ADOLPH COORS COMPANY 1998 ANNUAL REPORT

ABOUT THE COVER

The connection between Coors and the Rocky Mountains is genuine, setting Coors apart from all other major brewers. It's a powerful association that is valued by consumers because it conveys Coors' commitment to produce the highest quality malt beverages that are as crisp, cold and refreshing as the Rockies.

CORPORATE PROFILE

Adolph Coors Company, founded in 1873, is ranked among the 675 largest publicly traded corporations in the United States. Its principal subsidiary is Coors Brewing Company, the nation's third-largest brewer.

Throughout its history, Coors has provided consumers with high-quality malt beverages produced using an all-natural brewing process and the finest ingredients available. The company's portfolio of products, primarily premium and above-premium beers, includes Coors Light – the fourth-largest-selling beer in the nation, Original Coors, George Killian's Irish Red, Zima, Blue Moon specialty beers and Keystone popular-priced beers. Coors products are available throughout the United States and in about 30 international markets.

The corporate headquarters and primary brewery are in Golden, Colorado, with other major brewing and packaging facilities in Elkton, Virginia; Memphis, Tennessee; and Zaragoza, Spain. In addition, Coors owns major aluminum can and end manufacturing facilities in 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.

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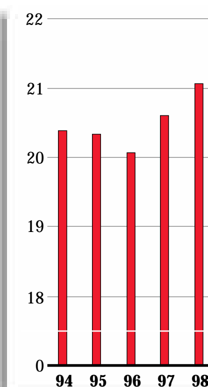
FINANCIAL TRENDS*

Adolph Coors Company and Subsidiaries

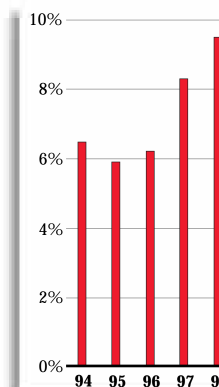
Malt Beverage Sales Volume
(In millions of barrels)



Sales**
(In billions)

Income
(In millions)

Return on Invested Capital***



* *Excluding net special charges (in 1998 and 1996) and special credits (in 1997, 1995 and 1994), except as noted in footnote *** below.*

** *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 charges and credits), divided by the sum of average total debt and shareholders' equity. The 1996 and 1995 return on invested capital rates include gains related to changes in non-pension postretirement benefits.*

FINANCIAL HIGHLIGHTS

For the years ended	**December 27, 1998**	December 28, 1997	Percentage Change
(Dollars in thousands, except per share data)			
Barrels of beer and other malt beverages sold	**21,187,000**	20,581,000	2.9%
Net sales	**$1,899,533**	$1,821,304	4.3%
Net income	**$ 67,784**	$ 82,260	(17.6%)
Properties – net	**$ 714,441**	$ 733,117	(2.5%)
Total assets	**$1,460,598**	$1,412,083	3.4%
Shareholders' equity	**$ 774,798**	$ 736,568	5.2%
Dividends	**$ 21,893**	$ 20,523	6.7%
Number of full-time employees	**5,800**	5,800	—
Number of shareholders of record	**3,197**	3,227	(0.9%)
Number of Class A common shares outstanding	**1,260,000**	1,260,000	—
Number of Class B common shares outstanding	**35,395,306**	35,599,356	(0.6%)
Per share of common stock:			
Net income – basic	**$1.87**	$2.21	(15.4%)
– diluted	**$1.81**	$2.16	(16.2%)
Net book value	**$21.34**	$19.79	7.8%
Dividends	**$0.60**	$0.55	9.1%

LETTER TO SHAREHOLDERS

Dear Fellow Shareholders:

Historic. Challenging. Growing.

These three words summarize the year for Adolph Coors Company in 1998 – a year that, we are pleased to report, was a very good one for our company and our shareholders.

Historic because we celebrated our 125th anniversary – a major milestone in our company's history. Since our founding in 1873, we've satisfied the tastes and changing demands of many generations of consumers, thanks to the many generations of Coors employees, wholesalers and suppliers who together for more than a century have contributed to our heritage and our success.

Challenging because brewing and selling malt beverages continued to be a tough business in 1998, with slow growth, aggressive competition and margin pressures representing familiar and formidable obstacles to increases in market share and profitability.

Growing because in 1998, despite the many challenges in our industry, Coors Brewing Company continued to strengthen its industry position by becoming a bigger, stronger and even more competitive player in the beer business.

Celebrating our past while continuing to build a strong company for the future, we met the challenges of 1998. We focused on the fundamentals and achieved significant increases in earnings and shareholder returns, bringing us closer to accomplishing our long-term goal of delivering consistent, profitable growth for Coors and our shareholders.

REVIEW OF 1998

As expected, 1998 was another year of fierce competition in the beer industry. Despite the many hurdles, we continued to increase our market share and outpace the industry volume growth rate by one to two percentage points – one of our primary top-line goals. In addition, the company:

- achieved significant volume growth in our most important international markets, the Caribbean and Canada;
- raised the level of service, product quality and freshness to our distributors to new and higher levels;
- made productivity improvements in our Operations areas; and
- increased our investments behind our core brand equities and in our domestic and international sales capabilities.

Perhaps most important, we increased earnings at a strong double-digit rate and achieved a total return to our shareholders – that is, share price appreciation plus dividends – of more than 70%. (This was on top of an 82% total shareholder return in 1997.) For perspective, the 70% return on your investment in Coors during 1998 was 2½ times the 28% total return posted by the S&P 500 index of large companies.

Net sales reached a record $1.9 billion in 1998, a 4.3% increase over the previous year. Sales volume also hit a record high during the year with a total of 21,187,000 barrels of beer and other malt beverages sold, a 2.9% increase from 1997, compared to an industry growth rate of under 1%. Other specific measures of our financial performance showed significant improvements. Gross revenue per barrel increased 0.8% while other major brewers were flat or down. A net revenue per barrel increase of 1.3% combined with a 0.5% decrease in cost of goods per barrel helped raise gross margins by

more than a percentage point to 39% in 1998.

Consequently, the company's bottom line grew 16.6%, excluding special items in 1997 and the third quarter of 1998, as we achieved after-tax income of $79.6 million, up from $68.3 million in 1997. Basic earnings per share increased 19.0% to $2.19 in 1998 from $1.84 a year earlier, while diluted earnings per share were $2.12, up 17.8% from $1.80 per share in 1997, excluding special items.

Somewhere near Golden, Colorado: Pete Coors, Bill Coors and Leo Kiely

WORKING THE FUNDAMENTALS

To achieve a solid performance in 1998, we continued to focus on the fundamentals of brewing great beer, amazing our customers and making money, and doing so by investing in the experience and talents of our people. As a result:

We achieved strong momentum in three of our most important brands. Coors Light grew at a mid-single-digit pace for the fourth consecutive year. Killian's Irish Red, which received national television advertising support for the first time in 1998, and Zima attained solid results for the year. Keys to these achievements were improved product quality and service to our customers, resulting from more direct shipments to distributors, better order fill and fresher beer in the marketplace.

Our international business contributed to the company's growth. In the Caribbean and Canada, Coors Light continued to achieve strong sales trends. Coors Light is, by far, the market leader in Puerto Rico. And although income from our Canadian business was 19% lower under our new arrangement with Molson compared to the lucrative temporary arrangement in 1997, volume increased and we grew market share. We are confident that even greater market potential for our brands exists in Canada in the years ahead.

We increased domestic revenue per barrel about 0.5% through selective and careful pricing and by focusing on brand-building and higher-margin opportunities.

We also ended 1998 in a stronger cash position. Cash and cash investments, less debt, were $57 million higher at year-end 1998 than in 1997 due to better leveraging of inventories and other working capital improvements.

OUTLOOK FOR 1999 AND BEYOND

Moving forward, not only will we continue to drive the business priorities that have achieved solid momentum and results, we will work the fundamentals even better. Near term, we will focus on five primary factors:

ENGAGED IN THE BUSINESS

Employee teams throughout Coors' operations are driving productivity improvements that reduce costs while boosting quality and service. An employee suggestion program launched in 1998 – Coors WINS (Winning Ideas • New Solutions) – produced first-year savings of $4.6 million and equipped one idea suggester, Can Plant Process Control specialist Jim Aldridge, with a shiny new set of wheels.

At the Coors aluminum can manufacturing plant, Process Control specialists Jim Aldridge, Dave Lawson and Dennis Smith

First, continued investment in our core brands will be vital to capitalizing on the solid momentum that we've established at retail in the premium and above-premium categories of the malt beverage business. Our marketing and packaging innovations are more exciting than ever, winning consumers by communicating our unique equities and product quality.

Second, we will be thoughtful and prudent in meeting the challenges created by the beer pricing environment – still one of the hardest factors in our business to predict. Maintaining the integrity of our brand franchises should help us manage any pricing pressures that arise. Our pricing decisions will continue to be based on strategies that make sense for the long-term strength of our brands.

Third, we will continue to increase our presence in certain international markets, selectively seeking opportunities that will increase our earnings from international operations, just as we have in Canada and in the Caribbean.

Fourth, we will focus on achieving further reductions in the company's cost structure. Throughout our organization, Coors people have focused their experience and talent on streamlining our operations while raising our standards of quality to new highs. Their ideas and innovations continue to drive important productivity gains that are improving the way we run our business. Also, in 1999 we will implement substantial upgrades to our technology infrastructure that will increase operational efficiencies and prepare the company for the Year 2000.

Finally, we will be assessing the impact that continued consolidation in the brewing industry will have on the future of our company, our wholesalers and our suppliers. We believe that consolidation will improve the fundamental economics of the beer industry.

Golden brewery Conditioning specialists Willie Maloy, Pam Faris and Roland Weller

BUILDING ON OUR STRENGTHS

Coors Brewing Company made solid progress in 1998 because our people worked the fundamentals of the business and, as a result, improved product quality and freshness to our distributors, managed costs, increased the company's profitability and financial strength and substantially improved returns to shareholders.

To continue our progress and remain a strong and growing company for future generations, we will build upon our strengths: our history, our heritage of quality and innovation, our brands and our great team of experienced, talented and dedicated people.

We also will be relentless in our pursuit of excellence as we build our leadership organization. To this end, we were pleased in 1998 to announce the election of our company's president and chief operating officer, W. Leo Kiely III, and Dr. Albert C. Yates, president of Colorado State University in Fort Collins, Colorado, to the company's board of directors. The experience and perspective that these two outstanding leaders bring to our board will be invaluable for governance in the complex and ever-changing brewing industry.

We thank you, our fellow shareholders, for helping us to celebrate a century and a quarter of success in the beer business. And we look forward to your continued support in the years to come.

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

OPERATIONS REVIEW

In a year of progress and celebrations for Coors Brewing Company, Vice Chairman and Chief Executive Officer Pete Coors and President and Chief Operating Officer Leo Kiely led an organization that is focused on continuing its growth and strengthening its position in the highly competitive brewing industry. Maintaining the momentum established over the past several years and building a strong company for future generations require continued emphasis on the "fundamentals" of the beer business, combined with a long-term perspective and vision. Following another good year for Coors Brewing Company, Pete and Leo discuss the company's 1998 achievements and current plans, along with prospects for the future.

BUILDING KEY BRANDS

Coors grew volume and improved profitability in 1998 by focusing on four premium and above-premium brands – Coors Light, Original Coors, Killian's Irish Red and Zima. Coors Light achieved a fourth consecutive year of mid-single-digit volume growth. Killian's and Zima also recorded solid increases in sales volume. Coors is building brands by delivering on its reputation for quality, innovation and service.

COORS CELEBRATED 125 YEARS IN THE BREWING BUSINESS IN 1998. WHAT WILL YOU DO TO SUCCEED IN THIS BUSINESS FOR AT LEAST ANOTHER 125 YEARS?

Pete Coors: Our company needs to sustain and build on more than a century of growth and our reputation for quality, innovation and service. Coors Brewing Company has a fascinating and unique history in the beer business. Our progress in our first 125 years will be a tough act to follow, but as long as we keep building on our past successes, we can continue to thrive and grow in the worldwide beer business.

In addition, we need to emphasize our long-term vision to serve both current and future generations of consumers. That requires not only developing operational strategies for the next five, 10 or 20 years, but also recognizing that Coors must continue to promote the responsible marketing, selling and consumption of our products if we want to remain a healthy and viable business.

We will bring these pieces together by focusing on our people. From the day my great-grandfather opened the brewery in 1873, our employees have been the soul, spirit and heart that have driven our company's success. By continuing to support our people and provide them with the training and resources they need, we'll continue to strengthen and grow our business generation after generation.

Coors consistently leads the industry in packaging innovations, capturing consumer attention and driving sales at retail. It began in 1959 when the company shocked its much larger competitors by introducing the nation's first all-aluminum beverage can. The tradition continued in 1998 when Coors unveiled the "pigskin" bottle, an eye-catching package – with leather grain texture and laces – that adds value and excitement in support of football season promotions.

WHAT ARE YOU DOING TO ENSURE SUCCESS IN THE MORE IMMEDIATE TERM?

Leo Kiely: We're capitalizing on the strong momentum that we've established in the marketplace and, at the same time, we're continuing to aggressively pursue ways that we can improve the way we do business. Several years ago, we decided to focus on four things – improving quality and service, boosting our profitability and developing the skills of our people – what we call the basics of our business. As a result, we've made tremendous progress in strengthening our brand equities, improving our organization, elevating our service and quality levels and establishing a track record of consistent profit growth.

Currently, we're also refining our long-term sourcing strategy, based on reasonable expectations of annual volume growth, to make sure that we have the capacity to supply our wholesalers with enough of our quality products to satisfy demand well into the next century. Later this year, we intend to share specifics of these plans.

Our strategy is working, so our energies in the immediate future won't be focused on changing the current game plan. We'll continue to work the fundamentals, but we'll keep working them better, day to day and year over year.

HOW WILL YOU CONTINUE TO BUILD THE STRENGTH OF YOUR BRANDS?

Pete: We have some tough competitors in our business, but we also have considerable competitive strength in our unique brand equities and in Coors' heritage of quality and innovation. Our strong association with the Rocky Mountains continues to be a very positive point of difference among beer drinkers. We've reinforced that tie by adding strong mountain imagery to our Coors Light packaging graphics for the first time. We believe that our quality standards, which govern the way we brew, package and ship Coors products, are the highest in the industry. And our innovations, both technical and creative, have literally changed the way malt beverages are packaged and marketed. We'll continue to capitalize on these and other competitive advantages to make our brands even stronger.

Leo: Many people in the beer business thought that it would

be tough for us to beat the success of our baseball bat bottle and other recent package innovations. But last year, we introduced a "pigskin" bottle in support of our sponsorship of the first-ever National College Football Championship series to overwhelming response from distributors and consumers. We raised the bar for innovative consumer promotions in 1997 with our Blast of Cash ATM program, and then we topped it in 1998 with an even more successful Blast of Cash II promotion. We're seeing other brewers chase our innovations, and that's exciting.

We're also very excited about our increasing involvement in auto racing. It's probably the hottest spectator sport going and, for Coors, brings important visibility among beer consumers for our most important brands. With racing hero and two-time Daytona 500 winner Sterling Marlin driving the No. 40 Coors Light car on the premier NASCAR circuit, our race promotions capture the kind of attention that sells beer. And, beginning in 1999, we've really ratcheted up our position in the granddaddy of all races as the Official Beer of the Indianapolis 500.

The quality and effectiveness of our advertising continue to increase with each new creative execution. We're making substantial progress toward broadening the appeal of our advertising among 21- to 29-year-old men – the most important malt beverage consumers.

In addition, to maintain our brand strength, we're committed to further investments in our sales organizations, both domestically and internationally, and to continued efforts to strengthen our wholesaler network.

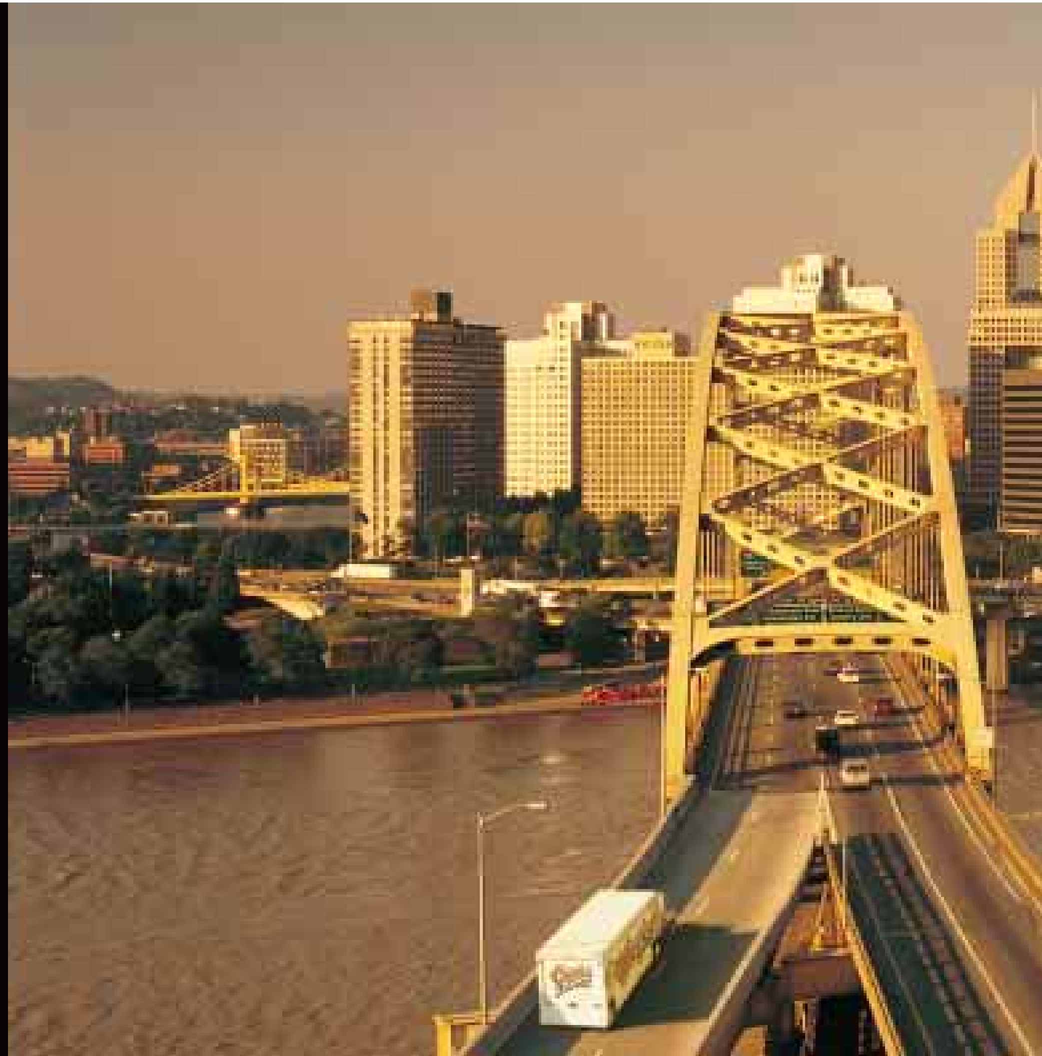
CAN COORS REASONABLY EXPECT TO KEEP BEATING THE INDUSTRY VOLUME GROWTH RATE BY ONE TO TWO PERCENTAGE POINTS?

Pete: Our volume trends, especially among our core brands, are very favorable and our investments – both in the brands themselves and in our sales

Coors excels at leveraging sales and marketing investments to achieve the greatest impact in the marketplace. That's the approach behind Coors' growing involvement in auto racing. The sport's rapidly expanding popularity and strong demographics provide tremendous promotional opportunities in race cities from California to Texas to New York. Popular back-to-back Daytona 500 winner Sterling Marlin drives the No. 40 Coors Light car on NASCAR's premier circuit.

GROWING KEY MARKETS

Market focus and an exceptional distributor made Coors the number-one brewer and Coors Light the number-one brand in Pittsburgh, with continued strong volume growth in 1998. Coors' strategic approach of building key brands in key markets and strengthening its distributor network is succeeding. Coors is meeting its goal of outpacing the annual industry volume growth rate by one to two percentage points.



organization – remain focused on growing volume in the premium-and-above category. This is where we see the greatest potential for growth. Coors Light, by far our biggest-selling brand, continues to grow at a mid-single-digit pace. This is consistent with the pace of the premium light segment, and we're confident that we can meet or beat this growth rate. In addition, we've been very successful at achieving both baseline and incremental growth, which continue to be among our top priorities.

SPECIFICALLY, WHAT ARE YOU DOING TO MAINTAIN BASELINE AND INCREMENTAL GROWTH?

Leo: We're driving baseline growth by continuing to focus on our key brands – Coors Light, Original Coors, Killian's Irish Red and Zima – in markets where we are strongest. This strategy was extremely successful in 1998. Last year, Coors Light achieved double-digit growth volume in nearly a third of our top markets. Killian's Irish Red volume also was up mid-single digits for the year, and our promotional plans and prospects for the brand are exciting. Zima continues to contribute significantly to our growth, posting its sixth consecutive quarter of growth in 1998. Original Coors volume in 1998 was consistent with the industry-wide performance of the regular premium category – down modestly across all major brands. However, we're confident that the brand's history and equities represent opportunities for recapturing and growing the traditional Original Coors consumer base.

Incremental growth, internationally as well as domestically, also is being achieved through our selective investments to grow high-potential geographies, retail channels, ethnic markets and brands. In several metro areas that Coors identified as high-opportunity or "development" markets in 1998, the average volume growth rate last year was 6.5%, more than double our overall growth rate in 1998. We also achieved significant volume increases in ethnic markets through effective leadership in this area and with unique and relevant promotions and packaging.

DO YOU SEE ANY IMPROVEMENT COMING IN THE BEER PRICING ENVIRONMENT IN 1999?

Leo: Pricing moves that we made late in 1998 and early 1999 set the tone for what we expect to happen in the coming year. During this time, we instituted front-line price increases and reductions in discounting that, combined, averaged an increase of about 3% on half of our domestic volume. For the other half of our markets and package configurations, prices were not increased. In 1999, the key will be how much our front-line price increases "fill in" to include more markets and packages. Equally important will be the level of value-packing and price discounting as we move into the summer selling season – activities that we've seen increase every recent summer.

In any case, it's too early to predict how much, if any, additional pricing will drop to the bottom line, since we anticipate reinvesting heavily in marketing and sales efforts.

Nevertheless, we will continue to make pricing decisions that maximize the equities of our brand portfolio and strengthen our wholesaler organization.

IS COORS POSITIONED TO BECOME A STRONGER INTERNATIONAL PLAYER?

Pete: We are very pleased with the direction of our international business and see opportunities to grow that volume profitably. Competing internationally is difficult. Certainly, we've made some costly missteps in past years. But, we've also proven that Coors can compete successfully in international markets. Coors entered Puerto Rico in 1991 with Coors Light and now is the dominant player with continuing strong growth. Our Coors Canada joint venture is meeting expectations by building distribution and growing volume of Coors Light, which is the top-selling light beer in Canada.

Our brands enjoy a premium equity image around the globe. We've also assembled a strong team of experienced players who understand the intricacies of today's international beverage business. I believe we are well-positioned in Europe, Asia and the Americas to build volume in our existing markets and, through our own efforts and strategic partnerships, to be profitable in new markets.

[NOTE: On February 8, 1999, Stroh Brewing Company announced that it had signed agreements to sell two of

DEVELOPING INTERNATIONAL MARKETS

The great success of Coors Light in the Caribbean and Canada, combined with new opportunities for Coors products in Latin America, Europe and the Pacific, provides Coors with a foundation to build international volume. Coors has adopted a prudent approach focused on growing volume profitably by bringing together the best people, the strongest distributors and the right products in the most promising markets.

its brands to Miller Brewing Company and the balance of its beer brands and one of its brewing facilities to Pabst Brewing Company. Miller also will buy two brands from Pabst and expand its contract brewing agreement with Pabst. By early next year, Stroh will exit the beer business.]

WHAT IMPACT WILL THE STROH/PABST/MILLER DEAL HAVE ON THE BREWING INDUSTRY AND ON COORS?

Pete: Over time, this anticipated industry restructuring should have a positive impact on the fundamental economics of the beer industry at both the brewer and wholesaler levels. In the short term, and from a strictly Coors point of view, we will watch for any impact the changes may have on our wholesalers. We want to be certain that support of Coors products among multibrand wholesalers isn't compromised and that critical volume isn't lost due to the movement of brands among distributors.

HOW ARE YOU GOING TO CONTINUE TO CONTROL YOUR COST STRUCTURE AND INCREASE EFFICIENCIES?

Leo: In recent years, we've made productivity gains, thanks to considerable experience and talent in our Operations areas. Our people on the front lines of production are the best in the beer business, and they're in the best position to identify and implement new and better ways of doing business. Individuals and teams at Coors continue to aggressively pursue ways that

Bill and Pete Coors were nowhere near Golden, Colorado, on March 11, 1999, when they rang the opening bell signaling the first day of trading for Coors Class B common stock on the New York Stock Exchange. The move to the NYSE is expected to support Coors' future growth and increase shareholder value by improving the company's access to capital markets. The new ticker symbol is "RKY" in recognition of Coors' Rocky Mountain heritage.

we can work smarter and reduce costs. In fact, employee contributions to a new suggestion program that we launched early in 1998 have netted millions of dollars in cost reductions in Operations and far surpassed even our most optimistic expectations for participation, cost savings and workplace improvements.

In 1999, we will implement a number of major technology enhancements to increase efficiencies throughout our supply chain, from our barley fields to our distributors' warehouses. We know that there is much more that we can do to increase efficiencies and reduce our costs while improving quality. Continuous improvement is becoming one of the fundamentals of our business.

HOW ARE YOU GOING TO MAINTAIN YOUR RETURNS WHILE INVESTING SIGNIFICANT CAPITAL IN EXPANDING YOUR CAPACITY TO MEET FUTURE DEMAND?

Leo: Our approach to sourcing will be return-focused. We'll improve quality and service while lowering costs at the same time. We're looking at optimal use of current facilities, product source options and the appropriate pace of capacity growth.

WILL THE RECENT MOVE TO TRADING ON THE NEW YORK STOCK EXCHANGE CONTRIBUTE TO THE SUCCESS OF THE COMPANY?

Pete: We see the move to the New York Stock Exchange as one that will give our company and our stock greater domestic and international visibility. The move should allow us to reach a broader audience of potential investors, which should offer better access to capital markets and support the company's future growth. Being listed on the world's largest stock market also is expected to help us to achieve the level of global visibility that can contribute to further growth in shareholder value.

DOES COORS BELIEVE THAT ALCOHOL BEVERAGES WILL ATTRACT SOCIAL AND POLITICAL SCRUTINY SIMILAR TO THAT RECEIVED BY THE TOBACCO INDUSTRY?

Pete: During all the years we've been in business, the alcohol beverage industry has faced some form of scrutiny. Frankly, there will always be those who want to restrict or destroy our industry. But I'm convinced that if we do our jobs right by

being good corporate citizens, and if we remain sensitive and responsive to public concerns, alcohol beverages will maintain social acceptability.

Yet, in today's climate, the question is often asked, "Is alcohol next?" The fact is that alcohol was first. That's important because the lessons learned by alcohol producers, the government and the public from the failed experiment of Prohibition will help guide the debate of today's concerns. Reason should prevail because few people want to repeat that mistake.

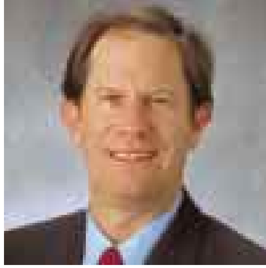
We are at a point today where the public supports the responsible consumption and responsible marketing of beer. They know that moderate drinking by adults in appropriate settings and situations is, for most, an entirely positive experience.

At the same time, all of us are aware of the serious problems associated with reckless drinking and agree that underage drinking and drunk driving cannot be tolerated. While individual responsibility is key to resolving these issues, it is important that consumers, their families and friends, government entities, our industry and others all share in fulfilling their distinct roles in this effort.

At Coors, we are doing our part by marketing our products responsibly, supporting effective education and prevention programs, lobbying for strong legislation targeted at groups such as repeat drunk drivers, and basing our programs and policies on the fullest understanding of sound scientific research. Our distributors are engaged in these efforts and are making them an important part of the way they do business. We also are reaching out to retailers to help them avoid selling alcohol to people who are underage and those who have had enough.

The bottom line is that our industry will thrive as long as we do the right thing, and that means doing our part to address legitimate public concerns.

Coors has a long-standing commitment to market its products responsibly and do its part to combat the serious problems of underage drinking, reckless drinking and drunk driving. In 1998, Coors launched its "21 means 21" campaign with television commercials, print advertising and point-of-sale materials featuring basketball great Ervin "Magic" Johnson. Magic delivered upbeat messages about not using phony I.D. cards and not buying alcohol for underage friends.



For Coors Brewing Company, 1998 reflected continued progress in improving the financial performance and strength of the company. Excluding special items, diluted earnings per share grew 17.8% to $2.12 and pretax profit grew 13% to $130.5 million. Return on invested capital (ROIC) grew to 9.5%. While this improved performance serves to highlight how much further we must go until our absolute returns can be considered "superior," 1998 did reflect a number of exciting and encouraging hallmarks. Our year-end results represented:

- a 70% increase in market capitalization, with total company value increasing from $1.1 billion at year-end 1997 to $1.9 billion by year-end 1998;
- a 1.2-percentage-point increase in ROIC, bringing to nearly five percentage points the increase during the past five years; and
- the first time as a public company that we achieved three consecutive years of growth in earnings per share.

To achieve these results, we overcame a number of significant challenges while funding important investments. Most notable, we:

- invested $25 million in incremental revenue-building initiatives;
- invested additional capital in our businesses in Japan and Europe;
- covered $11 million of expenses for Year 2000-related analysis and remediation; and
- overcame $5 million in start-up expenses and lower profit from the new structure of our Canadian joint venture with Molson.

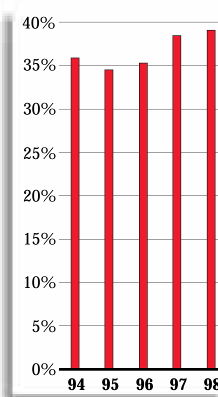
Our financial position continued to improve as we increased our net invested position (cash plus marketable securities minus debt) by $57 million. This was achieved through better leveraging of inventories and other working capital improvements. Our balance sheet was stronger and more productive.

As another sign of our strengthening financial position, we ended 1998 with a debt to total capitalization ratio (total debt divided by the sum of total debt plus shareholders' equity) of just 16%, down from 25% three years earlier. A key priority going forward is investing our cash and unused debt capacity at attractive rates of return that will drive our business and shareholder value.

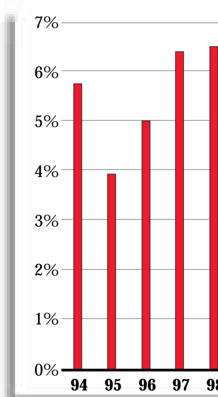
As we have sharpened our focus throughout Coors – operating our company increasingly as a single, more solid

Net Sales per Barrel

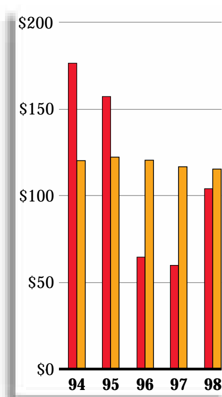
Gross Margin
(% of net sales)



Operating Margin
(% of net sales)



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



Capital Expenditures
Depreciation, Depletion and Amortization

All graphs – excluding net special charges (in 1998 and 1996) and special credits (in 1997, 1995 and 1994).
** Excluding purchases, sales and maturities of marketable investments in 1998, 1997 and 1996.*

team – not only have our operating and financial performance improved, so has the consistency of our performance. As the number-three player in a very competitive industry, we realize that significant obstacles will always be present, challenging our ability to achieve consistent results.

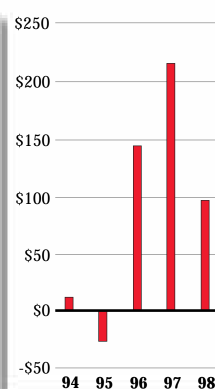
Still, we have, with improving balance, focused on better serving our distributor partners; growing our business domestically and internationally; prudently lowering costs; and building an even stronger team for the future.

This focus, and the greater earnings consistency that it has helped achieve, has been rewarded with investor valuations that increased our earnings multiple and market values significantly in 1998.

In summary, 1998 was a year in which Coors Brewing Company continued to grow and strengthen its competitive position in a tough industry. This progress is encouraging. We expect even better financial results in the years ahead and believe they will be achieved by our continued support of the talented people who are focused on product quality and service excellence.

TIMOTHY V. WOLF
Senior Vice President and Chief Financial Officer
Coors Brewing Company
March 17, 1999

Cash from Operating and Investing Activities*
(In millions)



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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 27, 1998, 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 1998, 1997 and 1996 fiscal years were all 52 weeks long.

Certain unusual or non-recurring items impacted ACC's financial results for 1998, 1997 and 1996; restatement of results excluding special items permits clearer evaluation of its ongoing operations. These special items are summarized below.

Summary of operating results:

	For the years ended		
(In thousands, except earnings per share)	**Dec. 27, 1998**	Dec. 28, 1997	Dec. 29, 1996
Operating income:			
As reported	**$103,819**	$147,393	$80,774
Excluding special items	**$123,214**	$115,876	$87,115
Net income:			
As reported	**$ 67,784**	$ 82,260	$43,425
Excluding special items	**$ 79,615**	$ 68,309	$47,299
Earnings per share:			
As reported – basic	**$1.87**	$2.21	$1.14
– diluted	**$1.81**	$2.16	$1.14
Excluding special items			
– basic	**$2.19**	$1.84	$1.25
– diluted	**$2.12**	$1.80	$1.24

1998: For the 52-week fiscal year ended December 27, 1998, ACC reported net income of $67.8 million, or $1.87 per basic share ($1.81 per diluted share). During 1998, the Company recorded a $17.2 million pretax charge for severance and related costs of restructuring the Company's production operations. A $2.2 million pretax charge also was recorded during 1998 for the impairment of certain long-lived assets at one of the Company's distributorships. These items resulted in a total special pretax charge of $19.4 million, or $0.32 per basic share ($0.31 per diluted share), after tax. Without this special charge, ACC would have reported net earnings of $79.6 million, or $2.19 per basic share ($2.12 per diluted share).

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 (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).

Trend summary – percentage increase (decrease) for 1998, 1997 and 1996: The following table summarizes trends in operating results, excluding special items.

	1998	1997	1996
Volume	**2.9%**	2.7%	(1.3%)
Net sales	**4.3%**	4.6%	3.0%
Average base price increase	**0.3%**	1.7%	2.1%
Gross profit	**7.4%**	13.0%	5.2%
Operating income	**6.3%**	33.0%	34.0%
Advertising expense	**10.0%**	8.5%	0.5%
Selling, general and administrative	**3.7%**	11.8%	13.5%

CONSOLIDATED RESULTS OF CONTINUING OPERATIONS – 1998 VS. 1997 AND 1997 VS. 1996 (EXCLUDING SPECIAL ITEMS)

1998 vs. 1997: Net sales increased 4.3% over 1997, which was caused primarily by a unit volume increase of 2.9%. The increase in net sales was also attributable to increased export sales, which generate higher net revenue per barrel than domestic sales, and a modestly improved domestic pricing environment.

Gross profit increased 7.4% to $740.6 million from 1997 due to the 4.3% net sales increase discussed above, coupled with a lower increase in cost of goods sold of 2.4%. The increase in cost of goods sold was attributable to higher volumes and slightly higher costs for beer and certain packaging materials, partially offset by improved cost absorption due to higher beer production levels and lower aluminum costs.

Operating income grew 6.3% to $123.2 million in 1998 as a result of higher gross profit discussed above, partially offset by a 7.6% increase in marketing, general and administrative expenses. Advertising costs increased 10.0% over 1997 due to increased

investments behind the core brands both domestically and internationally. General and administrative costs increased primarily due to increased spending on Year 2000 compliance issues.

Net non-operating income of $7.3 million in 1998 changed from a net expense position of $0.5 million in 1997. This $7.8 million change is primarily due to higher interest income resulting from higher cash balances, lower interest expense from lower debt balances and the sale in the fourth quarter of certain patents related to aluminum can decorating technologies.

The Company's effective tax rate decreased to 39.0% in 1998 from 40.8% in 1997 primarily due to higher tax-exempt income and lower state tax expense. The 1998 effective tax rate exceeded the statutory rate primarily because of state tax expense.

Net earnings for 1998 were $79.6 million, or $2.19 per basic share ($2.12 per diluted share), compared to $68.3 million, or $1.84 per basic share ($1.80 per diluted share), for 1997, representing increases of 19.0% (basic) and 17.8% (diluted) in earnings per share.

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 net 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 1997 with Molson Breweries; and net price increases.

Gross profit in 1997 rose 13.0% to $689.7 million from 1996 due to the 4.6% increase in net sales, as discussed above, while cost of goods sold were flat. Increases in cost of goods caused by higher sales volume were offset by reduced can costs; higher income recognized from CBC's joint ventures, which produce bottles and cans; lower costs related to fixed asset write-offs; lower costs for employee benefits; and less depreciation expense.

Operating income increased 33.0% to $115.9 million in 1997 as a result of the higher gross profit discussed above, offset by a 9.7% 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 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 60.6% decrease in net interest expense partially offset by a 28.2% 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.

LIQUIDITY AND CAPITAL RESOURCES

The Company's primary sources of liquidity are cash provided by operating activities and external borrowings. As of December 27, 1998, ACC had working capital of $165.1 million, and its net cash position was $160.0 million compared to $168.9 million as of December 28, 1997, and $110.9 million as of December 29, 1996. In addition to its cash resources, ACC had short-term investments of $96.2 million at December 27, 1998, compared to $42.2 million at December 28, 1997. ACC also had $31.4 million of marketable investments with maturities exceeding one year at December 27, 1998, compared to $47.1 million at December 28, 1997. ACC had no marketable investments other than cash equivalents at December 29, 1996. 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 approximately $90 million to $100 million for production equipment, information systems, repairs and upkeep, and environmental compliance.

Operating activities: Net cash provided by operating activities was $181.1 million for 1998, $260.6 million for 1997 and $189.6 million for 1996. The decrease in operating cash flows in 1998 from 1997 of $79.4 million is primarily a result of the Molson settlement included in the 1997 cash flows from operations.

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 was due to a reduction in other supplies. The increase in accounts payable and accrued expenses and other liabilities relative to 1996 reflected 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.

Investing activities: During 1998, ACC spent $124.0 million on investing activities compared to $127.9 million in 1997 and $51.4 million in 1996. The 1998 decrease was due primarily to net changes in ACC's marketable securities with extended maturities that are not considered cash equivalents offset by increases in property additions. The net of purchases over sales of these marketable securities was $39.3 million in 1998. Capital expenditures increased to $104.5 million in 1998 from $60.4 million in 1997 and $65.1 million in 1996. In 1998, capital expenditures focused primarily on information systems and facilities maintenance. Additional expenditures were incurred for cost reduction and capacity and quality improvements. In 1997, capital expenditures focused on enhancing packaging operations, while 1996 expenditures focused on information systems and expansion of packaging capacity. Proceeds from property sales were $2.3 million in 1998, compared to $3.3 million in 1997 and $8.1 million in 1996. The distributions from joint ventures increased to $22.4 million in 1998 from $13.3 million in 1997 and $5.0 million in 1996. The increase in these distributions during 1998 was mainly attributable to the Coors Canada partnership, which commenced operations in January 1998. In 1997, the increase in distributions was mainly due to increased cash flow from operations and reduced capital expenditures at a certain joint venture.

Financing activities: During 1998, the Company spent $66.0 million on financing activities primarily due to principal payments on ACC's medium-term notes of $27.5 million, net purchases of Class B common stock for $17.8 million and dividend payments of $21.9 million.

Net cash used in financing activities was $72.0 million during 1997 primarily 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 to principal payments on its medium-term notes of $38.0 million, net purchases of Class B common stock for $2.3 million and dividend payments of $19.0 million.

Debt obligations: As of December 27, 1998, ACC had $40.0 million outstanding in medium-term notes, which will become due in 1999. With cash on hand, the Company repaid principal of $27.5 million and $20.5 million on these notes in 1998 and 1997, respectively. Fixed interest rates on these notes range from 8.63% to 8.73%. ACC also had $100 million outstanding in Senior Notes as of December 27, 1998. The repayment schedule is $80 million in 2002 and the remaining $20 million in 2005. Fixed interest rates on these notes range from 6.76% to 6.95%.

The Company's debt to total capitalization ratio was 15.8% in 1998, 19.0% at the end of 1997 and 21.2% at the end of 1996.

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 27, 1998, had all $200 million available. This line of credit has a five-year term that expires in 2002, with two optional one-year extensions. During 1998, one of the one-year extension options was exercised, which extended the maturity to 2003. A facilities fee is paid on the total amount of the committed credit. Under the arrangement, the Company is required to maintain a certain debt to total capitalization ratio, with which the Company was in compliance at year-end 1998.

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 $4.3 million each as of December 27, 1998) in short-term financing. As of December 27, 1998, the approximate yen equivalent of $5.9 million was outstanding under these arrangements and included in "accrued expenses and other liabilities" in the consolidated balance sheets.

Pension plan and postretirement plan amendments: In November 1998, the ACC board of directors approved changes to one of its defined benefit pension plans and one of its postretirement plans that provides medical benefits and life insurance for eligible dependents. The changes, which will result in amendments to the respective plans, will be effective July 1, 1999, and will increase the projected benefit obligation at the effective date of the defined benefit plan and the postretirement plan by approximately $48 million and $6.7 million, respectively. To offset the increase in the projected benefit obligation of the defined benefit pension plan, the Company made a $48 million contribution to the plan in January 1999.

Advertising and promotions: In July 1998, the Company announced a long-term sponsorship and promotion agreement with the owners of the Pepsi Center™, an arena under construction in Denver, Colorado, which will be the future home of the city's professional hockey and basketball teams. With the addition of this agreement, the Company's total commitments for advertising and promotions at sports arenas, stadiums and other venues and events are approximately $97 million over the next 10 years.

Hedging activities: As of December 27, 1998, hedging activities consisted of hard currency forward contracts and purchased options to directly offset hard currency exposures and swap contracts to reduce exposure to interest rate fluctuations on certain investment securities. The forward contracts are irrevocable contracts, whereas the options give the Company the right, but not the obligation, to exercise the option on the expiration date. The forward contracts and options, as well as the swap contracts, reduce the risk to financial position and results of operations due to changes in the underlying foreign exchange or interest rate. Any variation in the rate accruing to the contract or option would be offset by a similar change in the related exposure. Therefore, upon execution of the contract or option, variations in rates would not adversely 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 12, 1998, the board of directors authorized the extension of the Company's stock repurchase program through 1999. The program authorizes repurchases of up to $40 million of ACC's outstanding Class B common stock during 1999. Repurchases will be financed by funds generated from operations or possibly from short-term borrowings. The Company spent approximately $27.6 million in 1998 to repurchase common stock, primarily in purchasing approximately 766,000 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 Korean government to restructure its debts and has been 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.

When CBC exercised its put option in December 1997, it reclassified its investment in JCBC to a note receivable from Jinro Limited. 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 than the value of

CBC's original investment. Jinro Limited, which is operating under protection from its creditors under the Korean composition law, had until June 1998 to perform its obligation under the put option. It did not perform. The obligation arising from CBC's put exercise is subject to the terms of Jinro Limited's composition plan. The note receivable is unsecured and potentially has very little value under the composition plan.

In February 1999, Jinro Limited announced a plan to sell JCBC through international bidding by the end of June 1999. The Company intends to participate in the bidding process. If the plan to sell JCBC is not successful, a program will be set up to liquidate the assets.

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 may include, among others, statements concerning the Company's outlook for 1999; overall volume trends; pricing trends and industry forces; cost reduction strategies and their results; the Company's expectations for funding its 1999 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;
- a potential shift in consumer preferences away from the premium light beer category, including Coors Light;
- a potential shift in consumer preferences away from products packaged in aluminum cans, which are less expensive, toward bottled products;
- 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 restrictions on advertising (e.g., media, outdoor ads or sponsorships);
- labor issues, including union activities that could require a substantial increase in cost of goods sold or lead to a strike;
- 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 further industry consolidation and the change in competitive environment given the planned sale of Stroh;
- the impact on CBC's distribution system of the planned acquisition of Stroh;
- 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;
- significant increases in the estimated costs of the Year 2000 project; and
- the risk that computer systems of the Company or its significant suppliers or 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 1999

Volume gains are expected to increase net sales in 1999; however, the pricing environment is expected to be more favorable than in the past few years. Continuing increased value-pack activity could have an unfavorable impact on top-line performance due to lower margins.

For fiscal year 1999, raw material costs per barrel are expected to be down slightly, while fixed costs and freight costs per barrel are expected to be fairly flat. This outlook could change if cost trends change during the first nine months of 1999. CBC continues to pursue improvements in its operations and technology functions to achieve cost reductions over time.

Advertising costs are expected to increase in 1999 while other general and administrative costs are expected to have minimal fluctuation from 1998. 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. However, the competitive battleground appears to be shifting to marketing and advertising, possibly resulting in the incremental revenue generated by price increases being spent on advertising.

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 income is expected to be lower in 1999 based on CBC's lower cash balances offset by lower outstanding debt relative to its 1998 financial position. Lower returns on cash balances also are expected due to lower anticipated yields. Net interest income could be less favorable than expected if the Company decides to invest a substantial portion of its cash balances back into the Company. Additional outstanding common stock may be repurchased in 1999 as approved by the ACC board of directors in November 1998.

The effective tax rate for 1999 is not expected to differ significantly from the 1998 effective tax rate applied to income excluding special items. The level and mix of pretax income for 1999 could affect the actual rate for the year.

In 1999, 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 approximately $90 million to $100 million. In addition to CBC's 1999 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 has been 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 we cannot 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: Some computers, software and other equipment include programming code in which calendar year data are abbreviated to only two digits. As a result of this design decision, some of these systems could fail to operate or fail to produce correct results if "00" is interpreted to mean 1900 rather than 2000. These problems are widely expected to increase in frequency and severity as the Year 2000 approaches.

ACC recognizes the need to ensure that 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 the Year 2000 problem. This project has two major elements — Application Remediation and Extended Enterprise (third-party suppliers, customers and others).

As of December 27, 1998, the Application Remediation element is on schedule, with 85% of the analysis completed, 74% of the remediation completed and 41% of the testing completed. Remediation of systems considered critical to ACC's business is expected to be completed by June 1999, and remediation of non-critical systems is planned to be completed by September 1999.

The Extended Enterprise element consists of the evaluation of third-party suppliers, customers, joint venture partners, transportation carriers and others. Detailed evaluations of the most critical third parties have been initiated.

The Company has made and will continue to make certain investments in its information systems and applications to ensure that they are Year 2000 compliant. These investments also include hardware and operating systems software, which are generally on schedule and are expected to be completed by June 1999. The financial impact to ACC is anticipated to be in the range of approximately $12 million to $15 million for 1999. The anticipated expenditures in 2000 are minimal. The total amount expended on the Year 2000 project through December 27, 1998, was approximately $23 million.

The failure to correct a material Year 2000 problem could result in an interruption in, or a failure of, certain normal business activities or operations. Such failures could materially and adversely affect the Company's results of operations, liquidity and financial condition. Due to the general uncertainty inherent in the Year 2000 problem, resulting in part from the uncertainty of the Year 2000 readiness of third-party suppliers, customers and others, the Company is unable to determine at this time whether the consequences of Year 2000 failures will have a material impact on its results of operations, liquidity or financial condition. The efforts undertaken with the Company's Year 2000 project are expected to significantly reduce ACC's level of uncertainty about the Year 2000 problem and, in particular, about the Year 2000 readiness of its extended enterprise.

Contingency planning for the Application Remediation and the Extended Enterprise elements began in October 1998 with initial plans completed in March 1999. The Company will monitor third-party distributors for Year 2000 readiness and will develop a contingency plan if a distributor is deemed critical to the Company's operations.

ACCOUNTING CHANGES

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" (FAS 133). FAS 133 requires all derivatives be recognized as either assets or liabilities in the statement of financial position and requires that those assets and liabilities be measured at fair value. FAS 133 is effective for all fiscal quarters of fiscal years beginning after June 15, 1999. Early application of all provisions of this statement is permitted but only as of the beginning of any fiscal quarter beginning after issuance of the statement. Adoption of FAS 133 is not expected to have a significant impact on the Company's financial position or results of operations as the Company's derivative activities are minimal. The Company currently plans to adopt FAS 133 beginning with the first quarter of fiscal year 1999.

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. SOP 98-1 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.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Exposures, policies and procedures: In the normal course of business, the Company is exposed to changes in interest rates and fluctuations in the value of foreign currencies. The Company has established policies and procedures that govern the management of these exposures through the use of a variety of financial instruments. The Company employs various financial instruments including forward exchange contracts, options and swap agreements to manage certain of the exposures that it considers practical to do so. By policy, the Company does not enter into such contracts for the purpose of speculation or use leveraged financial instruments. The Company's objective in managing its exposure to interest rates is to limit the adverse impact that changes in interest rates might have on earnings and cash flow. To achieve this objective, the Company primarily uses interest rate swaps whose value changes in the opposite direction to the value of the underlying assets or cash flow.

The Company's objective in managing its exposure to movements in foreign currency exchange rates is to decrease the volatility of earnings and cash flows associated with changes in exchange rates. By policy, the Company enters into hedges to limit the potential loss due to fluctuations in currency exchange rates below a maximum amount of earnings. The Company has entered into forward contracts and options whose value changes as the foreign currency exchange rates change to protect the value of its foreign currency commitments and revenues. The gains and losses in those contracts offset changes in the value of the related exposures. The primary currencies hedged are the Canadian dollar, the Japanese yen and the Spanish peseta. The Company does not hedge the value of net investments in foreign-currency-denominated operations and translated earnings of foreign subsidiaries.

Interest rates: As of December 27, 1998, the fair value of the Company's debt is estimated at $146.0 million. This exceeded the carrying value of the debt by approximately $1.0 million. The estimated market risk, defined as the potential change in fair value of the debt resulting from a hypothetical 10% adverse change in interest rates, amounted to $2.4 million as of December 27, 1998. The Company also had $5.0 million of variable rate debt outstanding as of December 27, 1998. A 10% adverse change in interest rates would not have a material adverse impact on the Company's earnings or cash flow.

The Company's cash and short-term investments are primarily floating rate instruments. A 10% adverse change (decline) in interest rates would decrease the Company's 1998 pretax earnings by approximately $0.9 million. This amount is net of the offsetting positive impact of the interest rate hedges entered into to effectively fix interest on variable rate investments. The notional amount of interest rate swaps outstanding as of December 27, 1998, was $20.0 million.

Other assets: The Company also has certain other long-term assets with a book value of $16.5 million. Due to the long-term nature of these investments, the Company has not currently entered into any related derivative instruments. While the Company does not currently anticipate suffering any losses related to these assets, the potential loss in fair value from a hypothetical 10% adverse change amounted to $1.7 million as of December 27, 1998.

Foreign currency exchange rates: The Company has entered into foreign currency forwards and options for terms generally less than one year. The primary currencies hedged in this manner include the Canadian dollar, Japanese yen and Spanish peseta. The notional amount of forward contracts and options purchased was $21.5 million as of December 27, 1998. The potential loss in fair value for net currency positions of outstanding foreign currency contracts resulting from a hypothetical 10% adverse change in all foreign currency exchange rates was $2.3 million.

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 27, 1998, and December 28, 1997, and the results of their operations and their cash flows for each of the three years in the period ended December 27, 1998, 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.

PRICEWATERHOUSECOOPERS LLP

Denver, Colorado
February 8, 1999

CONSOLIDATED STATEMENTS OF INCOME

Adolph Coors Company and Subsidiaries

	For the years ended		
(In thousands, except per share data)	**December 27, 1998**	December 28, 1997	December 29, 1996
Sales – domestic and international	**$2,291,322**	$2,207,384	$2,121,146
Less – beer excise taxes	**391,789**	386,080	379,311
Net sales	**1,899,533**	1,821,304	1,741,835
Costs and expenses:			
Cost of goods sold	**1,158,887**	1,131,610	1,131,470
Marketing, general and administrative	**617,432**	573,818	523,250
Special charges (credits) (Note 9)	**19,395**	(31,517)	6,341
Total operating expenses	**1,795,714**	1,673,911	1,661,061
Operating income	**103,819**	147,393	80,774
Other income (expense):			
Interest income	**12,136**	8,835	2,924
Interest expense	**(9,803)**	(13,277)	(14,212)
Miscellaneous – net	**4,948**	3,942	5,489
Total	**7,281**	(500)	(5,799)
Income before income taxes	**111,100**	146,893	74,975
Income tax expense (Note 5)	**43,316**	64,633	31,550
Net income	**67,784**	82,260	43,425
Other comprehensive income (expense), net of tax:			
Foreign currency translation adjustments	**1,430**	(5,886)	(1,670)
Unrealized gain on available-for-sale securities	**440**	—	—
Comprehensive income	**$ 69,654**	$ 76,374	$ 41,755
Net income per common share			
– basic	**$1.87**	$2.21	$1.14
– diluted	**$1.81**	$2.16	$1.14
Weighted-average number of outstanding common shares			
– basic	**36,312**	37,218	37,966
– diluted	**37,515**	38,056	38,219

See notes to consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

Adolph Coors Company and Subsidiaries

(In thousands)	**December 27, 1998**	December 28, 1997
ASSETS		
Current assets:		
Cash and cash equivalents	**$ 160,038**	$ 168,875
Short-term investments	**96,190**	42,163
Accounts and notes receivable:		
Trade, less allowance for doubtful accounts of **$299 in 1998** and $557 in 1997	**106,962**	89,731
Affiliates	**11,896**	19,677
Other, less allowance for certain claims of **$584 in 1998** and $1,500 in 1997	**7,751**	15,077
Inventories:		
Finished	**38,520**	44,729
In process	**24,526**	20,119
Raw materials	**34,016**	35,654
Packaging materials, less allowance for obsolete inventories of **$1,018 in 1998** and $1,049 in 1997	**5,598**	5,977
Total inventories	**102,660**	106,479
Other supplies, less allowance for obsolete supplies of **$3,968 in 1998** and $4,165 in 1997	**27,729**	32,362
Prepaid expenses and other assets	**12,848**	18,224
Deferred tax asset (Note 5)	**22,917**	24,606
Total current assets	**548,991**	517,194
Properties, at cost and net (Note 2)	**714,441**	733,117
Excess of cost over net assets of businesses acquired, less accumulated amortization of **$6,727 in 1998** and $5,726 in 1997	**23,114**	22,880
Long-term investments	**31,444**	47,100
Other assets (Note 10)	**142,608**	91,792
Total assets	**$1,460,598**	$1,412,083

(In thousands)	**December 27, 1998**	December 28, 1997
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt (Note 4)	**$ 40,000**	$ 27,500
Accounts payable:		
Trade	**132,193**	113,864
Affiliates	**11,706**	18,072
Accrued salaries and vacations	**54,584**	58,257
Taxes, other than income taxes	**48,332**	52,805
Federal and state income taxes (Note 5)	**10,130**	13,660
Accrued expenses and other liabilities	**86,967**	74,988
Total current liabilities	**383,912**	359,146
Long-term debt (Note 4)	**105,000**	145,000
Deferred tax liability (Note 5)	**65,779**	76,219
Postretirement benefits (Note 8)	**74,469**	71,908
Other long-term liabilities	**56,640**	23,242
Total liabilities	**685,800**	675,515
Commitments and contingencies (Notes 3, 4, 5, 6, 7, 8, 10 and 13)		
Shareholders' equity (Notes 6 and 11):		
Capital stock:		
Preferred stock, non-voting, $1 par value (authorized: 25,000,000 shares; issued and outstanding: none)	**—**	—
Class A common stock, voting, $1 par value (authorized, issued and outstanding: 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 and outstanding: **35,395,306 in 1998** and 35,599,356 in 1997)	**8,428**	8,476
Total capital stock	**9,688**	9,736
Paid-in capital	**10,505**	—
Retained earnings	**756,531**	730,628
Accumulated other comprehensive income	**(1,926)**	(3,796)
Total shareholders' equity	**774,798**	736,568
Total liabilities and shareholders' equity	**$1,460,598**	$1,412,083

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Adolph Coors Company and Subsidiaries

(In thousands)	*For the years ended* **December 27, 1998**	December 28, 1997	December 29, 1996
Cash flows from operating activities:			
Net income	**$ 67,784**	$ 82,260	$ 43,425
Adjustments to reconcile net income to net cash provided by operating activities:			
Equity in net earnings of joint ventures	**(33,227)**	(15,893)	(11,467)
Reserve for severance	**8,324**	—	—
Reserve for joint venture investment	**—**	21,978	—
Depreciation, depletion and amortization	**115,815**	117,166	121,121
Loss on sale or abandonment of properties and intangibles, net	**7,687**	5,594	12,535
Impairment charge	**2,219**	10,595	—
Deferred income taxes	**(8,751)**	(15,043)	17,696
Change in operating assets and liabilities:			
Accounts and notes receivable	**2,140**	(10,971)	2,232
Inventories	**4,176**	14,051	18,076
Other assets	**8,977**	3,742	(2,128)
Accounts payable	**9,899**	9,599	(8,175)
Accrued expenses and other liabilities	**(3,898)**	37,475	(3,712)
Net cash provided by operating activities	**181,145**	260,553	189,603
Cash flows from investing activities:			
Purchases of investments	**(101,682)**	(122,800)	(5,958)
Sales and maturities of investments	**62,393**	39,499	—
Additions to properties and intangible assets	**(104,505)**	(60,373)	(65,112)
Proceeds from sale of properties and intangibles	**2,264**	3,273	8,098
Distributions from joint ventures	**22,438**	13,250	5,000
Other	**(4,949)**	(775)	6,569
Net cash used in investing activities	**(124,041)**	(127,926)	(51,403)
Cash flows from financing activities:			
Issuances of stock under stock plans	**9,823**	24,588	4,674
Purchases of stock	**(27,599)**	(60,151)	(6,975)
Dividends paid	**(21,893)**	(20,523)	(18,983)
Payments of long-term debt	**(27,500)**	(20,500)	(38,000)
Other	**1,140**	4,544	—
Net cash used in financing activities	**(66,029)**	(72,042)	(59,284)
Cash and cash equivalents:			
Net (decrease) increase in cash and cash equivalents	**(8,925)**	60,585	78,916
Effect of exchange rate changes on cash and cash equivalents	**88**	(2,615)	(397)
Balance at beginning of year	**168,875**	110,905	32,386
Balance at end of year	**$ 160,038**	$ 168,875	$110,905

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Adolph Coors Company and Subsidiaries

(In thousands, except per share data)	Common stock issued		Paid-in capital	Retained earnings	Accumulated other comprehensive income	Total
	Class A	Class B				
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
Purchases of stock		(79)	(6,896)			(6,975)
Other comprehensive income					(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
Purchases of stock		(489)	(56,581)	(3,081)		(60,151)
Other comprehensive income					(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
Shares issued under stock plans		145	17,923			18,068
Purchases of stock		(193)	(7,418)	(19,988)		(27,599)
Other comprehensive income					1,870	1,870
Net income				67,784		67,784
Cash dividends – $0.60 per share				(21,893)		(21,893)
Balances, December 27, 1998	**$1,260**	**$8,428**	**$ 10,505**	**$756,531**	**$(1,926)**	**$774,798**

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 investments in 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 27, 1998, December 28, 1997, and December 29, 1996, all 52-week periods.

Investments in marketable securities: ACC invests excess cash on hand in interest-bearing debt securities. At December 27, 1998, $96.2 million of these securities were classified as current assets and $31.4 million were classified as non-current assets, as their maturities exceeded one year. All of these securities were considered to be available-for-sale. At December 27, 1998, these securities have been recorded at fair value, based on quoted market prices, through other comprehensive income. Maturities on these investments range from 1999 through 2001.

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.

Concentration of transportation: The Company relies heavily upon rail transportation to ship approximately 35% 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.

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 $41.4 million and $43.4 million at December 27, 1998, and December 28, 1997, 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: In the normal course of business, the Company enters into off-balance-sheet financial instruments, generally forward, option and swap contracts, to manage its exposure to interest and foreign currency rate fluctuations. The Company does not enter into derivative financial instruments for speculation or trading purposes. Gains and losses related to derivative instruments are classified in income consistent with the accounting treatment of the underlying item. At December 27, 1998, the Company had contracts to purchase $20.6 million in foreign currencies with maturities ranging from 1999 through 2000.

The Company enters into foreign currency derivative instruments that manage exposures related to specific assets, liabilities or anticipated transactions. These instruments are therefore marked to market and the unrealized gains and losses on the instruments generally offset the gains and losses recorded on the related assets and liabilities.

The Company may enter into swap contracts to reduce exposure to interest rate fluctuations in connection with certain debt or investment securities. The company designates or assigns these instruments as hedges of specific assets or liabilities. The cash flows of the swap mirror those of the underlying exposures. Any gains or losses recognized upon early termination of the swaps are deferred and recognized in income over the remaining life of the underlying exposure. If hedged assets or liabilities were to be sold or extinguished, the Company would recognize the gain or loss on the designated financial instruments currently in income. At December 27, 1998, the Company has an interest rate swap with a notional principal amount of $20 million that matures in 2000.

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. During 1998, CBC recorded a $2.2 million impairment charge, which has been classified as a special charge in the accompanying statements of income, related to long-lived assets at one of its distributorships. The long-lived assets were considered impaired in light of both historical losses and expected future, undiscounted cash flows. The impairment charge represented a reduction of the carrying amounts of the impaired assets to their estimated fair market values, which were determined using a discounted cash flow model.

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 a permanent diminution in value is judged to have occurred.

Advertising: Advertising costs, included in marketing, general and administrative, are expensed when the advertising first takes place. Advertising expense was $395.8 million, $360.0 million and $331.9 million for years 1998, 1997 and 1996, respectively. The Company had $7.0 million and $9.6 million of prepaid advertising production costs reported as assets at December 27, 1998, and December 28, 1997, respectively.

Research and development: Research and project development costs, included in marketing, general and administrative, are expensed as incurred. These costs totaled $15.2 million, $14.6 million and $15.3 million in 1998, 1997 and 1996, 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: Cash equivalents represent highly liquid investments with maturities of 90 days or less. The fair value of these investments approximates their carrying value. During 1998, 1997 and 1996, ACC issued restricted common stock under its management incentive program resulting in non-cash increases to the equity accounts of $2.4 million, $0.8 million and $0, respectively. Also during 1998, 1997 and 1996, equity was increased by the non-cash tax effects of the exercise of stock options under the Company's stock plans of $5.9 million, $5.0 million and $0, respectively. Income taxes paid were $39.6 million in 1998, $66.8 million in 1997 and $13.2 million in 1996.

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 1997 and 1996 financial statements to conform with the 1998 presentation.

NOTE 2:

Properties

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

(In thousands)	**Dec. 27, 1998**	Dec. 28, 1997
Land and improvements	**$ 94,561**	$ 97,117
Buildings	**494,344**	482,939
Machinery and equipment	**1,581,355**	1,516,034
Natural resource properties	**8,623**	8,906
Construction in progress	**50,840**	39,941
	2,229,723	2,144,937
Less accumulated depreciation, depletion and amortization	**1,515,282**	1,411,820
Net properties	**$ 714,441**	$ 733,117

During 1997, Coors Brewing Iberica, S.A. (Coors Iberica) addressed certain capacity issues, including the recoverability of Coors Iberica's long-lived assets and related goodwill, at its brewery, as well as certain employment matters. As a result, 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 were as follows:

	For the years ended		
(In thousands)	**Dec. 27, 1998**	Dec. 28, 1997	Dec. 29, 1996
Interest costs	**$12,532**	$15,177	$17,362
Interest capitalized	**(2,729)**	(1,900)	(3,150)
Interest expensed	**$ 9,803**	$13,277	$14,212
Interest paid	**$12,808**	$14,643	$17,711

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 27, 1998, the minimum aggregate rental commitment under all non-cancelable leases was (in thousands): 1999, $6,890; 2000, $4,975; 2001, $3,558; 2002, $3,367; 2003, $8,935; and $2,204 for years thereafter. Total rent expense was (in thousands) $11,052, $13,870 and $11,680 for years 1998, 1997 and 1996, respectively.

NOTE 4:

Debt

Long-term debt consists of the following:

(In thousands)	Dec. 27, 1998 Carrying value	Dec. 27, 1998 Fair value	Dec. 28, 1997 Carrying value	Dec. 28, 1997 Fair value
Medium-term notes	**$ 40,000**	**$ 40,000**	$ 67,500	$ 70,000
Senior Notes	**100,000**	**101,000**	100,000	101,000
Industrial development bonds	**5,000**	**5,000**	5,000	5,000
Total	**145,000**	**146,000**	172,500	176,000
Less current portion	**40,000**	**40,000**	27,500	27,500
Long-term debt	**$105,000**	**$106,000**	$145,000	$148,500

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

As of December 27, 1998, the Company had outstanding $40.0 million of unsecured medium-term notes which mature in 1999. Interest is due semiannually in April and October at fixed interest rates ranging from 8.63% to 8.73% per annum.

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 27, 1998, was 3.95%.

The Company has an unsecured, committed credit arrangement totaling $200 million and as of December 27, 1998, had all $200 million available. This line of credit has a five-year term which expires in 2002, with two optional one-year extensions. During 1998, one of the one-year extension options was exercised, which extended the maturity to 2003. A facilities fee is paid on the total amount of the committed credit. Under the arrangement, the Company is required to maintain a certain debt to total capitalization ratio, with which the Company was in compliance at year-end 1998.

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 $4.3 million each as of December 27, 1998) in short-term financing. As of December 27, 1998, the approximate yen equivalent of $5.9 million was outstanding under these arrangements and is 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:

(In thousands)	For the years ended Dec. 27, 1998	Dec. 28, 1997	Dec. 29, 1996
Current:			
Federal	**$41,200**	$ 68,435	$ 8,878
State and foreign	**10,867**	11,241	4,976
Total current tax expense	**52,067**	79,676	13,854
Deferred:			
Federal	**(7,401)**	(12,935)	12,154
State and foreign	**(1,350)**	(2,108)	5,542
Total deferred tax (benefit) expense	**(8,751)**	(15,043)	17,696
Total income tax expense	**$43,316**	$ 64,633	$31,550

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. 27, 1998	Dec. 28, 1997	Dec. 29, 1996
Expected tax rate	**35.0%**	35.0%	35.0%
State income taxes, net of federal benefit	**3.1**	3.9	4.3
Effect of foreign investments	**2.5**	0.8	1.6
(Non-taxable income) non-deductible expenses and losses	**(1.7)**	(0.4)	1.9
Effect of reserve for joint venture investment	**—**	4.8	—
Other, net	**0.1**	(0.1)	(0.8)
Effective tax rate	**39.0%**	44.0%	42.0%

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

(In thousands)	Dec. 27, 1998	Dec. 28, 1997
Current deferred tax assets:		
Deferred compensation and other employee related	**$ 12,354**	$ 11,773
Balance sheet reserves and accruals	**13,569**	18,560
Other	**261**	1,560
Valuation allowance	**(2,986)**	(7,002)
Total current deferred tax assets	**23,198**	24,891
Current deferred tax liabilities:		
Balance sheet reserves and accruals	**281**	285
Net current deferred tax assets	**$ 22,917**	$ 24,606
Non-current deferred tax assets:		
Deferred compensation and other employee related	**$ 7,457**	$ 2,999
Balance sheet reserves and accruals	**4,853**	2,784
Other employee postretirement benefits	**28,969**	28,158
Environmental accruals	**2,126**	1,469
Deferred foreign losses	**2,031**	2,142
Other	**2,933**	1,583
Total non-current deferred tax assets	**48,369**	39,135
Non-current deferred tax liabilities:		
Depreciation and capitalized interest	**114,148**	115,226
Other	**—**	128
Total non-current deferred tax liabilities	**114,148**	115,354
Net non-current deferred tax liabilities	**$ 65,779**	$ 76,219

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 valuation allowance was reduced during 1998 by approximately $4.0 million due to a change in circumstances regarding realizability.

The Internal Revenue Service (IRS) has completed its examination of the Company's federal income tax returns through 1995. The IRS has proposed adjustments for the years 1993 through 1995 from the recently completed examination. The material adjustments would result in a tax liability of approximately $8 million. The Company has filed a protest for the proposed adjustments and will begin the administrative appeals process in 1999. 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 13).

NOTE 6:

Stock Option, Restricted Stock Award and Employee Award Plans

At December 27, 1998, 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:

(In thousands, except per share data)	1998	1997	1996
Net income			
As reported	**$67,784**	$82,260	$43,425
Pro forma	**$61,484**	$78,077	$42,793
Net income per common share – basic			
As reported	**$1.87**	$2.21	$1.14
Pro forma	**$1.69**	$2.10	$1.13
Net income per common share – diluted			
As reported	**$1.81**	$2.16	$1.14
Pro forma	**$1.64**	$2.05	$1.12
The weighted-average fair value of options granted during the year is:	**$14.96**	$8.78	$7.21

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 1998, 1997 and 1996, respectively: dividend yield of 1.63%, 2.47% and 2.535%; expected volatility of 32.56%, 36.06% and 26.7%; risk-free interest rates of 5.78%, 6.52% and 5.74%; and expected lives of 10 years for all three 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 27, 1998, December 28, 1997, and December 29, 1996, and changes during the years ended on those dates is presented below:

			Options exercisable at year-end	
	Shares	Weighted-average exercise price	Shares	Weighted-average exercise price
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
Exercised	—	—		
Forfeited	—	—		
Outstanding at Dec. 27, 1998	**—**	**N/A**	**—**	**N/A**

Common stock available for options under the 1983 Plan as of December 27, 1998, December 28, 1997, and December 29, 1996, was 716,886 shares, 716,886 shares and 712,998 shares, respectively.

1990 Plan: The 1990 Equity Incentive Plan, as amended, (1990 EI Plan) that became effective January 1, 1990, 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 1998 and 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. All of the grants issued during 1994 through 1996 were fully vested as of December 27, 1998. In November 1989, the board of directors authorized 2 million shares of common stock for issuance under the 1990 EI Plan, effective as of January 1, 1990. In February 1995, the board of directors approved an increase in the authorized shares from 2 million to 5 million shares, effective as of May 11, 1995. In November 1997, the board of directors approved another increase in the authorized shares to a total of 8 million shares for issuance under the 1990 EI Plan, effective as of November 13, 1997.

A summary of the status of the Company's 1990 EI Plan as of December 27, 1998, December 28, 1997, and December 29, 1996, 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. 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
Granted	794,283	33.83		
Exercised	616,914	18.66		
Forfeited	99,331	25.06		
Outstanding at Dec. 27, 1998	**2,330,217**	**24.47**	**630,457**	**19.06**

The following table summarizes information about stock options outstanding at December 27, 1998:

	Options outstanding at year-end		
Range of exercise prices	Shares	Weighted-average remaining contractual life	Weighted-average exercise price
$14.45 – $22.00	1,473,679	7.5	$19.00
$26.88 – $33.41	777,332	9.0	$33.24
$35.81 – $52.31	79,206	9.1	$40.25
$14.45 – $52.31	2,330,217	8.1	$24.47

	Options exercisable at year-end	
Range of exercise prices	Shares	Weighted-average exercise price
$14.45 – $22.00	616,318	$18.72
$26.88 – $33.41	8,096	$30.98
$35.81 – $52.31	6,043	$37.69
$14.45 – $52.31	630,457	$19.06

Common stock available for options under the 1990 EI Plan as of December 27, 1998, December 28, 1997, and December 29, 1996, was 3,986,146 shares, 4,675,195 shares and 3,105,844 shares, respectively.

In 1998, 85,651 shares of restricted stock were issued under the 1990 EI Plan. Vesting in the restricted stock awards, which is either pro rata for each successive year or cliff vesting, is for a three-year period from the date of grant. The compensation cost associated with these awards was immaterial. 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. Compensation cost associated with these awards was immaterial in 1998 and 1997. 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 1998, 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 1998, 1997 and 1996. Common stock reserved for this plan as of December 27, 1998, was 31,250 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 1998, 1997 and 1996 were immaterial. Common stock available under this plan as of December 27, 1998, 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 $11.9 million in 1998, $14.1 million in 1997 and $24.8 million in 1996. These amounts include the Company's matching for the savings and investment (thrift) plan of $6.1 million in 1998, $5.8 million in 1997 and $5.7 million in 1996. The steady decrease in pension expense from 1996 through 1998 is primarily due to the improvement in the funded position of the Coors Retirement Plan over that period. In November 1998, the ACC board of directors approved changes to one of the plans. The changes, which will result in an amendment to the plan, will be effective July 1, 1999, and will increase the projected benefit obligation at the effective date by approximately $48 million. To offset the increase in the projected benefit obligation of the defined benefit pension plan, the Company made a $48 million contribution to the plan in January 1999.

Note that the settlement rates shown in the table that follows were selected for use at the end of each of the years shown. The Company's actuary calculates 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		
(In thousands)	**Dec. 27, 1998**	Dec. 28, 1997	Dec. 29, 1996
Components of net periodic pension cost:			
Service cost – benefits earned during the year	**$14,449**	$ 11,234	$ 12,729
Interest cost on projected benefit obligation	**33,205**	32,730	31,162
Expected return on plan assets	**(42,498)**	(36,176)	(29,676)
Amortization of prior service cost	**2,274**	2,274	2,274
Amortization of net transition amount	**(1,691)**	(1,690)	(1,690)
Recognized net actuarial loss (gain)	**28**	(111)	4,279
Net periodic pension cost	**$ 5,767**	$ 8,261	$ 19,078

The changes in the benefit obligation and plan assets and the funded status of the pension plans are as follows:

(In thousands)	**Dec. 27, 1998**	Dec. 28, 1997
Change in projected benefit obligation:		
Projected benefit obligation at beginning of year	**$465,229**	$422,516
Service cost	**14,449**	11,234
Interest cost	**33,205**	32,729
Actuarial loss	**40,932**	22,660
Benefits paid	**(21,259)**	(23,910)
Projected benefit obligation at end of year	**$532,556**	$465,229
Change in plan assets:		
Fair value of assets at beginning of year	**$465,494**	$394,206
Actual return on plan assets	**33,006**	78,163
Employer contributions	**2,759**	17,035
Benefits paid	**(21,259)**	(23,910)
Fair value of plan assets at end of year	**$480,000**	$465,494
Funded status – (shortfall) excess	**$ (52,556)**	$ 265
Unrecognized net actuarial loss (gain)	**28,836**	(21,560)
Unrecognized prior service cost	**14,303**	16,577
Unrecognized net transition amount	**(2,419)**	(4,110)
Accrued benefit cost	**$ (11,836)**	$ (8,828)

	1998	1997	1996
Weighted-average assumptions as of year-end:			
Discount rate	**7.00%**	7.25%	7.75%
Rate of compensation increase	**4.50%**	4.50%	5.00%
Expected return on plan assets	**10.50%**	10.25%	10.25%

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 8.5% in 1998 to 4.25% in 2008. The discount rate used in determining the accumulated postretirement benefit obligation was 7.00%, 7.25% and 7.75% at December 27, 1998, December 28, 1997, and December 29, 1996, respectively. In November 1998, the ACC board of directors approved changes to one of the plans. The changes, which will result in an amendment to the plan, will be effective July 1, 1999, and will increase the accumulated postretirement benefit obligation at the effective date by approximately $6.7 million.

The changes in the benefit obligation and plan assets and the funded status of the postretirement benefit plan are as follows:

	For the years ended		
(In thousands)	**Dec. 27, 1998**	Dec. 28, 1997	Dec. 29, 1996
Components of net periodic postretirement benefit cost:			
Service cost – benefits earned during the year	**$1,484**	$1,408	$2,065
Interest cost on projected benefit obligation	**4,707**	4,775	5,082
Recognized net actuarial gain	**(207)**	(353)	(310)
Net periodic postretirement benefit cost	**$5,984**	$5,830	$6,837

(In thousands)	**Dec. 27, 1998**	Dec. 28, 1997
Change in projected postretirement benefit obligation:		
Projected benefit obligation at beginning of year	**$ 67,916**	$ 62,677
Service cost	**1,484**	1,408
Interest cost	**4,707**	4,775
Actuarial loss	**1,504**	2,686
Benefits paid	**(3,489)**	(3,630)
Projected postretirement benefit obligation at end of year	**$ 72,122**	$ 67,916
Change in plan assets:		
Fair value of assets at beginning of year	**$ —**	$ —
Actual return on plan assets	**—**	—
Employer contributions	**3,489**	3,630
Benefits paid	**(3,489)**	(3,630)
Fair value of plan assets at end of year	**$ —**	$ —
Funded status – shortfall	**$(72,122)**	$(67,916)
Unrecognized net actuarial gain	**(5,552)**	(7,188)
Unrecognized prior service cost	**(360)**	(434)
Accrued postretirement benefits	**(78,034)**	(75,538)
Less current portion	**3,565**	3,630
Long-term postretirement benefits	**$(74,469)**	$(71,908)

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A one-percentage-point change in assumed health care cost trend rates would have the following effects:

(In thousands)	One-percentage-point increase	One-percentage-point decrease
Effect on total of service and interest cost components	$ 514	$ (444)
Effect of postretirement benefit obligation	$4,207	$(3,693)

NOTE 9:

Special Charges (Credits)

The annual results for 1998 included a third quarter pretax net special charge of $19.4 million, which resulted in after-tax expense of $0.32 per basic share ($0.31 per diluted share). This charge included a $17.2 million pretax charge for severance and related costs of restructuring the Company's production operations. The severance costs related to the restructuring were composed of costs under a voluntary severance program involving the Company's production work force plus severance costs incurred for a small number of salaried employees. Approximately 200 production employees accepted severance packages under the voluntary program. Of the total severance charge, approximately $8.7 million of these costs were paid as of December 27, 1998. Also included in the third quarter results was a $2.2 million pretax charge for the impairment of certain long-lived assets at one of the Company's distributorships (see Note 1).

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 (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.

NOTE 10:

Investments

Equity method investments: The Company has investments in affiliates that are accounted for using the equity method of accounting. These investments aggregated $62.3 million and $51.7 million at December 27, 1998, and December 28, 1997, 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

(In thousands)	**Dec. 27, 1998**	Dec. 28 1997
Current assets	**$90,092**	$76,260
Non-current assets	**94,508**	78,829
Current liabilities	**55,312**	40,859
Non-current liabilities	**123**	4,437

Summarized condensed statements of operations

	For the years ended		
(In thousands)	**Dec. 27, 1998**	Dec. 28, 1997	Dec. 29, 1996
Net sales	**$453,246**	$372,479	$357,273
Gross profit	**97,478**	39,459	37,372
Net income	**59,650**	22,384	19,289
Company's equity in operating income	**33,227**	15,893	11,467

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

Coors Canada, Inc. (CCI), a subsidiary of ACC, formed a partnership, Coors Canada, with The Molson Companies Limited (Molson Companies) to develop the business related to Coors products in Canada. Coors Canada began operations January 1, 1998. CCI and Molson Companies have a 50.1% and 49.9% interest, respectively. CCI's investment in the partnership is accounted for using the equity method of accounting due to Molson Companies' participating rights in the partnership's business operations. The partnership agreement has an indefinite term and can be canceled at the election of either partner. Under the partnership agreement, Coors Canada is responsible for marketing Coors products in Canada, while the partnership contracts with Molson for brewing, distribution and sales of these brands. Coors Canada receives an amount from Molson generally equal to net sales revenue generated from the Coors brands less production, distribution, sales and overhead costs related to these sales. During 1998, CCI received a $15.3 million distribution from the partnership. See also discussion in Note 12.

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 rights and obligations under the partnership agreement. The agreement has an initial term of 10 years and can be extended for additional two-year periods. Under the terms of the agreement, CBC agreed to contribute machinery, equipment and certain personal property with an approximate net book value of $16.2 million and Owens agreed to contribute technology and capital, which would be used to modernize and expand the capacity of the plant. Also under the agreement, CBC agreed to purchase an annual quantity of bottles, which represents a 1999 commitment of approximately $71 million. The expenditures under this agreement in 1998, 1997 and 1996 were approximately $67 million, $59 million and $54 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 1998, 1997 and 1996 was approximately $231 million, $227 million and $217 million, respectively. The estimated cost in 1999 under this agreement for cans and ends is $219 million. Additionally, during 1998 CBC received a $7.5 million distribution from this joint venture.

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.

Cost investments: 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 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 Korean government to restructure its debts and has been 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 and, as a result, reclassified its investment in JCBC to a note receivable from Jinro Limited. 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 than the value of CBC's original investment. Jinro Limited, which is operating under protection from its creditors under the Korean composition law, had until June 1998 to perform its obligation under the put option. It did not perform. The obligation arising from CBC's put exercise is subject to the terms of Jinro Limited's composition plan. The note receivable is unsecured and potentially has very little value under the composition plan. In February 1999, Jinro Limited announced a plan to sell JCBC through international bidding by the end of June 1999. The Company intends to participate in the bidding process. If the plan to sell JCBC is not successful, a program will be set up to liquidate the assets.

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 27, 1998, and December 28, 1997. During 1998, the agreement was modified to extend the term and expand the conditions of the multiyear signage and advertising package. The recognition of the liability under the multiyear signage and advertising package began in 1995 with the opening of Coors Field®. This liability is included in the total advertising and promotion commitment discussed in Note 13.

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, net of forfeitures, for each of the three years ended December 27, 1998, December 28, 1997, and December 29, 1996, is summarized below:

	Common stock	
	Class A	Class B
Balances at Dec. 31, 1995	1,260,000	36,736,512
Shares issued under stock plans	—	256,897
Purchases of stock	—	(331,005)
Balances at Dec. 29, 1996	1,260,000	36,662,404
Shares issued under stock plans	—	989,857
Purchases of stock	—	(2,052,905)
Balances at Dec. 28, 1997	1,260,000	35,599,356
Shares issued under stock plans	—	684,808
Purchases of stock	—	(888,858)
Balances at Dec. 27, 1998	1,260,000	35,395,306

At December 27, 1998, December 28, 1997, and December 29, 1996, 25 million shares of $1 par value preferred stock were authorized but unissued.

In November 1997, the board of directors authorized the repurchase during 1998 of up to $40 million of ACC's outstanding Class B common stock on the open market. During 1998, 766,200 shares were repurchased for approximately $24.9 million under this stock repurchase program. In December 1996, the board of directors authorized the repurchase during 1997 of up to $40 million of 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 1998, the board of directors extended the program and authorized the repurchase during 1999 of up to $40 million of stock.

During 1998 and 1997, the Company purchased shares under the right-of-first-refusal provision of its stock option plans and, during 1997, 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 outlined below:

	For the years ended		
(In thousands, except per share data)	**Dec. 27, 1998**	Dec. 28, 1997	Dec. 29, 1996
Net income available to common shareholders	**$67,784**	$82,260	$43,425
Weighted-average shares for basic EPS	**36,312**	37,218	37,966
Basic EPS	**$1.87**	$2.21	$1.14
Effect of dilutive securities:			
Stock options	**1,077**	751	225
Contingent shares not included in shares outstanding for basic EPS	**126**	87	28
Weighted-average shares for diluted EPS	**37,515**	38,056	38,219
Diluted EPS	**$1.81**	$2.16	$1.14

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:

Segment and Geographic Information

The Company has one reporting segment relating to the continuing operations of producing and marketing malt-based beverages. The Company's operations are conducted in the United States, the country of domicile, and several foreign countries, none of which are individually significant to the Company's overall operations. The revenues from external customers and operating income attributable to the United States and all foreign countries for the years ended December 27, 1998, December 28, 1997, and December 29, 1996, are as follows:

(In thousands)	**1998**	1997	1996
United States:			
Revenues	**$1,872,718**	$1,787,534	$1,714,989
Operating income	**$ 93,626**	$ 90,501	$ 97,568
Foreign countries:			
Revenues	**$ 26,815**	$ 33,770	$ 26,846
Operating income (loss)	**$ 10,193**	$ 56,892	$ (16,794)

Included in 1998 foreign revenues are earnings from CCI, the Company's investment accounted for using the equity method of accounting (see Note 10). In 1997 and 1996, prior to the formation of CCI, foreign revenues include Canadian royalties earned under a licensing agreement.

The net long-lived assets located in the United States and all foreign countries as of December 27, 1998, and December 28, 1997, are as follows:

(In thousands)	**1998**	1997
United States	**$702,923**	$722,996
Foreign countries	**11,518**	10,121
Total	**$714,441**	$733,117

The total export sales (in thousands) during 1998, 1997 and 1996 were $152,353, $125,569 and $94,116, respectively.

NOTE 13:

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, workers' compensation and general liability contract deductibles. During 1998, the Company fully insured future risks for long-term disability, and, in most states, workers' compensation, but maintains a self-insured position for workers' compensation for certain self-insured states and for claims incurred prior to the inception of the insurance coverage in 1997.

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 $7.1 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 27, 1998, the Company has 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 1999 to October 1999. 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 through 2020. CBC's financial commitment under this agreement is divided between a fixed, non-cancelable cost of approximately $12.9 million for 1999, which adjusts annually for inflation, and a variable cost, which is generally based on fuel cost and CBC's electricity and steam use.

Supply contracts: The Company has various long-term supply contracts with unaffiliated third parties to purchase materials used in production and packaging, such as cans and glass. The supply contracts provide for the Company to purchase certain minimum levels of materials for terms extending from five to 12 years. The approximate future purchase commitments under all of these third-party supply contracts are as follows:

Fiscal year	Amount
(In thousands)	
1999	$ 106,200
2000	106,200
2001	106,200
2002	75,000
2003	75,000
Thereafter	150,000
Total	$ 618,600

The Company's total purchases (in thousands) under these contracts in fiscal year 1998, 1997 and 1996 were approximately $95,600, $84,900 and $106,900, respectively.

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 1998, and Peter H. Coors are trustees of one or more family trusts that collectively own all of ACC's voting stock and approximately 46% 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 late 1998, this contract was again modified and extended until 2002. 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. In February 1999, ACX sold the assets of the subsidiary, which was party to the starch agreement, to an unaffiliated third party, who was assigned the starch supply agreement. CBC's total purchases under these agreements in 1998 were approximately $120 million. Purchases from the related parties in 1999 under the packaging and starch supply agreements are estimated to be approximately $103 million.

Advertising and promotions: In July 1998, the Company announced a long-term sponsorship and promotion agreement with the owners of the Pepsi Center™, an arena under construction in Denver, Colorado, which will be the future home of the city's professional hockey and men's basketball teams. With the addition of this agreement, the Company's total commitments for advertising and promotions at sports arenas, stadiums and other venues and events are approximately $97 million over the next 10 years.

Environmental: 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 "potentially responsible parties" 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 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: At December 27, 1998, the Company had a $2.8 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. For the restructuring liability incurred during 1998, see discussion in Note 9.

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.

Year 2000 (unaudited): Some computers, software and other equipment include programming code in which calendar year data are abbreviated to only two digits. As a result of this design decision, some of these systems could fail to operate or fail to produce correct results if "00" is interpreted to mean 1900 rather than 2000. These problems are widely expected to increase in frequency and severity as the Year 2000 approaches.

ACC recognizes the need to ensure that 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 the Year 2000 problem. This project has two major elements — Application Remediation and Extended Enterprise (third-party suppliers, customers and others).

As of December 27, 1998, the Application Remediation element is on schedule, with 85% of the analysis completed, 74% of the remediation completed and 41% of the testing completed. Remediation of systems considered critical to ACC's business is expected to be completed by June 1999, and remediation of non-critical systems is planned to be completed by September 1999.

The Extended Enterprise element consists of the evaluation of third-party suppliers, customers, joint venture partners, transportation carriers and others. Detailed evaluations of the most critical third parties have been initiated.

The Company has made and will continue to make certain investments in its information systems and applications to ensure that they are Year 2000 compliant. These investments also include hardware and operating systems software, which are generally on schedule and are expected to be completed by June 1999. The financial impact to ACC is anticipated to be in the range of approximately $12 million to $15 million for 1999. The anticipated expenditures in 2000 are minimal. The total amount expended on the Year 2000 project through December 27, 1998, was approximately $23 million.

The failure to correct a material Year 2000 problem could result in an interruption in, or a failure of, certain normal business activities or operations. Such failures could materially and adversely affect the Company's results of operations, liquidity and financial condition. Due to the general uncertainty inherent in the Year 2000 problem, resulting in part from the uncertainty of the Year 2000 readiness of third-party suppliers, customers and others, the Company is unable to determine at this time whether the consequences of Year 2000 failures will have a material impact on its results of operations, liquidity or financial condition. The Year 2000 project is expected to significantly reduce ACC's level of uncertainty about the Year 2000 problem and, in particular, about the Year 2000 readiness of its Extended Enterprise.

Contingency planning for the Application Remediation and the Extended Enterprise elements began in October 1998 with initial plans completed in March 1999. The Company will monitor third-party distributors for Year 2000 readiness and will develop a contingency plan if a distributor is deemed critical to the Company's operations.

NOTE 14:

Quarterly Financial Information (Unaudited)

The following summarizes selected quarterly financial information for each of the two years in the period ended December 27, 1998.

In the third quarter of 1998 and the first and second quarters of 1997, certain adjustments were made which were not of a normal and recurring nature. As described in Note 9, income in 1998 was decreased by a special pretax charge of $19.4 million, or $0.32 per basic share ($0.31 per diluted share) after tax, and 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. Refer to Note 9 for a further discussion of special charges (credits).

(In thousands, except per share data)	First	Second	Third	Fourth	**Year**
1998					
Net sales	$414,145	$541,944	$499,360	$444,084	**$1,899,533**
Gross profit	$152,218	$232,597	$189,878	$165,953	**$ 740,646**
Net income	$ 9,786	$ 39,538	$ 9,081	$ 9,379	**$ 67,784**
Net income per common share – basic	$0.27	$1.09	$0.25	$0.26	**$1.87**
Net income per common share – diluted	$0.26	$1.06	$0.24	$0.25	**$1.81**
1997					
Net sales	$398,781	$520,585	$489,491	$412,447	**$1,821,304**
Gross profit	$142,580	$217,452	$187,333	$142,329	**$ 689,694**
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**

SELECTED FINANCIAL DATA

Adolph Coors Company and Subsidiaries

(In thousands, except per share data)	**1998**	1997	1996	1995*
Barrels of Malt Beverages Sold	**21,187**	20,581	20,045	20,312
Summary of Operations:				
Net sales	**$1,899,533**	$1,821,304	$1,741,835	$1,690,701
Cost of goods sold	**1,158,887**	1,131,610	1,131,470	1,106,635
Marketing, general and administrative	**617,432**	573,818	523,250	518,888
Special charges (credits)	**19,395**	(31,517)	6,341	(15,200)
Total operating expenses	**1,795,714**	1,673,911	1,661,061	1,610,323
Operating income	**103,819**	147,393	80,774	80,378
Other (income) expense – net	**(7,281)**	500	5,799	7,100
Income before income taxes	**111,100**	146,893	74,975	73,278
Income tax expense	**43,316**	64,633	31,550	30,100
Income from continuing operations	**$ 67,784**	$ 82,260	$ 43,425	$ 43,178
Per share of common stock				
Basic	**$1.87**	$2.21	$1.14	$1.13
Diluted	**$1.81**	$2.16	$1.14	$1.13
Income (loss) from continuing operations as a percentage of net sales	**3.6%**	4.5%	2.5%	2.6%
Financial Position:				
Working capital	**$ 165,079**	$ 158,048	$ 124,194	$ 36,530
Properties – net	**$ 714,441**	$ 733,117	$ 814,102	$ 887,409
Total assets	**$1,460,598**	$1,412,083	$1,362,536	$1,384,530
Long-term debt	**$ 105,000**	$ 145,000	$ 176,000	$ 195,000
Other long-term liabilities	**$ 56,640**	$ 23,242	$ 32,745	$ 33,435
Shareholders' equity	**$ 774,798**	$ 736,568	$ 715,487	$ 695,016
Net book value per share of common stock	**$21.34**	$19.79	$18.83	$18.21
Total debt to total capitalization	**15.8%**	19.0%	21.2%	24.9%
Return on average shareholders' equity	**9.0%**	11.3%	6.2%	6.3%
Other Information:				
Dividends	**$ 21,893**	$ 20,523	$ 18,983	$ 19,066
Per share of common stock	**$0.60**	$0.55	$0.50	$0.50
Gross profit	**$ 740,646**	$ 689,694	$ 610,365	$ 584,066
Capital expenditures	**$ 104,505**	$ 60,373	$ 65,112	$ 157,599
Depreciation, depletion and amortization	**$ 115,815**	$ 117,166	$ 121,121	$ 122,830
Full-time employees	**5,800**	5,800	5,800	6,200
Market price range of common stock:				
High	**$56 1/2**	$41 1/4	$24 1/4	$23 1/4
Low	**$29 1/4**	$17 1/2	$16 3/4	$15 1/8

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.*

1994	1993	1992	1991	1990	1989*	1988
20,363	19,828	19,569	19,521	19,297	17,698	16,534
$1,673,252	$1,595,597	$1,566,606	$1,543,007	$1,483,873	$1,372,373	$1,278,097
1,073,370	1,050,650	1,051,362	1,052,228	986,352	913,994	829,423
505,668	467,138	441,943	448,393	409,085	397,844	380,131
(13,949)	122,540	—	29,599	30,000	41,670	—
1,565,089	1,640,328	1,493,305	1,530,220	1,425,437	1,353,508	1,209,554
108,163	(44,731)	73,301	12,787	58,436	18,865	68,543
3,943	12,099	14,672	4,403	5,903	2,546	(6,471)
104,220	(56,830)	58,629	8,384	52,533	16,319	75,014
46,100	(14,900)	22,900	(8,700)	20,300	9,100	28,700
$ 58,120	$ (41,930)	$ 35,729	$ 17,084	$ 32,233	$ 7,219	$ 46,314
$1.52	($1.10)	$0.95	$0.46	$0.87	$0.20	$1.26
$1.51	($1.10)	$0.95	$0.46	$0.87	$0.20	$1.26
3.5%	(2.6%)	2.3%	1.1%	2.2%	0.5%	3.6%
$ (25,048)	$ 7,197	$ 112,302	*$ 110,443*	*$ 201,043*	*$ 193,590*	*$ 196,687*
$ 922,208	$ 884,102	$ 904,915	*$ 933,692*	*$1,171,800*	*$1,012,940*	*$1,033,012*
$1,371,576	$1,350,944	$1,373,371**	*$1,844,811*	*$1,761,664*	*$1,530,783*	*$1,570,765*
$ 131,000	$ 175,000	$ 220,000	*$ 220,000*	*$ 110,000*	—	—
$ 30,884	$ 34,843	$ 52,291	*$ 53,321*	*$ 58,011*	*$ 16,138*	*$ 19,367*
$ 674,201	$ 631,927	$ 685,445**	*$1,099,420*	*$1,091,547*	*$1,060,900*	*$1,062,064*
$17.59	$16.54	$18.17**	*$29.33*	*$29.20*	*$28.75*	*$29.00*
20.6%	26.3%	24.3%	*19.5%*	*9.2%*	*2.0%*	*1.7%*
8.9%	(6.4%)	(0.2%)	*2.3%*	*3.6%*	*1.2%*	*4.5%*
$ 19,146	$ 19,003	$ 18,801	$ 18,718	$ 18,591	$ 18,397	$ 18,311
$0.50	$0.50	$0.50	$0.50	$0.50	$0.50	$0.50
$ 599,882	$ 544,947	$ 515,244	$ 490,779	$ 497,521	$ 458,379	$ 448,674
$ 160,314	$ 120,354	$ 115,450	*$ 241,512*	*$ 183,368*	*$ 149,616*	*$ 157,995*
$ 120,793	$ 118,955	$ 114,780	*$ 108,367*	*$ 98,081*	*$ 122,439*	*$ 111,432*
6,300	6,200	7,100	7,700	7,000	6,800	6,900
$20 7/8	$23 1/8	$22 7/8	*$24 1/4*	*$27 3/8*	*$24 3/8*	*$21*
$14 3/4	$15	$15 1/2	*$17 3/8*	*$17 1/8*	*$17 3/8*	*$16 1/2*

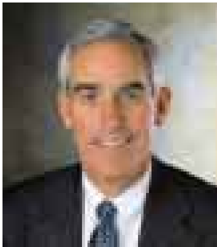
DIRECTORS AND OFFICERS

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.

W. LEO KIELY III
President and Chief Operating Officer, Coors Brewing Company.
Named Director in 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.

DR. ALBERT C. YATES
President, Colorado State University.
Named Director in 1998.

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

DAVID G. BARNES
Vice President, Finance, and Treasurer

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

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

ROBERT D. KLUGMAN
Senior Vice President, Corporate Development

NORMAN E. KUHL*
Senior Vice President, Container Business Units

MICHAEL A. MARRANZINO
Senior Vice President and Chief Information Officer

PATRICIA J. SMITH
Secretary

OLIVIA M. THOMPSON
Vice President, Controller and Assistant Treasurer

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

DAVID G. BARNES
Vice President and Treasurer

PETER H. COORS
Vice President

W. LEO KIELY III
Vice President

PATRICIA J. SMITH
Secretary

OLIVIA M. THOMPSON
Vice President, Controller and Assistant Treasurer

M. CAROLINE TURNER
Vice President and Assistant Secretary

TIMOTHY V. WOLF
Vice President and Chief Financial Officer

** We regret that Norm passed away, March 24, 1999.*

ANNUAL SHAREHOLDERS' MEETING

The Company will hold its Annual Meeting of Shareholders starting at 2:00 p.m. on Thursday, May 13, 1999, 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 1998 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 regarding Adolph Coors Company should contact Dave Dunnewald in Investor Relations, (303) 279-6565.

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, call (800) 642-6116 or access our financial Web site, www.coorsinvestor.com.

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

BankBoston N.A., 150 Royall Street, Canton, Massachusetts 02021, (781) 575-3400.

STOCK INFORMATION

Adolph Coors Company Class B common stock is traded on the New York Stock Exchange and is listed under the ticker symbol "RKY." 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 15, 1999: 3,174

Class B common shares outstanding as of March 15, 1999: 35.678 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:

	1998		
	Market Price		
	High	Low	Dividends
First Quarter	36 3/4	29 1/4	$0.150
Second Quarter	39 1/2	32 3/4	$0.150
Third Quarter	56 1/2	34	$0.150
Fourth Quarter	55 1/2	43 1/4	$0.150

	1997		
	Market Price		
	High	Low	Dividends
First Quarter	22 1/8	17 1/2	$0.125
Second Quarter	28 3/8	18 7/8	$0.125
Third Quarter	39 1/4	25 5/8	$0.150
Fourth Quarter	41 1/4	30 3/4	$0.150

In February, the Company declared a quarterly dividend of 15 cents per share, which was paid March 15, 1999, to shareholders of record February 28, 1999.

EQUAL OPPORTUNITY AT COORS

Coors 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 Coors Brewing Company's policy, which prohibits discrimination on the basis of race, color, national origin, sexual orientation, religion, disability, veteran status, gender or age.

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