurer

MICHAEL A. MARRANZINO
Senior Vice President and
Chief Information 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, President and
Chief Executive Officer

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

CORPORATE INFORMATION

Annual Shareholders' Meeting

The company will hold its Annual Meeting of Shareholders starting at 10:30 a.m. on Thursday, May 14, 1998, 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 1997 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.

Shareholders 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, or access our financial Web site, www.coorsinvestor.com, 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, (781) 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.

Shareholders of record as of March 16, 1998: 3,334

Class B common shares outstanding as of March 16, 1998: 35.02 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:

	1997		
	Market Price		Dividends
	High	Low	
First Quarter	22½	17½	\$0.125
Second Quarter	28¾	18¾	\$0.125
Third Quarter	39¼	25⅝	\$0.150
Fourth Quarter	41¼	30¾	\$0.150

	1996		
	Market Price		Dividends
	High	Low	
First Quarter	24¼	17¾	\$0.125
Second Quarter	19⅞	16¼	\$0.125
Third Quarter	23¾	17½	\$0.125
Fourth Quarter	22¾	17½	\$0.125

In February, the Company declared a quarterly dividend of 15 cents per share, which was paid March 16, 1998, to shareholders of record February 28, 1998.

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 prohibits discrimination on the basis of race, color, national origin, sexual orientation, religion, disability, veteran status, gender or age.





Adolph Coors Company, Golden, Colorado 80401 (303) 279-6565