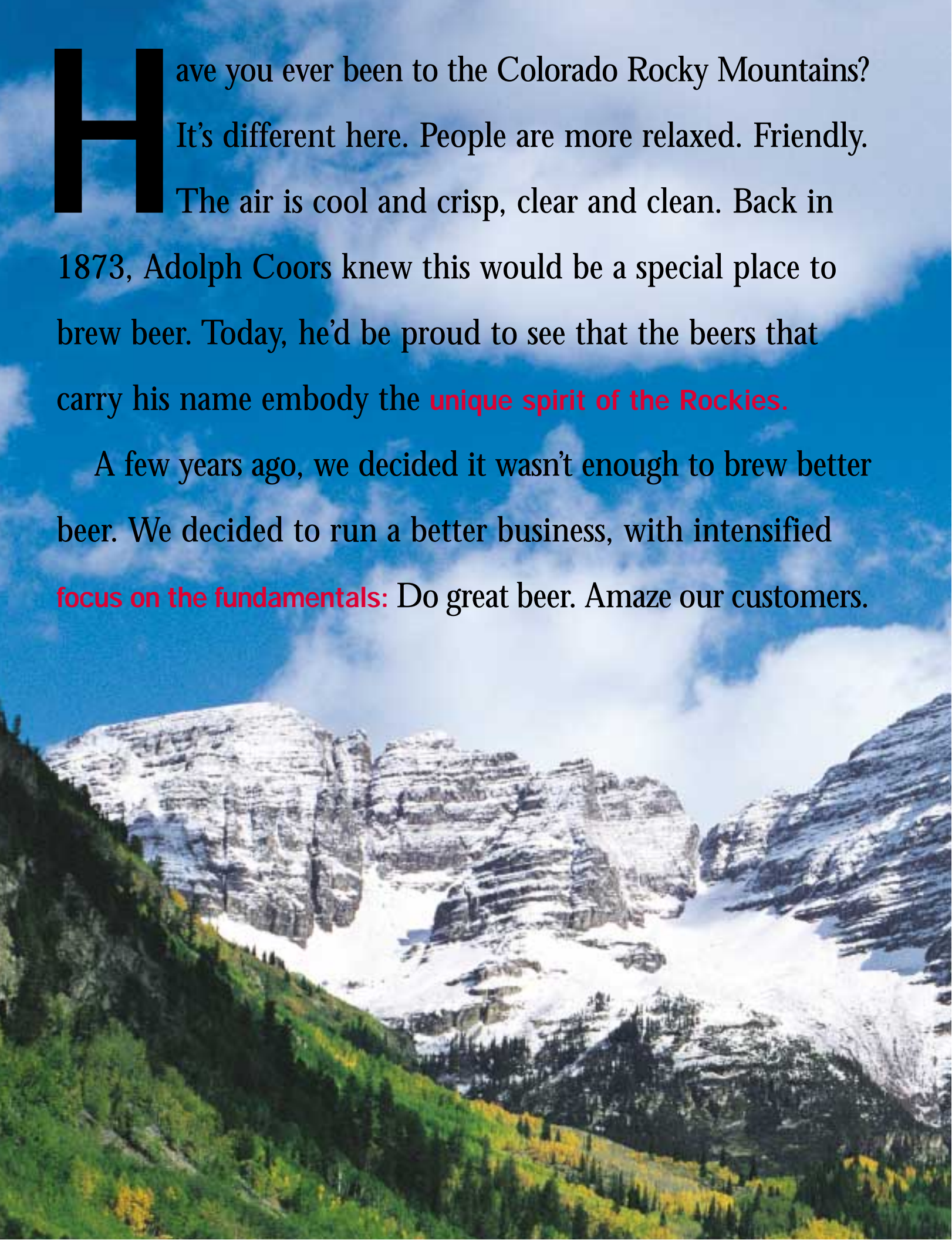


Adolph Coors Company

1999 Annual Report

**Better
than ever.**

Coors.



Have you ever been to the Colorado Rocky Mountains?
It's different here. People are more relaxed. Friendly.
The air is cool and crisp, clear and clean. Back in
1873, Adolph Coors knew this would be a special place to
brew beer. Today, he'd be proud to see that the beers that
carry his name embody the **unique spirit of the Rockies.**

A few years ago, we decided it wasn't enough to brew better
beer. We decided to run a better business, with intensified
focus on the fundamentals: Do great beer. Amaze our customers.

Make money. And accomplish this by building the best, most engaged workforce in the industry. In short, we decided to grow by being **better at the basics** than anybody else.

In 1999, Adolph Coors Company made progress on all fronts. In fact, we had what most would say is the best year in our history. But for every success, there's an opportunity to be **better than ever**. That's what excites us as we look to the future. And that's what we think makes **Coors** such a great company.





Barley is to beer what grapes are to wine. That's why we have invested so much in developing special strains of two-row, high-altitude barley seed that we provide to select contract growers in the West. Coors Vice President of Quality, Research & Development Hugo Patiño (center) stands with the Espinosas, growers whose family has contributed to the excellence of our product for three generations.



Better Beer

Do great beer. That's the first fundamental. It's been our top priority for the entire 127-year history of Adolph Coors Company. We focus on delivering the highest quality and consistency in every stage of the process, from the barley fields to the consumer's glass.

We believe our beers are better. Our water is unique, much of it born high in the Colorado Rockies. One hundred percent of our barley is grown from our own specially developed varieties by contract growers, many of whom have worked with us for generations. No other major brewer malts virtually all the barley that goes into its beers the way we do.

Fresher beer is better beer, and the enemies of freshness in beer are heat, light and time. Our sterile fill process enables us to package without heat pasteurizing our domestic product. Our bottles are among the darkest amber in the business. To minimize warehousing at the brewery, most of our beer is loaded directly from the packaging line to trains and refrigerated trucks.

We ship in insulated rail cars, and insist on the coldest warehouses in the industry. And we constantly measure freshness at the retail level, providing performance incentives to distributors that meet the highest standards.



We don't define quality. Beer drinkers do. We were the first in the industry to create a toll-free hotline that gives consumers a way to let us know what they think, with a real, live Coors person on the other end.



Coors people care. Each and every one of us works hard each and every day to make Coors quality the best in the industry.



Beer stays in peak form when it's cold. We brew it that way, ship it that way, and our wholesalers store and deliver it that way. So Coors drinkers can enjoy our unique Rocky Mountain-style beer at its freshest and most drinkable, every time.

Better Marketers

Amaze our customers. This is a phrase heard often around here. It's an important fundamental, and marketing is critical to getting it done. We aren't the biggest player in most markets, not by a long shot. Since we aren't going to outspend our larger competitors, we know we have to work smarter. To grow profitably in key markets, we're investing in highly targeted advertising, innovative packaging, and creative, strategic promotions designed to bolster our brand value – building on the strength and momentum of our premium portfolio of beers to grow volume.



In Indianapolis, Coors has "the look of a leader" and climbing sales, thanks to sponsorship of the Indy 500 and a close partnership with the state's largest beer wholesaler.

Equally important is our approach to developing new markets, both within our borders and internationally. We've learned to follow a deliberate, focused process to carefully select each opportunity, identify the unique levers that will drive sales and develop strategies that create "the look of the leader."

Whether it's Indianapolis or Ireland, building strong relationships with local distributors is a critical ingredient to success. To develop new markets and grow share in existing ones, we have a broader definition of "customer" that includes wholesalers and retailers. Every day, we seek to amaze them with a level of service and support they don't get from other brewers. Coors strives to be a strong partner, with a willingness to listen and invest resources to ensure our mutual success.

Coors Light is our biggest brand, representing about 70 percent of total 1999 volume. The nation's number-four seller, Coors Light is the best-selling beer in Puerto Rico and number one in the light category in Canada.

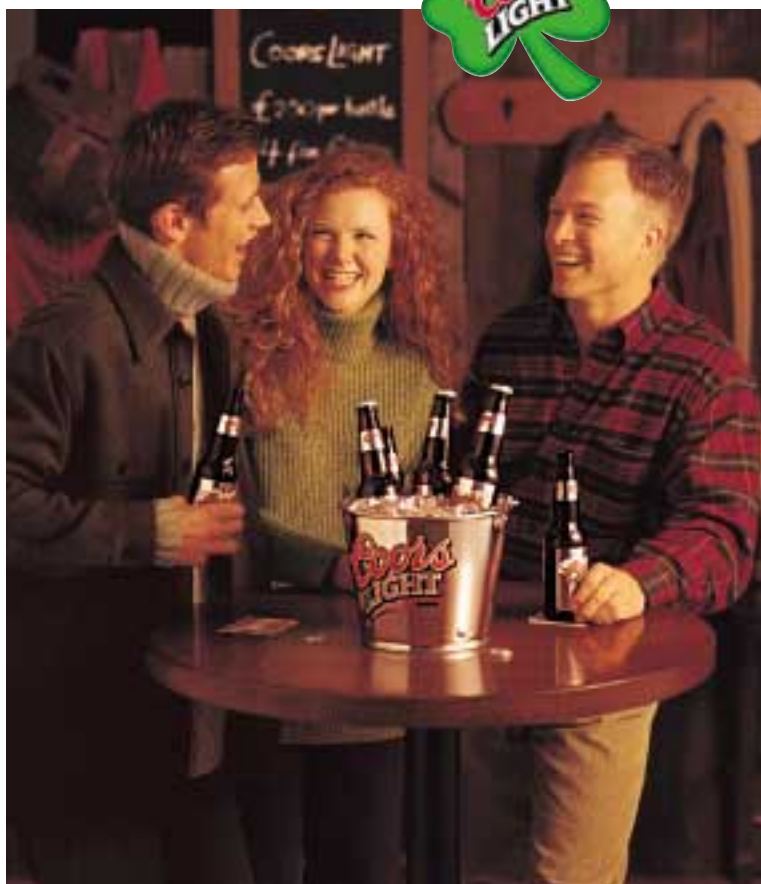




Original Coors experienced a resurgence late in 1999, aided by our "Be Original" national advertising campaign featuring John Elway. Each 30-second spot ended with the football legend opening an ice-cold Original Coors against a snow-capped Rocky Mountain backdrop. "My beer?" he asks. "It's gotta be Original."



Coors has a brew for every taste. Want it crisp and refreshing? Coors Light and Original Coors. Like the taste of imports? Then you'll love George Killian's. Microbrews? Order a Blue Moon Belgian White. On a budget? Keystone Light. And for a refreshing change of pace, try an ice-cold Zima.



Ice-cold Coors Light is doing well with the "lads and lasses" in Ireland. It's specially brewed and packaged for the Irish market and well positioned to benefit from a trend among those young adult drinkers away from the more traditional, heavier stouts and ales.



Better Teams

Invest in the talents and skills of our people. This is the most important fundamental of all. We're tapping our collective abilities with team play, engaging employees in every part of the organization in our quest to be the best. Coors teams integrate functions from across the company – marketing, operations, sales, finance – to develop more effective solutions, whether the issue is a problem in a specific plant or a broader goal like increasing capacity.

We're further developing those abilities through training, with a wide variety of programs available to broaden or sharpen skills and perspective. One example is the Coors pilot brewing program,

a course that teaches brewer's skills to employees across the company. From engineers to marketing managers, a deeper knowledge of the brewer's art enhances the value they can bring to the process.

Teamwork is equally important in the field. Coors has become known as an expert in category management with a uniquely objective focus: working closely with retailers to help them sell more beer – not just our beer – more profitably. As a result, we were recognized in 1999 by trade publications as the best category managers in the nation in the supermarket channel and, most recently, in convenience stores.

Coors has been widely recognized for its diverse work environment, a critical factor in attracting and retaining the most talented people.



More knowledgeable people make better team players. In 1999, graduates of the Coors pilot brewing program passed the tough Associate Membership Exam administered by the London-based Institute of Brewing, receiving the highest overall marks of any major brewer.



We team with our retailers. Coors was rated "Best in Class, Category Captain" by readers of *Supermarket Business* in 1997, 1998 and 1999. In late 1999, our category management skills in the convenience store channel were recognized with a Category Captainship award from *Convenience Store News*.





The Coors Tri-Cap Committee – capacity, capability, capital – worked in 1999 to identify additional capacity needs. Then, cross-functional teams at the plant level, some members of which are pictured here, determined what specific equipment was required. Improvements will be in place by spring 2000.

Better Results

Make money. That's how you get to keep doing what you love to do. It's a fundamental aim at this company to succeed as a business and create value for our shareholders. That requires striving to deliver consistent, predictable results that outperform the industry, quarter after quarter, year after year. How can we achieve this? By being better than everyone else at the basics.

By managing the balance sheet with discipline and focus. By growing in international markets. By having a thirst for excellence that's never quenched.

We're building some momentum. We've grown sales volume and dollar sales for 12 consecutive quarters through year-end 1999. And we've achieved after-tax income growth for eight quarters in a row.

Our brand portfolio aligns very well with market trends toward premium and above-premium beers and lighter lagers. We're seeing important successes internationally, led by continued strength in Canada and Puerto Rico, a great year for Zima in Japan, and a growing foothold for Coors Light in Ireland.

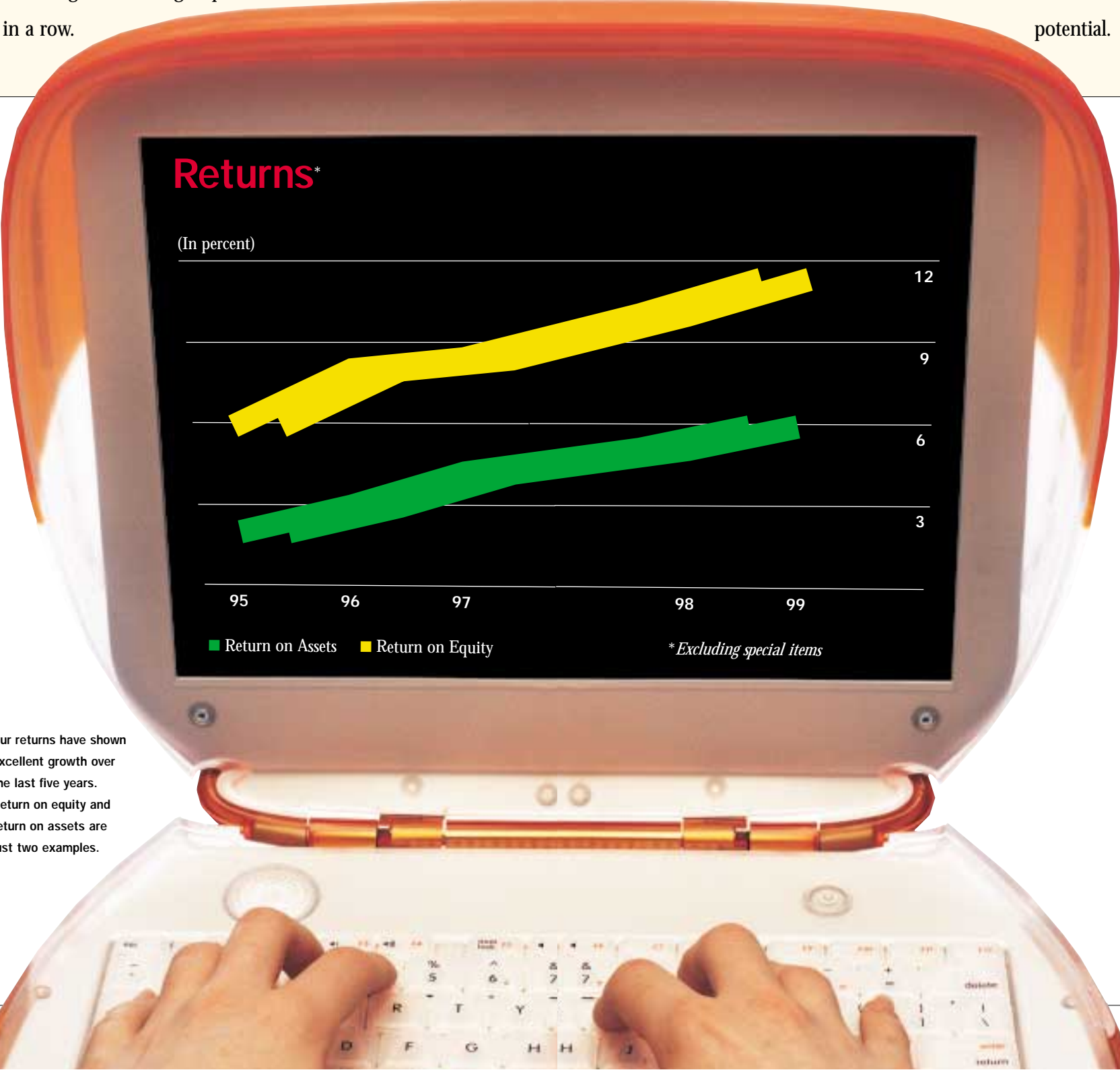
And we like our potential.

We see plenty of room for improvement in our business. We know we can do much better to reduce costs and be more productive while we work to continue to profitably grow. In the year 2000 and beyond, Adolph Coors Company will strive to brew even better beer, become an even better marketer, build even better teams and deliver even better results.

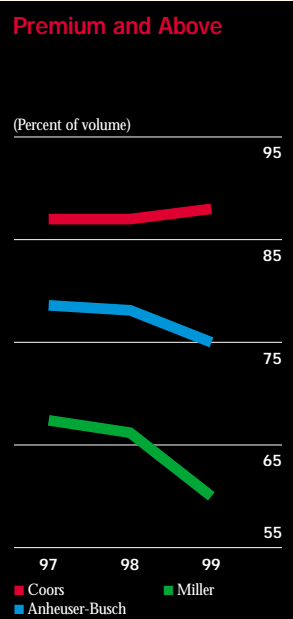


We're encouraged by the success of Coors Light in Puerto Rico, Canada and Ireland during 1999 – and Japan loves Zima. We expect to see international growth play an increasingly important role in our future.

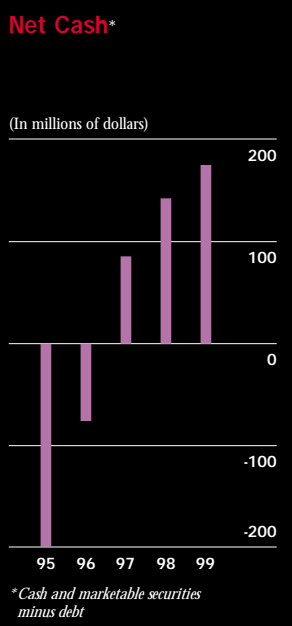
Our returns have shown excellent growth over the last five years. Return on equity and return on assets are just two examples.



Led by Coors Light, our brand portfolio has the highest percentage of sales in the premium and above-premium segments – 88 percent – of any major U.S. brewer. This aligns squarely with market trends that show beer drinkers moving more to higher-margin, premium-and-above brands, and yields more resources to drive the business.



Sources: Beer Marketer's INSIGHTS, Coors Brewing Company



Over the past four years, Coors has improved its financial discipline and profitability to make the company stronger and more flexible – building financial resources to fuel future growth.

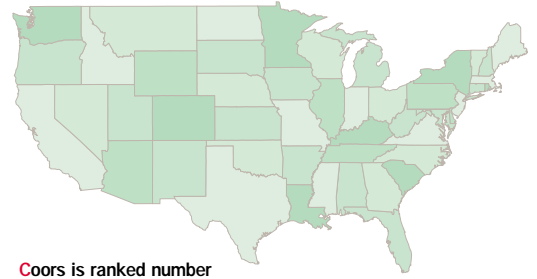
A Quick Look at Coors



Adolph Coors was just 26 years old when he opened his brewery in Golden, Colorado, in 1873. It's here that his dream, born when he was a brewer's apprentice in Germany, found its home.

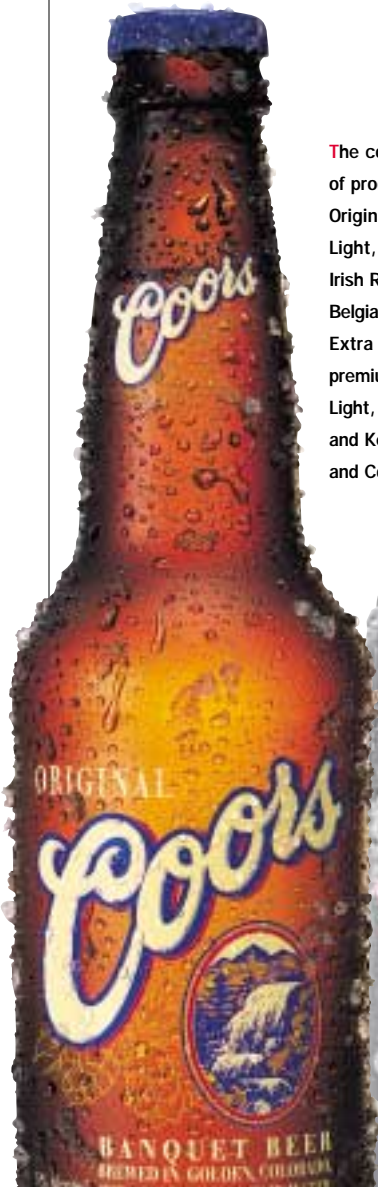
Today, our beers are refreshing more and more beer drinkers beyond our borders – led by Coors Light, the number-one beer in Puerto Rico and the number-one light beer in Canada.

#1



Coors is ranked number three in beer sales nationwide. Not bad, given that it was less than 10 years ago (1991) that Coors finished its expansion into all 50 states.

The company's portfolio of products includes Original Coors, Coors Light, George Killian's Irish Red, Blue Moon Belgian White and Coors Extra Gold; our below-premium beers Keystone Light, Keystone Premium and Keystone Ice; Zima and Coors Non-Alcoholic.



23,001,000



In 1999 we sold 23,001,000 barrels of Coors products worldwide, including Coors Light brewed through our Canadian joint venture. That's 713,031,000 gallons, or 316,902,667 cases, or 7,605,664,000 12-ounce bottles, depending on how you look at things.

At Coors, we concentrate on brewing premium and above-premium beers. Eighty-eight percent of our volume in 1999 was in the premium-and-above segments – the highest percentage of any major U.S. brewer.

88%



In 1999 we moved our stock to the New York Stock Exchange. Premium beers. The world's premium stock exchange. It makes perfect sense, don't you think?

Coors employees number about 5,800 strong across the globe – one of the most talented and committed workforces in the world.

5,800

31

Coors products are sold in some 31 international markets in North America, Latin America, the Caribbean, Europe, Australia and Asia.



Financial Highlights

(Dollars in thousands except per share data, for the years ended)

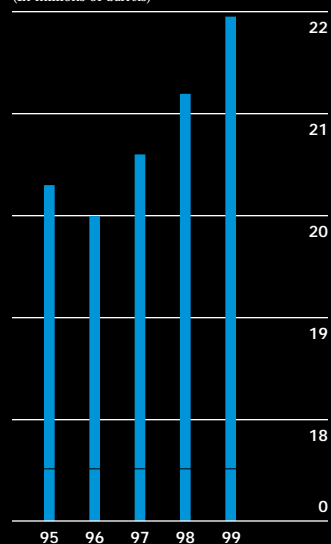
	December 26, 1999	December 27, 1998	Percentage Change
Barrels of beer and other malt beverages sold	21,954,000	21,187,000	3.6%
Net sales	\$2,056,646	\$1,899,533	8.3%
Net income	\$ 92,284	\$ 67,784	36.1%
Properties – net	\$ 714,001	\$ 714,441	(0.1%)
Total assets	\$1,546,376	\$1,460,598	5.9%
Shareholders' equity	\$ 841,539	\$ 774,798	8.6%
Dividends	\$ 23,745	\$ 21,893	8.5%
Number of full-time employees	5,800	5,800	–
Number of shareholders of record	3,105	3,197	(2.9%)
Number of Class A common shares outstanding	1,260,000	1,260,000	–
Number of Class B common shares outstanding	35,462,034	35,395,306	0.2%
Per share of common stock			
Net income – basic	\$ 2.51	\$ 1.87	34.2%
Net income – diluted	\$ 2.46	\$ 1.81	35.9%
Net book value	\$22.91	\$21.34	7.4%
Dividends	\$0.645	\$ 0.60	7.5%

Profile

Adolph Coors Company, traded on the New York Stock Exchange under the ticker symbol “RKY,” is ranked among the 700 largest publicly traded corporations in the United States. Its principal subsidiary is Coors Brewing Company, the nation's third-largest brewer. With its headquarters and primary brewery in Golden, Colorado, the company also has brewing and packaging facilities in Elkton, Virginia; Memphis, Tennessee; and Zaragoza, Spain. Coors owns major facilities in Colorado to manufacture aluminum cans and ends, as well as bottles, and is a partner in joint ventures that operate these plants.

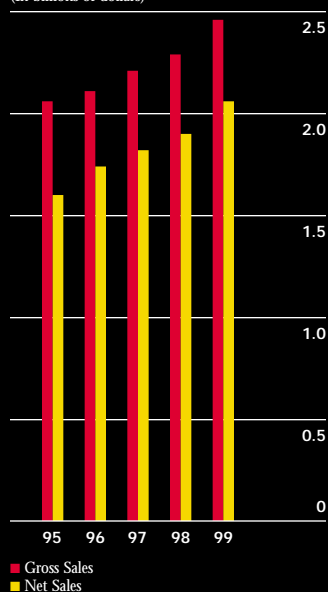
Malt Beverage Sales Volume

(In millions of barrels)



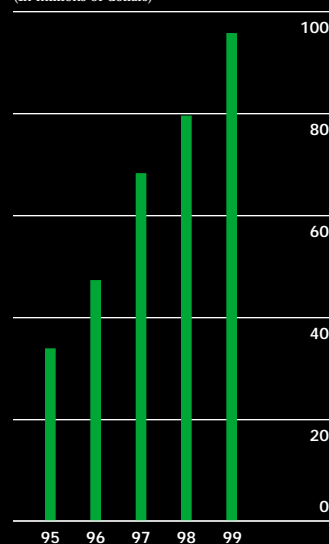
Sales¹

(In billions of dollars)



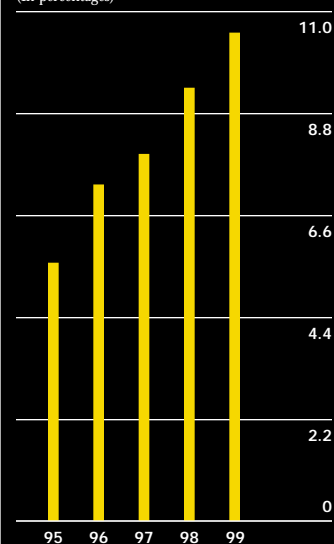
After-tax Income²

(In millions of dollars)



Return on Invested Capital³

(In percentages)

¹The difference between gross sales and net sales represents beer excise taxes.²Excluding net special charges (in 1999, 1998 and 1996) and special credits (in 1997 and 1995).³Defined 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.

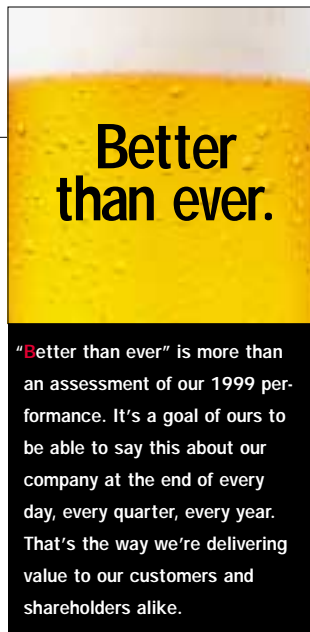
To Our Shareholders

Our strategy of working the fundamentals of our business is paying off. Our 1999 results were good, and industry market trends are playing to our strengths. The future looks bright, with plenty of room to improve and grow – that’s just the way we like it.

You’ve heard us say this before, many, many times over the past several years. It’s become our mantra. Stick to the basics: Do great beer. Amaze our customers. Make money. Invest in our people. We’re convinced that to win in this business, we have to be absolutely committed to doing those four things better than our competitors, better than we did the previous year, better than we ever have.

In our letter to you last year, we said we’d work the fundamentals while focusing on five primary factors in 1999: investing in our brands; meeting beer pricing challenges; increasing our presence in international markets; improving operational efficiency; and assessing the impact of continued industry consolidation. Let’s look at them one by one.

In 1999, we built momentum in all five of our major brands – Coors Light, Original Coors, Killian’s Irish Red, Zima and Keystone Light. Coors Light achieved mid-single-digit growth for the fifth consecutive year. Killian’s, Zima and Keystone



Light all delivered solid results. And Original Coors showed improvement with strong single-digit growth in the fourth quarter. To drive this momentum, we continued to improve upon our execution at the retail level and grow brand equities by increasing top-line investments by a total of nearly \$50 million.

On the pricing front, we were able to implement modest net increases in our U.S. markets during 1999 while remaining competitive – we saw no negative effect on our volumes or brand

strength. We also increased prices slightly in key international markets during the year while continuing to grow market share.

It was an encouraging year for our international businesses, with volumes in Canada and Puerto Rico growing at a faster rate than domestic volumes, and both showing strong income growth. Ireland showed real promise in 1999, and Zima picked up momentum in Japan.

Employees made a very significant contribution to improving quality and operational efficiency in 1999 through participation

in our W.I.N.S. (Winning Ideas – New Solutions) program. In 1998, its first year, the program resulted in gross cost savings of \$3 million; in 1999, it generated more than \$5.5 million in savings with employee participation surpassing 33 percent.

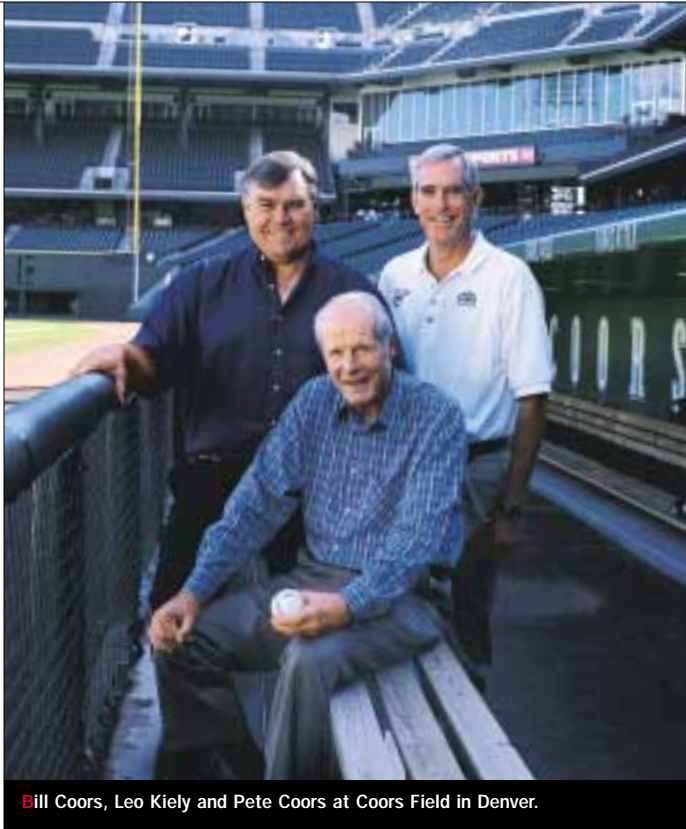
As to consolidation in the beer business, the recent trend has proven to be a significant positive for us, taking excess capacity out of the industry and accelerating consolidation at the wholesaler level. We expect to continue to benefit from these trends through 2000.

The five factors discussed above, along with lower aluminum costs, paper packaging prices and interest expenses, were the drivers of a record year for Adolph Coors Company in 1999.

Review of 1999

Financial performance for the year was excellent. For the fiscal year ended December 26, 1999, the company's net sales were a record \$2.06 billion, growing 8.3 percent above 1998's \$1.9 billion. Sales volume also broke all records in 1999, increasing

Coors people are the most important ingredient in the success of our ongoing efforts to improve quality and operational efficiency. In fact, we can put names to every single achievement we realized in 1999.



Bill Coors, Leo Kiely and Pete Coors at Coors Field in Denver.

3.6 percent over the previous year to 21,954,000 barrels (which does not include sales by the Coors Canada joint venture) and surpassing the industry growth rate by approximately 2 percentage points. And distributor sales to retail increased by approximately 3.4 percent year over year.

Our company posted after-tax income of \$95.8 million, excluding special items. This represents a 20.3 percent increase over the \$79.6 million we achieved in 1998.

Basic earnings per share grew

19.2 percent to \$2.61 in 1999, compared to \$2.19 the prior year; diluted earnings per share were \$2.56, up 20.8 percent from \$2.12 per share in 1998, excluding special items.

Other important highlights:

- We again achieved one of our primary top-line goals by continuing to increase market share and outpace the industry volume growth rate.
- We continued to invest in our core brand equities and in our domestic and international sales capabilities.
- We worked on a range of improvements to our current facilities and processes that we believe will provide adequate additional production capacity over the next few years without investments in major facilities construction.
- We again raised the level of product quality and freshness to our distributors.

Looking ahead

As positive as 1999 was, we see significant challenges before us. Looking ahead to 2000, we will focus on three primary drivers of our business performance: volume, pricing and cost of goods.

With all five of our major brands growing during the fourth quarter of 1999, we entered 2000 with good momentum to drive

volume. We will again strive to outgrow the category by at least 1-2 percentage points on an annual basis.

The keys to front-line pricing for 2000 will be the level of promotional discounting, the degree of value-pack activity and the extent of any new increases, all of which are difficult to predict. Our strategy will remain focused on building Coors brand equities by pricing competitively while investing aggressively and wisely in marketing and sales efforts.

Our overall expectation is for cost of goods to be up slightly per barrel in 2000, but a large shift in raw material prices or consumer demand toward other packages could alter that outlook. Part of the increase will be in glass costs related to the shift we are making in our package mix toward longneck bottles, which are increasingly popular among beer drinkers but cost more and are less profitable than most other package configurations.

The third, fourth and fifth generations of the family now walk the halls of Adolph Coors Company. Our core purpose hasn't changed since we first opened the brewery in Golden, Colorado, back in 1873: to delight each new generation of beer drinkers with our unique "Rocky Mountain-style" beers. By continuing to work the fundamentals of our business, we will seek to grow our premium and above-premium brands in the United States, we'll pursue profitable growth in markets outside our borders and we'll continue to build a team capable of sustaining high performance and a winning culture.

How will we do it? Through the extraordinary efforts of Coors people – who embody our enduring values of integrity, quality, excelling and passion – and the commitment of our partners to those same values, from the farmers growing our barley to the people stocking shelves with our products.

A commitment to our shareholders, employees and community

To our shareholders, we know we could not have reached the level of performance we have achieved thus far without your support. We will work to justify that support by seeking to build the long-term value of your investment in everything we do. To our employees, we want you to know how much we appreciate your contributions to the success of Adolph Coors Company. Our pledge to you is that we will continue to strive to make this the best place possible for you to learn and grow.

We believe we have a mandate to be an active, responsible participant in our communities. A big part of this is aggressively helping address the serious problems of underage drinking and drunk driving.

And to our community, we will continue to do our part as an active corporate citizen, and we will never compromise in our commitment to help fight underage drinking and drunk driving through responsible marketing of our products, partnering with distributors and retailers, and supporting legislation, education and prevention initiatives to address these very serious issues.


Today's beer business is a great one to be in, filled with opportunity and challenge. We invite you all to work alongside us as we move confidently to reach new levels of performance in 2000 and beyond.



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

Financial Performance Summary

Overall, 1999 was an exceptional year, characterized by progress and achievement in financial performance, driven by the efforts of the entire Coors team.

We achieved improvements in many key performance measures. It was the first time in our history as a public company that we have achieved four consecutive years of profit increases. Compared to 1998 and excluding special items, pretax income grew 20 percent to more than \$156 million, and diluted earnings per share grew by \$0.44, a nearly 21 percent increase. Since 1995, our earnings per share have grown at a strong 30 percent compound annual rate, excluding special items. Never before has Coors achieved this level of consistent growth in profitability.

We achieved this strong profit growth while making significant investments in our company and our brands – increasing by more than \$50 million our investments in advertising, our sales force and other market-focused programs. We grew total volume by 767,000 barrels, or 3.6 percent. Add this to the over 600,000 barrels of growth we achieved in 1998 and it represents the strongest two-year period of volume growth that we've seen at the company in almost 10 years. This strong volume growth performance was accompanied by higher margins as we benefited from an improved pricing environment and lower raw material costs.

Our 1999 financial performance was also characterized by a number of other key measurements and milestones:

- We achieved our eighth consecutive quarter of earnings growth.
- We saw improvement in return on invested capital (excluding special items) by over a full percentage point to 10.6 percent.
- Our return on equity (excluding special items) increased by 1.4 percentage points to 11.9 percent.
- Profit margins improved significantly, with gross margins up 2 full percentage points to 40.9 percent.
- We made significant capital investments in packaging capacity to meet demand for high-growth packages, especially longneck bottles and multipack cans.
- We paid off the remaining \$40 million of our medium-term note debt.

- Our annualized dividend increased by \$0.06 per share, or 10.0 percent.
- We further enhanced the strength of our balance sheet by implementing improved disciplines around working capital management.
- We moved our stock listing to the New York Stock Exchange.

We feel this gives us improved visibility and access to capital markets, as well as improved trading characteristics, which benefit the company.

Like so many other consumer products companies, we also recognize the cycles and irony presented to us by the equity markets in the past few quarters. Even though our price-to-earnings multiple early in 2000 is lower than it was a year ago, we believe we are today an organization that is, without question, more profitable, more financially disciplined, more consistent, more financially flexible and stronger than we have ever been.

As we continue to build our financial strength, we are even better positioned, even better prepared, to pursue opportunities and investments that will achieve even greater growth and value for the Coors enterprise and our investors.

For 2000 and beyond, we are increasingly focused on achieving even stronger balance in our performance – between product

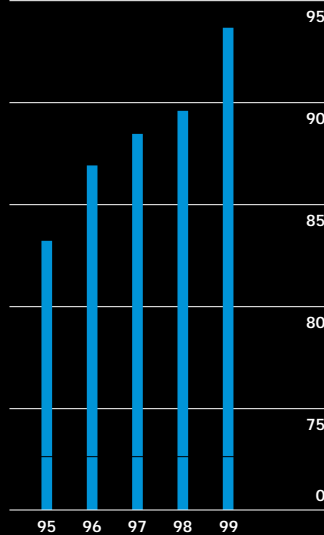
quality/service improvements and achieving our cost reduction goals, between growing our business and becoming more productive. Given our progress and momentum, we're encouraged and confident as we look at the challenging and exciting opportunities ahead. It is a competitive, rapidly changing industry, and Coors is better positioned than ever to win.



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

Net Sales per Barrel

(In dollars)



Timothy V. Wolf
Senior Vice President and Chief Financial Officer
Coors Brewing Company
March 1, 2000

A year of progress and achievement. In 1999, Adolph Coors Company achieved new levels of consistent, profitable growth. The company made solid gains in several key performance areas, including volume, operating income, after-tax earnings and earnings per share, among others.

Investing in our success. During the year, we made a number of significant investments in our company and our brands. We increased our capacity without building new facilities while growing our investments in advertising, our sales force and other programs designed to bolster our already robust brands.

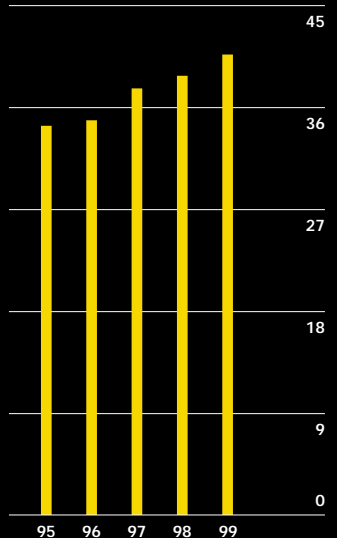
Building balance. We are increasingly focused on achieving stronger balance in our performance – continuing our momentum in improving product and service quality and growing volume, all while redoubling our efforts to reduce costs and improve productivity.

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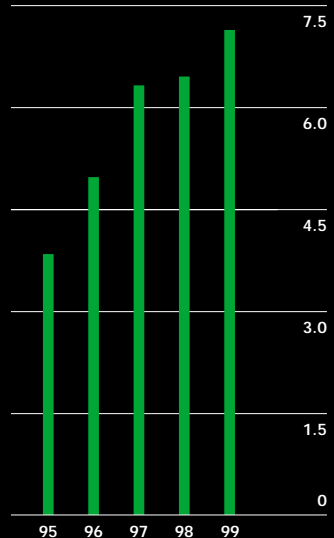
Gross Margin

(In percentages of net sales)



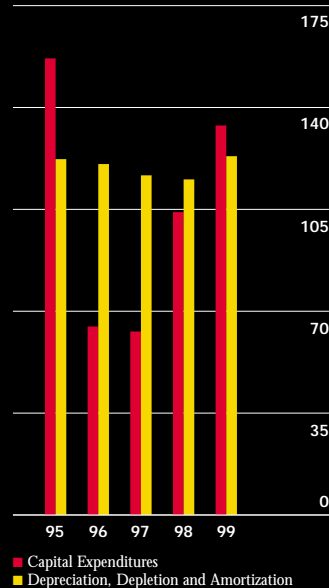
Operating Margin

(In percentages of net sales)



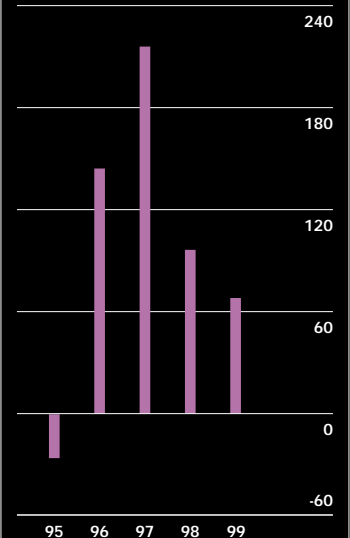
Capital Expenditures/Depreciation, Depletion and Amortization

(In millions of dollars)



Cash from Operating and Investing Activities

(In millions of dollars)



*All graphs – excluding net special charges (in 1999, 1998 and 1996) and special credits (in 1997 and 1995).
 Excluding purchases, sales and maturities of marketable investments in 1999, 1998, 1997 and 1996.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Introduction

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") produce and market 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 26, 1999, 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. Fiscal years 1999, 1998 and 1997 each consisted of 52 weeks.

Certain unusual or non-recurring items impacted ACC's financial results for 1999, 1998 and 1997. Restatement of results excluding special items permits clearer evaluation of its ongoing operations and are summarized below.

Summary of operating results:

(In thousands, except earnings per share, for the years ended)	Dec. 26, 1999	Dec. 27, 1998	Dec. 28, 1997
Operating income			
As reported	\$141,983	\$103,819	\$147,393
Excluding special items	\$147,688	\$123,214	\$115,876
After tax income			
As reported – net income	\$ 92,284	\$ 67,784	\$ 82,260
Excluding special items	\$ 95,778	\$ 79,615	\$ 68,309
Earnings per share			
As reported			
– basic	\$ 2.51	\$ 1.87	\$ 2.21
– diluted	\$ 2.46	\$ 1.81	\$ 2.16
Excluding special items			
– basic	\$ 2.61	\$ 2.19	\$ 1.84
– diluted	\$ 2.56	\$ 2.12	\$ 1.80

1999 For the 52-week fiscal year ended December 26, 1999, ACC reported net income of \$92.3 million, or \$2.51 per basic share (\$2.46 per diluted share). During 1999, the Company recorded a \$3.7 million pretax charge primarily for severance costs associated with restructuring the Company's engineering and construction unit. A \$2.0 million pretax charge also was recorded during 1999 to facilitate improvements to the Company's distributor network. These items resulted in a total special pretax charge of \$5.7 million, or \$0.10 per basic and diluted share, after tax. Without this special charge, ACC would have reported net earnings of \$95.8 million, or \$2.61 per basic share (\$2.56 per diluted share)(see Note 9 in the accompanying Consolidated Financial Statements).

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 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).

Trend summary – percentage increase for 1999, 1998

and 1997 The following table summarizes trends in operating results, excluding special items.

	1999	1998	1997
Volume	3.6%	2.9%	2.7%
Net sales	8.3%	4.3%	4.6%
Average base price increase	1.8%	0.3%	1.7%
Gross profit	13.8%	7.1%	13.0%
Operating income	19.9%	6.3%	33.0%
Advertising expense	12.0%	10.0%	8.5%
Selling, general and administrative	13.6%	3.7%	11.8%

Consolidated Results of Continuing Operations –**1999 vs. 1998 and 1998 vs. 1997 (Excluding Special Items)**

1999 vs. 1998 The Company reported net sales of \$2.1 billion for 1999, representing an 8.3% increase over 1998. Net sales were impacted favorably by a unit volume increase of 3.6%.

Net sales per barrel for 1999 also were favorably impacted by improved gross realizations per barrel due to increased pricing, reduced domestic discounting and mix improvement toward higher net revenue product sales.

Gross profit increased 13.8% to \$840.7 million from 1998 due to the 8.3% net sales increase discussed above, coupled with a lower increase in cost of goods sold of 4.8%. Cost of goods sold per barrel increased due to a shift in product demand toward more expensive products and packages, including import beers sold by Coors-owned distributors, higher glass costs, as well as increased production and labor costs incurred in the packaging areas during the first quarter of 1999. These increases were partially offset by decreases primarily due to reduced aluminum material costs.

Operating income grew 19.9% to \$147.7 million in 1999 as a result of higher gross profit discussed above, partially offset by a 12.6% increase in marketing, general and administrative expenses. Advertising costs increased 12.0% over 1998 due to increased investments behind the core brands both domestically and internationally. General and administrative expenses for our international business, as well as information and technology expenses, were also higher in 1999 compared to 1998.

Net non-operating income of \$8.7 million in 1999 increased from \$7.3 million in 1998. This \$1.4 million change is primarily due to reductions in net interest expense. The decrease in net interest expense in 1999 from 1998 was attributable to an increase in capitalized interest due to higher capital spending and lower levels of debt.

The Company's effective tax rate decreased to 38.8% in 1999 from 39.0% in 1998 primarily due to higher tax-exempt income. The 1999 effective tax rate exceeded the statutory rate primarily because of state tax expense.

Net earnings for 1999 were \$95.8 million, or \$2.61 per basic share (\$2.56 per diluted share), compared to \$79.6 million, or \$2.19 per basic share (\$2.12 per diluted share), for 1998, representing increases of 19.2% (basic) and 20.8% (diluted) in earnings per share.

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 7.1% to \$738.8 million from 1997 due to the 4.3% net sales increase discussed above, coupled with a lower increase in cost of goods sold of 2.6%. 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 7.3% 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 greater spending on Year 2000 system compliance work.

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 was primarily due to higher interest income resulting from higher cash balances, lower interest expense from lower debt balances and the sale of certain patents in the fourth quarter related to aluminum can decorating technologies.

Management's Discussion and Analysis of Financial Condition and Results of Operations

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.

Liquidity and Capital Resources

The Company's primary sources of liquidity are cash provided by operating activities and external borrowings. As of December 26, 1999, ACC had working capital of \$220.1 million, and its net cash position was \$163.8 million compared to \$160.0 million as of December 27, 1998, and \$168.9 million as of December 28, 1997. In addition to its cash resources, ACC had short-term investments of \$113.2 million at December 26, 1999, compared to \$96.2 million at December 27, 1998, and \$42.2 million at December 28, 1997. ACC also had \$2.9 million of marketable investments with maturities exceeding one year at December 26, 1999, compared to \$31.4 million at December 27, 1998, and \$47.1 million at December 28, 1997. The Company believes that cash flows from operations and short-term borrowings will be sufficient to meet its ongoing operating requirements; scheduled principal and interest payments on indebtedness; dividend payments; and anticipated capital expenditures in the range of approximately \$125 million to \$130 million for improving and enhancing the facilities, infrastructure, information systems and environmental compliance.

Operating activities Net cash provided by operating activities was \$169.8 million for 1999, \$181.1 million for 1998 and \$260.6 million for 1997. This resulted in an \$11.3 million decrease in operating cash flows in 1999 compared to 1998. Operating cash decreased approximately \$48 million as a result

of the contribution made to the Company's defined benefit pension plan in January 1999, which is reflected in Other assets on the accompanying Consolidated Balance Sheets. This contribution was made as a result of benefit improvements to the Company's defined benefit pension plan, which were effective July 1, 1999, and resulted in an increase to the projected benefit obligation of approximately \$48 million. The decrease in operating cash due to the pension contribution was partially offset by working capital changes, an increase in deferred tax expense, and an increase in depreciation and amortization. The fluctuations in working capital changes are primarily due to increased operating activity and timing of payments between the two years. The increase in deferred tax expense is due to timing differences arising between book income and taxable income. Depreciation and amortization has increased over 1998 mainly due to an increase in capitalized assets in the current year.

The decrease in operating cash flows in 1998 from 1997 of \$79.4 million was primarily a result of a settlement with Molson included in the 1997 cash flows from operations.

Investing activities During 1999, ACC spent \$90.8 million on investing activities compared to \$124.0 million in 1998 and \$127.9 million in 1997. The 1999 decrease was primarily due to an increase in cash due to the net activity of ACC's marketable securities and an increase in distributions received from joint ventures. These increases were partially offset by an increase in capital expenditures. The impact of ACC's marketable investment activities during 1999 was a cash inflow of \$11.0 million compared to a cash outflow in 1998 and 1997 of \$39.3 million and \$83.3 million, respectively. The increase during 1999 in cash inflows from the net activity on marketable securities was mainly due to allocating less of the Company's cash resources to marketable security investments. Distributions from joint ventures increased to \$30.3 million in 1999 from \$22.4 million in 1998 and \$13.3 million in 1997. The increase in these distributions during 1999 and 1998 was mainly attributable to increased cash flow from operations at the Coors Canada partnership. In 1997, the increase in distributions was mainly due

to increased cash flow from operations and reduced capital expenditures at joint ventures. Capital expenditures increased to \$134.4 million in 1999 from \$104.5 million in 1998 and \$60.4 million in 1997. The increased capital spending during 1999 was primarily due to information technology upgrades, expenditures in packaging capacity and investments by Coors-owned distributors in non-Coors brands. In 1998, capital expenditures focused primarily on information systems and facilities maintenance. Additional expenditures were also incurred for cost reduction and capacity and quality improvements. In 1997, capital expenditures focused on enhancing packaging operations. Proceeds from property sales were \$3.8 million in 1999 compared to \$2.3 million in 1998 and \$3.3 million in 1997.

Financing activities During 1999, the Company spent \$76.4 million on financing activities consisting primarily of principal payments of \$40.0 million on ACC's medium-term notes, net purchases of \$11.0 million for Class B common stock and dividend payments of \$23.7 million.

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

During 1997, the Company spent \$72.0 million on financing activities primarily attributable to principal payments of \$20.5 million on ACC's medium-term notes, net purchases of \$35.6 million for Class B common stock and dividend payments of \$20.5 million.

Debt obligations During 1999, the Company repaid the remaining \$40.0 million of outstanding medium-term notes with cash on hand. In 1998 and 1997, payments of \$27.5 million and \$20.5 million, respectively, were made on these notes. ACC also had \$100 million outstanding in Senior Notes as of December 26, 1999. 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%. Interest is paid semiannually in January and July.

The Company's debt-to-total capitalization ratio was 11.1% at the end of 1999, 15.8% at the end of 1998 and 19.0% at the end of 1997.

Revolving line of credit In addition to the Senior Notes, the Company has an unsecured, committed credit arrangement totaling \$200 million, all of which was available as of December 26, 1999. This line of credit has a five-year term which expires in 2002, with two optional one-year extensions. During 1998, the Company exercised an option to extend 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 and was in compliance at year-end 1999.

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 \$4.9 million each as of December 26, 1999) in short-term financing. As of December 26, 1999, the approximate yen equivalent of \$4.9 million was outstanding under these arrangements and is included in Accrued expenses and other liabilities in the accompanying Consolidated Balance Sheets.

Advertising and promotions As of December 26, 1999, the Company's total commitments for advertising and promotions at sports arenas, stadiums and other venues and events are approximately \$182.7 million over the next eight years.

Stock repurchase plan In November 1999, the board of directors authorized the extension of the Company's stock repurchase program through 2000. The program authorizes repurchases of up to \$40 million of ACC's outstanding Class B common stock during 2000. Repurchases will be financed by funds generated from operations or short-term borrowings, if necessary. The Company spent approximately \$12.2 million in 1999 to repurchase common stock, purchasing approximately 232,300 shares of outstanding Class B common stock under the previously approved stock repurchase program.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Investment in Jinro-Coors Brewing Company CBC invested approximately \$22 million in 1991 for a 33% interest in the Jinro-Coors Brewing Company (JCBC), a joint venture between CBC and Jinro Limited. CBC accounted for this investment under the cost basis of accounting, given that CBC did not have the ability to exercise significant influence over JCBC and that CBC's investment in JCBC was 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.

Beginning in April 1997, Jinro Limited began attempting to restructure due to financial difficulties. The financial difficulties of JCBC and Jinro Limited 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 Consolidated Statements of Income.

When CBC exercised its put option in December 1997, it reclassified its investment in JCBC to a receivable from Jinro Limited. The receivable is secured by shares, which were later canceled, as described below. Jinro Limited had until June 1998 to perform its obligation under the put option. It did not perform.

In February 1999, Jinro Limited, which was operating under a composition plan approved by its creditors and a Korean court, announced a plan to sell JCBC through an international bidding process. The Company submitted a bid for the purchase of JCBC and was selected as the preferred bidder. Subsequent to this selection, the supervising court and creditors of JCBC canceled the original auction and held a new one, in which CBC did not participate. JCBC was sold to Oriental Brewery and the shares of the former owners were canceled in November 1999.

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 2000; overall volume trends; pricing trends and industry forces; cost reduction strategies and their anticipated results; the Company's expectations for funding its 2000 capital expenditures and operations; and other statements of expectations, beliefs, future plans and strategies, anticipated events or trends and similar expressions concerning matters that are not historical facts. These forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those expressed in or implied by the statements.

To improve its financial performance, the Company must grow premium beverage volume, achieve modest price increases for its products and reduce its overall cost structure. As the beer business is competitive and does entail some measure of risk, 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:

- any inability of the Company and its distributors to develop and execute effective marketing and sales strategies for Coors and non-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 continued shift in consumer preferences away from products packaged in aluminum cans, which are more profitable, toward bottled products;
- a potential shift in consumer preferences toward products and packages that would require additional capacity;
- a potential reduction in sales revenues due to decreases in sales volumes in certain key domestic and export markets;
- 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 import beers;
- increases in the cost of aluminum, paper packaging and other raw materials;
- a continued shift in the competitive environment toward increased marketing and advertising spending and significant increases in the costs of marketing and advertising;
- any inability of the Company to reduce manufacturing, freight and overhead costs to more competitive levels;
- changes in significant laws and government regulations affecting environmental compliance and income taxes;
- any inability of the Company 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;
- significant increases in fuel costs;
- the potential for a strike by truck drivers;
- the potential impact of further industry consolidation;
- risks associated with investments and operations in foreign countries, including those related to foreign regulatory requirements; exchange rate fluctuations; and local political, social and economic factors; and
- significant increases in the estimated costs of planned capital expenditures.

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 2000

The Company's performance in 1999 benefited from domestic and export volume gains. Volume gains are expected to be achieved in 2000, with a growth goal of one to two percentage points higher than the industry growth rate. The price environment is expected to be positive in the first quarter of 2000, partially from reduced discounting. Continuing increased sales of value-packs or an increase in price discounting could have an unfavorable impact on top-line performance resulting in lower margins.

For fiscal year 2000, packaging and fixed costs per barrel are expected to be up slightly due to a shift in product demand to higher-cost products and packages including longneck bottles and slight increases in prices of some raw materials. Significant changes in market prices of these items could alter this outlook. CBC continues to pursue improvements in its operations to achieve cost reductions over time.

Advertising costs are expected to increase at a rate lower than in 1999, while the growth in other general and administrative costs should be similar to that in 1999. 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. The competitive battleground has shifted to marketing and advertising, which may result in any incremental revenue generated by price increases being spent on advertising and market place support.

Net interest should continue its favorable trends based on the Company's lower outstanding debt and higher anticipated yields relative to 1999. Net interest could be less favorable than expected if the Company invests a substantial portion of its cash balances in operating assets or investments with longer-term returns or if interest rates decline. Also, cash may be used to repurchase additional outstanding common stock as approved by the ACC board of directors in November 1999.

The effective tax rate for 2000 is not expected to differ significantly from the 1999 effective tax rate applied to income excluding special items. The level and mix of pretax income for 2000 could affect the actual rate for the year.

Management's Discussion and Analysis of Financial Condition and Results of Operations

In 2000, CBC has planned capital expenditures (excluding capital improvements for its container joint ventures, which will be recorded on the books of the joint venture) in the range of approximately \$125 million to \$130 million for improving and enhancing the facilities, infrastructure, information systems, and environmental compliance. In addition to CBC's 2000 planned capital expenditures, incremental strategic investments will be considered on a case-by-case basis.

The Company has and will continue to assess its operations and work force structure. Based upon the results of these assessments, the Company may from time to time determine that certain restructurings of its operations and workforce are necessary.

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 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. commenced 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. Chemical Waste Management's projected costs to meet the 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 operating results 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 The “Year 2000” issue arose because some computers, software and other equipment included programming code in which calendar year data were abbreviated to only two digits. As a result of this design decision, some of these systems may have failed to operate or failed to produce correct results if “00” was interpreted to mean 1900 rather than 2000.

ACC established processes for evaluating and managing the risks and costs associated with the Year 2000 issue. This project had two major elements – Application Remediation and Extended Enterprise. As part of Application Remediation, the Company made certain investments in existing information systems and applications to ensure that they were Year 2000 compliant. The Company also invested in certain new applications in order to avoid having to remediate certain systems. The Extended Enterprise element consisted of the evaluation of third-party suppliers, customers, joint venture partners, transportation carriers and others.

The total amount expended on the Year 2000 project – expense and capital – through December 26, 1999, was approximately \$34.6 million. The anticipated spending in 2000 is very minimal. The Company did not experience any major difficulties or any significant interruptions to its business during the transition to the Year 2000.

Quantitative and Qualitative Disclosures About Market Risk

In the normal course of business, the Company is exposed to fluctuations in interest rates, the value of foreign currencies and production and packaging materials prices. 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 when practical. 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 fluctuations in interest rates, foreign currency exchange rates and production and packaging materials prices is to decrease the volatility of earnings and cash flows associated with changes in the applicable rates and prices. To achieve this objective, the Company primarily enters into forward exchange contracts, options and swap agreements whose values change in the opposite direction of the anticipated cash flows. The Company does not hedge the value of net investments in foreign-currency-denominated operations and translated earnings of foreign subsidiaries. The Company's primary foreign currency exposures are the Canadian dollar, the Japanese yen and the Spanish peseta.

A sensitivity analysis has been prepared to estimate the Company's exposure to market risk of interest rates, foreign currency exchange rates and commodity prices. The sensitivity analysis reflects the impact of a hypothetical 10% adverse change in the applicable market interest rates, foreign currency exchange rates and commodity prices. The volatility of the applicable rates and prices are dependent on many factors that cannot be forecasted with reliable accuracy. Therefore, actual changes in fair values could differ significantly from the results presented in the table below.

The following table presents the results of the sensitivity analysis of the Company's derivative portfolio:

(In millions, as of)	Dec. 26, 1999
Estimated fair value volatility	
Foreign currency risk: forwards, options	\$ (2.8)
Interest rate risk: swaps	(1.3)
Commodity price risk: swaps, options	(11.3)

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; the 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 and 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.



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

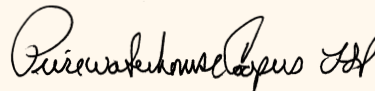


Timothy V. Wolf
Senior Vice President and Chief Financial Officer
Coors Brewing Company

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 26, 1999, and December 27, 1998, and the results of their operations and their cash flows for each of the three years in the period ended December 26, 1999, in conformity with accounting principles generally accepted in the United States. 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 auditing standards generally accepted in the United States 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 9, 2000

Consolidated Statements of Income

(In thousands, except per share data, for the years ended)	December 26, 1999	December 27, 1998	December 28, 1997
Sales – domestic and international	\$ 2,462,874	\$ 2,291,322	\$ 2,207,384
Beer excise taxes	(406,228)	(391,789)	(386,080)
Net sales (Note 13)	2,056,646	1,899,533	1,821,304
Costs and expenses			
Cost of goods sold	(1,215,965)	(1,160,693)	(1,131,610)
Marketing, general and administrative	(692,993)	(615,626)	(573,818)
Special (charges) credits (Note 9)	(5,705)	(19,395)	31,517
Total operating expenses	(1,914,663)	(1,795,714)	(1,673,911)
Operating income	141,983	103,819	147,393
Other income (expense)			
Interest income	11,286	12,136	8,835
Interest expense	(4,357)	(9,803)	(13,277)
Miscellaneous – net	1,755	4,948	3,942
Total	8,684	7,281	(500)
Income before income taxes	150,667	111,100	146,893
Income tax expense (Note 5)	(58,383)	(43,316)	(64,633)
Net income	\$ 92,284	\$ 67,784	\$ 82,260
Other comprehensive income (expense), net of tax (Note 12)			
Foreign currency translation adjustments	(3,519)	1,430	(5,886)
Unrealized gain on available-for-sale securities	6,438	440	–
Comprehensive income	\$ 95,203	\$ 69,654	\$ 76,374
Net income per common share – basic	\$ 2.51	\$ 1.87	\$ 2.21
Net income per common share – diluted	\$ 2.46	\$ 1.81	\$ 2.16
Weighted-average number of outstanding common shares – basic	36,729	36,312	37,218
Weighted-average number of outstanding common shares – diluted	37,457	37,515	38,056

See notes to consolidated financial statements.

Consolidated Balance Sheets

(In thousands)	December 26, 1999	December 27, 1998
Assets		
Current assets		
Cash and cash equivalents	\$ 163,808	\$ 160,038
Short-term investments	113,185	96,190
Accounts and notes receivable:		
Trade, less allowance for doubtful accounts of \$55 in 1999 and \$299 in 1998	123,861	106,962
Affiliates	13,773	11,896
Other, less allowance for certain claims of \$133 in 1999 and \$584 in 1998	22,026	7,751
Inventories:		
Finished	44,073	38,520
In process	19,036	24,526
Raw materials	34,077	34,016
Packaging materials, less allowance for obsolete inventories of \$1,195 in 1999 and \$1,018 in 1998	10,071	5,598
Total inventories	107,257	102,660
Other supplies, less allowance for obsolete supplies of \$1,975 in 1999 and \$3,968 in 1998	23,584	27,729
Prepaid expenses and other assets	24,858	12,848
Deferred tax asset (Note 5)	20,469	22,917
Total current assets	612,821	548,991
Properties, at cost and net (Notes 2 and 13)	714,001	714,441
Excess of cost over net assets of businesses acquired, less accumulated amortization of \$7,785 in 1999 and \$6,727 in 1998	31,292	23,114
Long-term investments	2,890	31,444
Other assets (Note 10)	185,372	142,608
Total assets	\$1,546,376	\$1,460,598

See notes to consolidated financial statements.

Consolidated Balance Sheets

(In thousands)	December 26, 1999	December 27, 1998
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable:		
Trade	\$ 155,344	\$ 132,193
Affiliates	24,271	11,706
Accrued salaries and vacations	60,861	54,584
Taxes, other than income taxes	53,974	48,332
Federal and state income taxes (Note 5)	8,439	10,130
Accrued expenses and other liabilities	89,815	86,967
Current portion of long-term debt (Note 4)	—	40,000
Total current liabilities	392,704	383,912
Long-term debt (Note 4)	105,000	105,000
Deferred tax liability (Note 5)	78,733	65,779
Postretirement benefits (Note 8)	75,821	74,469
Other long-term liabilities	52,579	56,640
Total liabilities	704,837	685,800
Commitments and contingencies (Notes 3, 4, 5, 6, 7, 8, 10 and 14)		
Shareholders' equity (Notes 6, 11 and 12):		
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: 35,462,034 in 1999 and 35,395,306 in 1998)	8,443	8,428
Total capital stock	9,703	9,688
Paid-in capital	5,773	10,505
Retained earnings	825,070	756,531
Accumulated other comprehensive income (loss)	993	(1,926)
Total shareholders' equity	841,539	774,798
Total liabilities and shareholders' equity	\$1,546,376	\$1,460,598

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

(In thousands, for the years ended)	December 26, 1999	December 27, 1998	December 28, 1997
Cash flows from operating activities			
Net income	\$ 92,284	\$ 67,784	\$ 82,260
Adjustments to reconcile net income to net cash provided by operating activities:			
Equity in net earnings of joint ventures	(36,958)	(33,227)	(15,893)
Reserve for severance	4,769	8,324	—
Reserve for joint venture investment	—	—	21,978
Depreciation, depletion and amortization	123,770	115,815	117,166
Loss on sale or abandonment of properties and intangibles, net	2,471	7,687	5,594
Impairment charge	—	2,219	10,595
Deferred income taxes	20,635	(8,751)	(15,043)
Change in operating assets and liabilities:			
Accounts and notes receivable	(21,036)	2,140	(10,971)
Inventories	(4,373)	4,176	14,051
Other assets	(49,786)	8,977	3,742
Accounts payable	35,261	9,899	9,599
Accrued expenses and other liabilities	2,751	(3,898)	37,475
Net cash provided by operating activities	169,788	181,145	260,553
Cash flows from investing activities			
Purchases of investments	(94,970)	(101,682)	(122,800)
Sales and maturities of investments	105,920	62,393	39,499
Additions to properties and intangible assets	(134,377)	(104,505)	(60,373)
Proceeds from sale of properties and intangible assets	3,821	2,264	3,273
Distributions from joint ventures	30,280	22,438	13,250
Other	(1,437)	(4,949)	(775)
Net cash used in investing activities	(90,763)	(124,041)	(127,926)
Cash flows from financing activities			
Issuances of stock under stock plans	9,728	9,823	24,588
Purchases of stock	(20,722)	(27,599)	(60,151)
Dividends paid	(23,745)	(21,893)	(20,523)
Payments of long-term debt	(40,000)	(27,500)	(20,500)
Other	(1,692)	1,140	4,544
Net cash used in financing activities	(76,431)	(66,029)	(72,042)
Cash and cash equivalents			
Net increase (decrease) in cash and cash equivalents	2,594	(8,925)	60,585
Effect of exchange rate changes on cash and cash equivalents	1,176	88	(2,615)
Balance at beginning of year	160,038	168,875	110,905
Balance at end of year	\$ 163,808	\$ 160,038	\$ 168,875

See notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

(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 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 loss					(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
Shares issued under stock plans		110	15,895			16,005
Purchases of stock		(95)	(20,627)			(20,722)
Other comprehensive income					2,919	2,919
Net income				92,284		92,284
Cash dividends – \$0.645 per share				(23,745)		(23,745)
Balances, December 26, 1999	\$1,260	\$8,443	\$5,773	\$825,070	\$993	\$841,539

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

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 where 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 26, 1999, December 27, 1998, and December 28, 1997, were all 52-week periods.

Investments in marketable securities ACC invests excess cash on hand in interest-bearing debt securities. At December 26, 1999, \$113.2 million of these securities were classified as current assets and \$2.9 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 26, 1999, these securities have been recorded at fair value, based on quoted market prices, through other comprehensive income. Maturities on these investments range from 2000 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.

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 \$41.0 million and \$41.4 million at December 26, 1999, and December 27, 1998, 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.

Derivative instruments In the normal course of business, the Company is exposed to fluctuations in interest rates, the value of foreign currencies and production and packaging materials prices. 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 when practical. By policy, the Company does not enter into such contracts for the purpose of speculation or use leveraged financial instruments.

The Company's derivatives activities are subject to management, direction and control of the Financial Risk Management Committee (FRMC). The FRMC is composed of the chief financial officer and other senior management of the Company. The FRMC (1) sets forth risk-management philosophy and objectives through a corporate policy, (2) provides guidelines for derivative-instrument usage and (3) establishes procedures for control and valuation, counterparty credit approval and the monitoring and reporting of derivative activity.

The Company's objective in managing its exposure to fluctuations in interest rates, foreign currency exchange rates and production and packaging materials prices is to decrease

the volatility of earnings and cash flows associated with changes in the applicable rates and prices. To achieve this objective, the Company primarily enters into forward exchange contracts, options and swap agreements whose values change in the opposite direction of the anticipated cash flows. Derivative instruments related to forecasted transactions are considered to hedge future cash flows, and the effective portion of any gains or losses are included in other comprehensive income until earnings are affected by the variability of cash flows. Any remaining gain or loss is recognized currently in earnings. The cash flows of the derivative instruments are expected to be highly effective in achieving offsetting cash flows attributable to fluctuations in the cash flows of the hedged risk. If it becomes probable that a forecasted transaction will no longer occur, the derivative will continue to be carried on the balance sheet at fair value, and gains and losses that were accumulated in other comprehensive income will be recognized immediately in earnings. If the derivative instruments are terminated prior to their expiration dates, any cumulative gains and losses are deferred and recognized in income over the remaining life of the underlying exposure. If the 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.

To manage its exposures, the Company has entered into various financial instruments including forward exchange contracts, options and swap agreements. The Company has designated some of these instruments as cash flow hedges. The Company has partially hedged its exposure to the variability in future cash flows relating to fluctuations in foreign exchange rates and certain production and packaging materials prices for terms extending from January 2000 through March 2002 (see Note 12).

Instruments entered into that relate to existing foreign currency assets and liabilities do not qualify for hedge accounting in accordance with Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" (FAS 133). The gains and losses on both the derivatives and the foreign-currency-denominated assets and liabilities are recorded currently in Sales, Cost of goods sold and Marketing, general and administrative expenses in the accompanying Consolidated Statements of Income. Interest rate swap agreements are not designated as hedges, and therefore, currently all gains and losses are recorded in Interest income in the accompanying Consolidated Statements of Income. The Company has entered into call and put options

which currently do not qualify for hedge accounting. If, at some future date, these options do qualify for hedge accounting, the Company may choose to designate them as hedging items. All gains and losses on these options are recorded currently in Cost of goods sold on the accompanying Consolidated Statements of Income.

The Company adopted FAS 133 as of January 1999. During 1999, there were no significant gains or losses recognized in earnings for hedge ineffectiveness or due to excluding a portion of the value from measuring effectiveness. The estimated net gain to be recognized over the next 12 months in relation to certain production and packaging materials at December 26, 1999, is \$5.1 million.

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 Consolidated 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 is run. Advertising expense was \$443.4 million, \$395.8 million and \$360.0 million for years 1999, 1998 and 1997, respectively. The Company had \$6.2 million and \$7.0 million of prepaid advertising production costs reported as assets at December 26, 1999, and December 27, 1998, respectively.

Notes to Consolidated Financial Statements

Research and development Research and project development costs, included in Marketing, general and administrative, are expensed as incurred. These costs totaled \$15.5 million, \$15.2 million and \$14.6 million in 1999, 1998 and 1997, 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 original maturities of 90 days or less. The fair value of these investments approximates their carrying value. During 1999, 1998 and 1997, ACC issued restricted common stock under its management incentive program. These issuances, net of forfeitures, resulted in net non-cash (decreases) increases to the equity accounts of (\$0.7) million, \$2.4 million and \$0.8 million in 1999, 1998 and 1997, respectively. Also during 1999, 1998 and 1997, equity was increased by the non-cash tax effects of the exercise of stock options under the Company's stock plans of \$7.0 million, \$5.9 million and \$5.0 million, respectively. Net income taxes paid were \$42.4 million in 1999, \$39.6 million in 1998 and \$66.8 million in 1997.

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 1998 and 1997 financial statements to conform with the 1999 presentation.

2. Properties

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

(In thousands, as of)	Dec. 26, 1999	Dec. 27, 1998
Land and improvements	\$ 94,687	\$ 94,561
Buildings	501,013	494,344
Machinery and equipment	1,680,600	1,581,355
Natural resource properties	7,423	8,623
Construction in progress	44,845	50,840
	2,328,568	2,229,723
Less accumulated depreciation, depletion and amortization	(1,614,567)	(1,515,282)
Net properties	\$ 714,001	\$ 714,441

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

(In thousands, for the years ended)	Dec. 26, 1999	Dec. 27, 1998	Dec. 28, 1997
Interest costs	\$ 8,478	\$12,532	\$15,177
Interest capitalized	(4,121)	(2,729)	(1,900)
Interest expensed	\$ 4,357	\$ 9,803	\$13,277
Interest paid	\$ 9,981	\$12,808	\$14,643

3. Leases

The Company leases certain office facilities and operating equipment under cancelable and non-cancelable agreements accounted for as operating leases. At December 26, 1999, the minimum aggregate rental commitment under all non-cancelable leases was (in thousands): 2000, \$5,790; 2001, \$4,864; 2002, \$4,231; 2003, \$3,711; 2004, \$3,628; and \$7,152 for years thereafter. Total rent expense was (in thousands) \$10,978, \$11,052 and \$13,870 for years 1999, 1998 and 1997, respectively.

4. Debt

Long-term debt consists of the following:

(In thousands, as of)	December 26, 1999		December 27, 1998	
	Carrying value	Fair value	Carrying value	Fair value
Medium-term notes	\$ -	\$ -	\$ 40,000	\$ 40,000
Senior notes	100,000	99,000	100,000	101,000
Industrial development bonds	5,000	5,000	5,000	5,000
Total	105,000	104,000	145,000	146,000
Less current portion	-	-	40,000	40,000
	\$105,000	\$104,000	\$105,000	\$106,000

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

During 1999, the medium-term notes matured and were paid in full.

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 principal amount of the Notes is 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 26, 1999, was 4.85%.

The Company has an unsecured, committed credit arrangement totaling \$200 million, all of which was available as of December 26, 1999. This line of credit has a five-year term which expires in 2002, with two optional one-year extensions. During 1998, the Company exercised an option to extend 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 1999.

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 \$4.9 million each as of December 26, 1999) in short-term financing. As of December 26, 1999, the approximate yen equivalent of \$4.9 million was outstanding under these arrangements and is included in Accrued expenses and other liabilities in the accompanying Consolidated Balance Sheets.

5. Income Taxes

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

(In thousands, for the years ended)	Dec. 26, 1999	Dec. 27, 1998	Dec. 28, 1997
Current:			
Federal	\$31,062	\$41,200	\$68,435
State and foreign	6,686	10,867	11,241
Total current tax expense	37,748	52,067	79,676
Deferred:			
Federal	19,035	(7,401)	(12,935)
State and foreign	1,600	(1,350)	(2,108)
Total deferred tax expense (benefit)	20,635	(8,751)	(15,043)
Total income tax expense	\$58,383	\$43,316	\$64,633

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. 26, 1999	Dec. 27, 1998	Dec. 28, 1997
Expected tax rate	35.0%	35.0%	35.0%
State income taxes, net of federal benefit	3.7	3.1	3.9
Effect of foreign investments	1.1	2.5	0.8
Non-taxable income	(0.8)	(1.7)	(0.4)
Effect of reserve for joint venture investment	—	—	4.8
Other, net	(0.2)	0.1	(0.1)
Effective tax rate	38.8%	39.0%	44.0%

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

(In thousands, as of)	Dec. 26, 1999	Dec. 27, 1998
Current deferred tax assets:		
Deferred compensation and other employee related	\$ 12,052	\$ 13,985
Balance sheet reserves and accruals	13,258	12,296
Other	211	261
Valuation allowance	(1,146)	(2,986)
Total current deferred tax assets	24,375	23,556
Current deferred tax liabilities:		
Balance sheet reserves and accruals	3,906	639
Net current deferred tax assets	\$ 20,469	\$ 22,917
Non-current deferred tax assets:		
Deferred compensation and other employee related	\$ 14,578	\$ 12,131
Balance sheet reserves and accruals	4,913	4,254
Retirement benefits	9,947	29,725
Environmental accruals	2,264	2,126
Deferred foreign losses	1,623	2,031
Total non-current deferred tax assets	33,325	50,267
Non-current deferred tax liabilities:		
Depreciation and capitalized interest	109,425	114,242
Other	2,633	1,804
Total non-current deferred tax liabilities	112,058	116,046
Net non-current deferred tax liabilities	\$ 78,733	\$ 65,779

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 1999 by approximately \$1.8 million due to a change in circumstances regarding realizability.

Notes to Consolidated Financial Statements

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 began the administrative appeals process in 1999. In the opinion of management, adequate accruals have been provided for all income tax matters and related interest.

6. Stock Option, Restricted Stock Award and Employee Award Plans

At December 26, 1999, 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)	1999	1998	1997
Net income			
As reported	\$92,284	\$67,784	\$82,260
Pro forma	\$82,222	\$61,484	\$78,077
Earnings per share – basic			
As reported	\$ 2.51	\$ 1.87	\$ 2.21
Pro forma	\$ 2.24	\$ 1.69	\$ 2.10
Earnings per share – diluted			
As reported	\$ 2.46	\$ 1.81	\$ 2.16
Pro forma	\$ 2.20	\$ 1.64	\$ 2.05

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:

	1999	1998	1997
Risk-free interest rate	5.03%	5.78%	6.52%
Dividend yield	1.09%	1.63%	2.47%
Volatility	30.66%	32.56%	36.06%
Expected term (years)	7.8	10.0	10.0
Weighted average fair market value	\$23.28	\$14.96	\$8.78

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 26, 1999, December 27, 1998, and December 28, 1997, and changes during the years ended on those dates is presented below:

	Options available for grant	Shares	Weighted average exercise price
Outstanding at Dec. 29, 1996	712,998	49,515	\$14.85
Exercised	–	(45,627)	14.55
Forfeited	3,888	(3,888)	18.36
Outstanding at Dec. 28, 1997	716,886	–	N/A
Exercised	–	–	–
Forfeited	–	–	–
Outstanding at Dec. 27, 1998	716,886	–	N/A
Exercised	–	–	–
Forfeited	–	–	–
Outstanding at Dec. 26, 1999	716,886	–	N/A

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 1997 through 1999, 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 26, 1999. In November 1997, the board of directors approved increasing the total authorized shares to 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 26, 1999, December 27, 1998, and December 28, 1997, and changes during the years ending on those dates is presented below:

	Options available for grant	Shares	Weighted-average exercise price	Options exercisable at year-end	
				Shares	Weighted-average exercise price
Outstanding at December 29, 1996	3,105,844	1,723,364	\$ 18.01	846,273	\$ 16.30
Authorized	3,000,000	—	—		
Granted	(1,573,742)	1,573,742	20.23		
Exercised	—	(901,834)	17.71		
Forfeited	143,093	(143,093)	19.21		
Outstanding at December 28, 1997	4,675,195	2,252,179	19.61	769,202	18.25
Granted	(794,283)	794,283	33.83		
Exercised	—	(616,914)	18.66		
Forfeited	99,331	(99,331)	25.06		
Outstanding at December 27, 1998	3,980,243	2,330,217	24.47	630,457	19.06
Granted	(917,951)	917,951	57.86		
Exercised	—	(494,424)	21.54		
Forfeited	110,289	(110,289)	38.00		
Outstanding at December 26, 1999	3,172,581	2,643,455	\$36.05	881,161	\$23.26

The following table summarizes information about stock options outstanding at December 26, 1999:

Range of Exercise Prices	Options outstanding			Options exercisable	
	Shares	Weighted-average remaining contractual life (years)	Weighted-average exercise price	Shares	Weighted-average exercise price
\$ 14.45–\$ 22.00	1,043,060	6.6	\$ 19.11	645,598	\$ 19.06
\$ 26.88–\$ 33.41	651,511	8.0	\$ 33.25	186,853	\$ 33.03
\$ 35.81–\$ 59.25	948,884	9.0	\$ 56.59	48,710	\$ 41.48
\$ 14.45–\$ 59.25	2,643,455	7.8	\$ 36.05	881,161	\$ 23.26

The Company issued 4,953 shares, 85,651 shares and 40,201 shares of restricted stock in 1999, 1998 and 1997, respectively, under the 1990 EI Plan. For the 1999 shares, the vesting period is two years from the date of grant. For the 1998 shares, the vesting period is three years from the date of the grant and is either prorata for each successive year or cliff vesting. For the 1997 shares, the vesting period is one year from the date of the grant. The compensation cost associated with these awards is amortized over the vesting period. Compensation cost associated with these awards was immaterial in 1999, 1998 and 1997.

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 1999, 1998 and 1997. Common stock reserved for this plan as of December 26, 1999, was 30,258 shares.

Notes to Consolidated Financial Statements

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, for shares of the Company's Class B common stock. Awards under the plan in 1999, 1998 and 1997 were immaterial. The number of shares of common stock available under this plan as of December 26, 1999, was 83,707 shares.

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 \$11.6 million in 1999, \$11.9 million in 1998, and \$14.1 million in 1997. These amounts include the Company's matching for the savings and investment (thrift) plan of \$6.1 million in 1999, \$6.1 million in 1998, and \$5.8 million in 1997. The decrease in pension expense from 1997 to 1998 is primarily due to the improvement in the funded position of the Coors Retirement Plan over that period. In 1999, the funded position of the Coors Retirement Plan continued to improve, but periodic pension costs did not decrease significantly from 1998 because in November 1998, the ACC board of directors approved changes to one of the plans that were effective July 1, 1999. The changes increased 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 below 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.

(In thousands, for the years ended)	Dec. 26, 1999	Dec. 27, 1998	Dec. 28, 1997
Components of net periodic pension cost			
Service cost-benefits earned during the year	\$ 16,456	\$ 14,449	\$ 11,234
Interest cost on projected benefit obligation	38,673	33,205	32,730
Expected return on plan assets	(52,173)	(42,498)	(36,176)
Amortization of prior service cost	4,161	2,274	2,274
Amortization of net transition amount	(1,690)	(1,691)	(1,690)
Recognized net actuarial loss (gain)	75	28	(111)
Net periodic pension cost	\$ 5,502	\$ 5,767	\$ 8,261

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

(In thousands, as of)	Dec. 26, 1999	Dec. 27, 1998
Change in projected benefit obligation		
Projected benefit obligation at beginning of year	\$ 532,556	\$ 465,229
Service cost	16,456	14,449
Interest cost	38,673	33,205
Amendments	48,573	—
Actuarial (gain) loss	(63,326)	40,932
Benefits paid	(24,504)	(21,259)
Projected benefit obligation at end of year	\$ 548,428	\$ 532,556
Change in plan assets		
Fair value of assets at beginning of year	\$ 480,000	\$ 465,494
Actual return on plan assets	124,840	35,842
Employer contributions	50,078	2,759
Benefits paid	(24,504)	(21,259)
Expenses paid	(3,261)	(2,836)
Fair value of plan assets at end of year	\$ 627,153	\$ 480,000
Funded status – excess (shortfall)	\$ 78,725	\$ (52,556)
Unrecognized net actuarial (gain) loss	(105,473)	28,836
Unrecognized prior service cost	58,715	14,303
Unrecognized net transition amount	(728)	(2,419)
Prepaid (accrued) benefit cost	\$ 31,239	\$ (11,836)

	1999	1998	1997
Weighted average assumptions as of year-end			
Discount rate	8.00%	7.00%	7.25%
Rate of compensation increase	5.25%	4.50%	4.50%
Expected return on plan assets	10.50%	10.50%	10.25%

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 8.0% in 1999 to 5.25% in 2006. The discount rate used in determining the accumulated postretirement benefit obligation was 8.00%, 7.00% and 7.25% at December 26, 1999, December 27, 1998, and December 28, 1997, respectively. In November 1998, the ACC board of directors approved changes to one of the plans. The changes were effective July 1, 1999, and increased 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:

(In thousands, as of)	Dec. 26, 1999	Dec. 27, 1998
Change in projected postretirement benefit obligation		
Projected benefit obligation at beginning of year	\$ 72,122	\$ 67,916
Service cost	1,404	1,484
Interest cost	5,112	4,707
Amendments	554	—
Actuarial loss (gain)	(2,497)	1,504
Benefits paid	(4,295)	(3,489)
Projected postretirement benefit obligation at end of year	\$ 72,400	\$ 72,122
Change in plan assets		
Fair value of assets at beginning of year	\$ —	\$ —
Actual return on plan assets	—	—
Employer contributions	4,295	3,489
Benefits paid	(4,295)	(3,489)
Fair value of plan assets at end of year	\$ —	\$ —
Funded status – shortfall	\$(72,400)	\$(72,122)
Unrecognized net actuarial gain	(7,958)	(5,552)
Unrecognized prior service cost (benefit)	242	(360)
Accrued postretirement benefits	(80,116)	(78,034)
Less current portion	4,295	3,565
Long-term postretirement benefits	\$(75,821)	\$(74,469)

(In thousands, for the years ended)	Dec. 26, 1999	Dec. 27, 1998	Dec. 28, 1997
Components of net periodic postretirement benefit cost			
Service cost – benefits earned during the year	\$1,404	\$1,484	\$1,408
Interest cost on projected benefit obligation	5,112	4,707	4,775
Recognized net actuarial gain	(138)	(207)	(353)
Net periodic postretirement benefit cost	\$6,378	\$5,984	\$5,830

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	\$ 535	\$ (470)
Effect of postretirement benefit obligation	\$4,500	\$(4,000)

9. Special Charges (Credits)

The annual results for 1999 included a third quarter pretax net special charge of \$5.7 million, which resulted in after-tax expense of \$0.10 per basic and diluted share. The Company undertook restructuring part of its operations, which primarily included a voluntary severance program involving its engineering and construction work force. Approximately 50 engineering and construction employees accepted severance packages under the voluntary program. Total severance and related costs were approximately \$3.7 million, which are included in the Special charges on the Company's accompanying Consolidated Statements of Income. Of the total severance charge, approximately \$880,000 of these costs were paid as of December 26, 1999. Also included in the \$5.7 million charge is approximately \$2.0 million of special charges incurred to facilitate distributor network improvements.

Notes to Consolidated Financial Statements

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 comprised 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 \$14.9 million of these costs were paid as of December 26, 1999. 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 Canada 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 1) for the impairment of certain long-lived assets and goodwill and for severance costs for a limited work force reduction.

10. Investments

Equity method investments The Company has investments in affiliates that are accounted for using the equity method of accounting. These investments aggregated \$69.2 million and \$62.3 million at December 26, 1999, and December 27, 1998, respectively. These investment amounts are included in Other assets on the Company's accompanying 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, as of)	Dec. 26, 1999	Dec. 27, 1998
Current assets	\$99,539	\$90,092
Non-current assets	84,945	94,508
Current liabilities	34,317	55,312
Non-current liabilities	75	123

Summarized condensed statements of operations:

(In thousands, for the years ended)	Dec. 26, 1999	Dec. 27, 1998	Dec. 28, 1997
Net sales	\$449,238	\$453,246	\$372,479
Gross profit	116,970	97,478	39,459
Net income	68,375	59,650	22,384
Company's equity in operating income	36,958	33,227	15,893

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 accompanying Consolidated Statements of Income.

Coors Canada, Inc. (CCI), a subsidiary of ACC, formed a partnership, Coors Canada, with Molson, Inc. to market and sell Coors products in Canada. Coors Canada began operations January 1, 1998. CCI and Molson 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's 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 Canada for brewing, distribution and sales of these brands. Coors Canada receives an amount from Molson Canada generally equal to net sales revenue generated from the Coors brands less production, distribution, sales and overhead costs related to these sales. During 1999, CCI received a \$21.0 million distribution from the partnership. Also see discussion in Note 13.

Owens-Brockway Glass Container, Inc. (Owens) and CBC operate a joint venture partnership, the Rocky Mountain Bottle Company (RMBC), to produce glass bottles at the CBC glass manufacturing facility. The partnership's initial term is until 2005 and can be extended for additional two-year periods.

RMBC has a contract to supply CBC's bottle requirements and Owens is the 100% preferred supplier of bottles to CBC for bottle requirements not met by RMBC. In 1999, RMBC produced approximately 941 million bottles. CBC purchases virtually all of the bottles produced by RMBC.

Also under the agreement, CBC agreed to purchase an annual quantity of bottles from the joint venture, which represents a 2000 commitment of approximately \$86 million. The expenditures under this agreement in 1999, 1998 and 1997 were approximately \$69 million, \$67 million and \$59 million, respectively.

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. The aggregate amount paid to the joint venture for cans and ends in 1999, 1998 and 1997 was approximately \$223 million, \$231 million and \$227 million, respectively. The estimated cost in 2000 under this agreement for cans and ends is \$232 million. Additionally, during 1999 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 Technologies, Inc. (ACX) is the general partner. The partnership owns, develops, operates and sells certain real estate previously owned directly by CBC or ACC. Cash distributions and income or losses are allocated equally between the partners until CBC recovers its investment. After CBC recovers its investment, cash distributions are split 80% to the general partner and 20% to CBC, while income or losses are allocated in such a manner to bring CBC's partnership interest to 20%. In late 1999, CBC recovered its investment.

Cost investments CBC invested approximately \$22 million in 1991 for a 33% interest in the Jinro-Coors Brewing Company (JCBC), a joint venture between CBC and Jinro Limited. CBC accounted for this investment under the cost basis of accounting, given that CBC did not have the ability to exercise significant influence over JCBC and that CBC's investment in JCBC was 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.

Beginning in April 1997, Jinro Limited began attempting to restructure due to financial difficulties. The financial difficulties of JCBC and Jinro Limited 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 Consolidated Statements of Income.

When CBC exercised its put option in December 1997, it reclassified its investment in JCBC to a receivable from Jinro Limited. The receivable is secured by shares, which were later canceled, as described below. Jinro Limited had until June 1998 to perform its obligation under the put option. It did not perform.

In February 1999, Jinro Limited, which was operating under a composition plan approved by its creditors and a Korean court, announced a plan to sell JCBC through an international bidding process. The Company submitted a bid for the purchase of JCBC and was selected as the preferred bidder. Subsequent to this selection, the supervising court and creditors of JCBC canceled the original auction and held a new one, in which CBC did not participate. JCBC was sold to Oriental Brewery and the shares of the former owners were canceled in November 1999.

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 26, 1999, and December 27, 1998. 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 14.

Notes to Consolidated Financial Statements

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 26, 1999, December 27, 1998, and December 28, 1997, is summarized below:

	Common stock	
	Class A	Class B
Balances at December 29, 1996	1,260,000	36,662,404
Shares issued under stock plans	—	989,857
Purchases of stock	—	(2,052,905)
Balances at December 28, 1997	1,260,000	35,599,356
Shares issued under stock plans	—	684,808
Purchases of stock	—	(888,858)
Balances at December 27, 1998	1,260,000	35,395,306
Shares issued under stock plans	—	478,390
Purchases of stock	—	(411,662)
Balances at December 26, 1999	1,260,000	35,462,034

At December 26, 1999, December 27, 1998, and December 28, 1997, 25 million shares of \$1 par value preferred stock were authorized but unissued.

The board of directors authorized the repurchase during 1999, 1998 and 1997 of up to \$40 million each year of ACC's outstanding Class B common stock on the open market. During 1999, 1998 and 1997, 232,300 shares, 766,200 shares and 969,500 shares, respectively, were repurchased for approximately \$12.2 million, \$24.9 million and \$24.9 million, respectively, under this stock repurchase program. In November 1999, the board of directors extended the program and authorized the repurchase during 2000 of up to \$40 million of stock.

Earnings per share Basic and diluted net income per common share were arrived at using the calculations outlined below:

(In thousands, except per share data, for the years ended)	Dec. 26, 1999	Dec. 27, 1998	Dec. 28, 1997
Net income available to common shareholders	\$92,284	\$67,784	\$82,260
Weighted-average shares for basic EPS	36,729	36,312	37,218
Effect of dilutive securities:			
Stock options	640	1,077	751
Contingent shares not included in shares outstanding for basic EPS	88	126	87
Weighted-average shares for diluted EPS	37,457	37,515	38,056
Basic EPS	\$ 2.51	\$ 1.87	\$ 2.21
Diluted EPS	\$ 2.46	\$ 1.81	\$ 2.16

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

12. Other Comprehensive Income

(In thousands)	Foreign currency translation adjustments	Unrealized gain on available-for-sale securities and derivatives	Accumulated other comprehensive income
Balances, December 29, 1996	\$ 2,090	\$ —	\$ 2,090
Current period change	(5,886)	—	(5,886)
Balances, December 28, 1997	(3,796)	—	(3,796)
Current period change	1,430	440	1,870
Balances, December 27, 1998	(2,366)	440	(1,926)
Current period change	(3,519)	6,438	2,919
Balances, December 26, 1999	\$(5,885)	\$6,878	\$ 993

	Pretax gain (loss)	Tax (expense) benefit	Net-of-tax gain (loss)
1999			
Foreign currency translation adjustments	\$ (5,745)	\$ 2,226	\$(3,519)
Unrealized gain on available-for-sale securities and derivatives	10,511	(4,073)	6,438
Other comprehensive income	\$ 4,766	\$(1,847)	\$ 2,919
1998			
Foreign currency translation adjustments	\$ 2,344	\$ (914)	\$ 1,430
Unrealized gain on available-for-sale securities and derivatives	721	(281)	440
Other comprehensive income	\$ 3,065	\$(1,195)	\$ 1,870
1997			
Foreign currency translation adjustments	\$ (9,942)	\$ 4,056	\$(5,886)
Unrealized gain on available-for-sale securities and derivatives	—	—	—
Other comprehensive (loss) income	\$ (9,942)	\$ 4,056	\$(5,886)

13. 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 net revenues from external customers, operating income and pre-tax income attributable to the United States and all foreign countries for the years ended December 26, 1999, December 27, 1998, and December 28, 1997, are as follows:

(In thousands)	1999	1998	1997
United States:			
Net revenues	\$2,007,560	\$1,864,745	\$1,780,613
Operating income	\$ 133,172	\$ 93,259	\$ 66,708
Pretax income	\$ 171,756	\$ 110,627	\$ 66,363
Foreign countries:			
Net revenues	\$ 49,086	\$ 34,788	\$ 40,691
Operating income	\$ 8,811	\$ 10,560	\$ 80,685
Pretax income	\$ (21,089)	\$ 473	\$ 80,530

Included in 1999 and 1998 foreign revenues are earnings from CCI, the Company's investment accounted for using the equity method of accounting (see Note 10). In 1997, 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 26, 1999, and December 27, 1998, are as follows:

(In thousands)	1999	1998
United States	\$705,062	\$702,923
Foreign countries	8,939	11,518
Total	\$714,001	\$714,441

The total export sales (in thousands) during 1999, 1998 and 1997 were \$178,249, \$152,353 and \$125,569, respectively.

14. 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 1999, 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 Colorado 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. In July 1999, Anchor National, a Sun America Company, bought out MBLIC. The cash surrender value was transferred to Anchor National. 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. Anchor National has been issuing new insurance certificates as well as procedures for policyholders to redeem the full value of their policies for cash.

Letters of credit As of December 26, 1999, the Company had approximately \$22.1 million outstanding in letters of credit with certain financial institutions. These letters generally expire within 12 months from the dates of issuance, with expiration dates ranging from March 2000 to October 2000. 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 \$13.3 million for 2000, which adjusts annually for inflation, and a variable cost, which is generally based on fuel cost and CBC's electricity and steam use.

Notes to Consolidated Financial Statements

Supply contracts The Company has various long-term supply contracts with unaffiliated third parties to purchase materials used in production and packaging, such as starch, 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)
2000	\$142,000
2001	142,000
2002	94,000
2003	94,000
2004	94,000
Thereafter	160,000
Total	\$726,000

The Company's total purchases (in thousands) under these contracts in fiscal year 1999, 1998 and 1997 were approximately \$108,900, \$95,600 and \$84,900, 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 which were then owned by ACC. In December 1999, ACX spun off the ceramics business into a separate company, CoorsTek. William K. Coors and Peter H. Coors are trustees of one or more family trusts that collectively own all of ACC's voting stock, approximately 46% of ACX's common stock and approximately 45% of CoorsTek common stock. ACC, ACX and CoorsTek or their subsidiaries have certain business relationships and have engaged, or proposed to engage, in certain transactions with one another, as described below.

CBC currently has a packaging supply agreement with a subsidiary of ACX under which CBC purchases all of its paper-board (including composite packages, labels and certain can wrappers). This contract expires in 2002. Also, since late 1994,

ANC, the purchasing agent for the joint venture between ANC and CBC, has ordered limited quantities of can, end and tab stock from an entity that was formerly a subsidiary of ACX. CBC also had an agreement to purchase refined corn starch annually from an ACX subsidiary. 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 the packaging agreement in 1999 were approximately \$107 million. Purchases from the related party in 2000 under the packaging agreement are estimated to be approximately \$106 million.

Advertising and promotions The Company's total commitments for advertising and promotions at sports arenas, stadiums and other venues and events are approximately \$182.7 million over the next eight 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. Chemical Waste Management's projected costs to meet the 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 26, 1999, the Company had a \$2.7 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 liabilities incurred during 1999 and 1998, see discussion at 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) The "Year 2000" issue arose because some computers, software and other equipment included programming code in which calendar year data were abbreviated to only two digits. As a result of this design decision, some of these systems may have failed to operate or failed to produce correct results if "00" was interpreted to mean 1900 rather than 2000. ACC established processes for evaluating and managing the risks and costs associated with the Year 2000 issue. The Company did not experience any major difficulties or any significant interruptions to its business during the transition to the Year 2000.

15. Quarterly Financial Information (Unaudited)

The following summarizes selected quarterly financial information for each of the two years in the period ended December 26, 1999.

In the third quarters of 1999 and 1998, certain adjustments were made which were not of a normal and recurring nature. As described in Note 9, income in 1999 was decreased by a special pretax charge of \$5.7 million, or \$0.10 per basic share (\$0.10 per diluted share) after tax, and 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. Refer to Note 9 for a further discussion of special charges (credits).

(In thousands, except per share data)

	First	Second	Third	Fourth	Year
1999					
Net sales	\$439,862	\$575,568	\$544,025	\$497,191	\$2,056,646
Gross profit	\$167,480	\$260,348	\$223,487	\$189,366	\$ 840,681
Net income	\$ 11,982	\$ 46,231	\$ 21,836	\$ 12,235	\$ 92,284
Net income per common share – basic	\$ 0.33	\$ 1.26	\$ 0.59	\$ 0.33	\$ 2.51
Net income per common share – diluted	\$ 0.32	\$ 1.23	\$ 0.58	\$ 0.33	\$ 2.46
1998					
Net sales	\$ 414,145	\$ 541,944	\$ 499,360	\$ 444,084	\$1,899,533
Gross profit	\$ 151,816	\$ 232,156	\$ 189,367	\$ 165,501	\$ 738,840
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

Selected Financial Data

Following is ACC's selected financial data for 11 years ended December 26, 1999:

(In thousands, except per share)	1999	1998	1997	1996
Barrels of malt beverages sold	21,954	21,187	20,581	20,045
Summary of Operations:				
Net sales	\$ 2,056,646	\$ 1,899,533	\$ 1,821,304	\$ 1,741,835
Cost of goods sold	(1,215,965)	(1,160,693)	(1,131,610)	(1,131,470)
Marketing, general and administrative	(692,993)	(615,626)	(573,818)	(523,250)
Special (charges) credits	(5,705)	(19,395)	31,517	(6,341)
Total operating expenses	(1,914,663)	(1,795,714)	(1,673,911)	(1,661,061)
Operating income (loss)	141,983	103,819	147,393	80,774
Other income (expense) – net	8,684	7,281	(500)	(5,799)
Income (loss) before income taxes	150,667	111,100	146,893	74,975
Income tax (expense) benefit	(58,383)	(43,316)	(64,633)	(31,550)
Income (loss) from continuing operations	\$ 92,284	\$ 67,784	\$ 82,260	\$ 43,425
Per share of common stock				
– basic	\$ 2.51	\$ 1.87	\$ 2.21	\$ 1.14
– diluted	\$ 2.46	\$ 1.81	\$ 2.16	\$ 1.14
Income (loss) from continuing operations as a percentage of net sales	4.5%	3.6%	4.5%	2.5%
Financial Position				
Working capital	\$ 220,117	\$ 165,079	\$ 158,048	\$ 124,194
Properties – net	\$ 714,001	\$ 714,441	\$ 733,117	\$ 814,102
Total assets	\$ 1,546,376	\$ 1,460,598	\$ 1,412,083	\$ 1,362,536
Long-term debt	\$ 105,000	\$ 105,000	\$ 145,000	\$ 176,000
Other long-term liabilities	\$ 52,579	\$ 56,640	\$ 23,242	\$ 32,745
Shareholders' equity	\$ 841,539	\$ 774,798	\$ 736,568	\$ 715,487
Net book value per share of common stock	\$ 22.91	\$ 21.34	\$ 19.79	\$ 18.83
Total debt to total capitalization	11.1%	15.8%	19.0%	21.2%
Return on average shareholders' equity	11.4%	9.0%	11.3%	6.2%
Other Information				
Dividends	\$ 23,745	\$ 21,893	\$ 20,523	\$ 18,983
Dividends per share of common stock	\$ 0.645	\$ 0.60	\$ 0.55	\$ 0.50
Gross profit	\$ 840,681	\$ 738,840	\$ 689,694	\$ 610,365
Capital expenditures	\$ 134,377	\$ 104,505	\$ 60,373	\$ 65,112
Depreciation, depletion and amortization	\$ 123,770	\$ 115,815	\$ 117,166	\$ 121,121
Full-time employees	5,800	5,800	5,800	5,800
Market price range of common stock:				
High	\$ 65 ¹³/₁₆	\$ 56 ¹ / ₂	\$ 41 ¹ / ₄	\$ 24 ¹ / ₄
Low	\$ 45 ¹/₄	\$ 29 ¹ / ₄	\$ 17 ¹ / ₂	\$ 16 ³ / ₄

Note: Numbers in italics include results of discontinued operations.

¹ 53-week year versus 52-week year.

² Reflects the dividend of ACX Technologies, Inc. to shareholders of ACC during 1992.

1995 ¹	1994	1993	1992	1991	1990	1989 ¹
20,312	20,363	19,828	19,569	19,521	19,297	17,698
\$ 1,690,701	\$ 1,673,252	\$ 1,595,597	\$ 1,566,606	\$ 1,543,007	\$ 1,483,873	\$ 1,372,373
(1,106,635)	(1,073,370)	(1,050,650)	(1,051,362)	(1,052,228)	(986,352)	(913,994)
(518,888)	(505,668)	(467,138)	(441,943)	(448,393)	(409,085)	(397,844)
15,200	13,949	(122,540)	—	(29,599)	(30,000)	(41,670)
(1,610,323)	(1,565,089)	(1,640,328)	(1,493,305)	(1,530,220)	(1,425,437)	(1,353,508)
80,378	108,163	(44,731)	73,301	12,787	58,436	18,865
(7,100)	(3,943)	(12,099)	(14,672)	(4,403)	(5,903)	(2,546)
73,278	104,220	(56,830)	58,629	8,384	52,533	16,319
(30,100)	(46,100)	14,900	(22,900)	8,700	(20,300)	(9,100)
\$ 43,178	\$ 58,120	\$ (41,930)	\$ 35,729	\$ 17,084	\$ 32,233	\$ 7,219
\$ 1.13	\$ 1.52	\$ (1.10)	\$ 0.95	\$ 0.46	\$ 0.87	\$ 0.20
\$ 1.13	\$ 1.51	\$ (1.10)	\$ 0.95	\$ 0.46	\$ 0.87	\$ 0.20
2.6%	3.5%	(2.6%)	2.3%	1.1%	2.2%	0.5%
\$ 36,530	\$ (25,048)	\$ 7,197	\$ 112,302	\$ 110,043	\$ 201,043	\$ 193,590
\$ 887,409	\$ 922,208	\$ 884,102	\$ 904,915	\$ 933,692	\$ 1,171,800	\$ 1,012,940
\$ 1,384,530	\$ 1,371,576	\$ 1,350,944	\$ 1,373,371 ²	\$ 1,844,811	\$ 1,761,664	\$ 1,530,783
\$ 195,000	\$ 131,000	\$ 175,000	\$ 220,000	\$ 220,000	\$ 110,000	\$ —
\$ 33,435	\$ 30,884	\$ 34,843	\$ 52,291	\$ 53,321	\$ 58,011	\$ 16,138
\$ 695,016	\$ 674,201	\$ 631,927	\$ 685,445 ²	\$ 1,099,420	\$ 1,091,547	\$ 1,060,900
\$ 18.21	\$ 17.59	\$ 16.54	\$ 18.17 ²	\$ 29.33	\$ 29.20	\$ 28.75
24.9%	20.6%	26.3%	24.3%	19.5%	9.2%	2.0%
6.3%	8.9%	(6.4%)	(0.2%)	2.3%	3.6%	1.2%
\$ 19,066	\$ 19,146	\$ 19,003	\$ 18,801	\$ 18,718	\$ 18,591	\$ 18,397
\$ 0.50	\$ 0.50	\$ 0.50	\$ 0.50	\$ 0.50	\$ 0.50	\$ 0.50
\$ 584,066	\$ 599,882	\$ 544,947	\$ 515,244	\$ 490,779	\$ 497,521	\$ 458,379
\$ 157,599	\$ 160,314	\$ 120,354	\$ 115,450	\$ 241,512	\$ 183,368	\$ 149,616
\$ 122,830	\$ 120,793	\$ 118,955	\$ 114,780	\$ 108,367	\$ 98,081	\$ 122,439
6,200	6,300	6,200	7,100	7,700	7,000	6,800
\$ 23 ¹ / ₄	\$ 20 ⁷ / ₈	\$ 23 ¹ / ₈	\$ 22 ⁷ / ₈	\$ 24 ¹ / ₄	\$ 27 ³ / ₈	\$ 24 ³ / ₈
\$ 15 ¹ / ₈	\$ 14 ³ / ₄	\$ 15	\$ 15 ¹ / ₂	\$ 17 ³ / ₈	\$ 17 ¹ / ₈	\$ 17 ³ / ₈

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Adolph Coors Company and Coors Brewing Company



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Director since 1940.



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Vice President

Patricia J. Smith
Secretary*

Olivia M. Thompson
Vice President, Controller and Assistant Treasurer

M. Caroline Turner
Vice President and Secretary**

Timothy V. Wolf
Vice President and Chief Financial Officer

*Through February 29, 2000.

**Secretary as of March 1, 2000.

Investor Information

Annual Shareholders' Meeting

The Company will hold its Annual Meeting of Shareholders starting at 2:00 p.m. on Thursday, May 11, 2000, 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 1999 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.

The 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 "Coors B."

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 1, 2000: 3,100.

Class B common shares outstanding as of March 1, 2000: 35,463,000.

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:

1999	High	Low	Dividends
First Quarter	65 ¹³ / ₁₆	51 ¹¹ / ₁₆	\$0.150
Second Quarter	59 ³ / ₁₆	45 ¹ / ₄	\$0.165
Third Quarter	61	48 ¹ / ₄	\$0.165
Fourth Quarter	57 ¹¹ / ₁₆	47 ¹⁵ / ₁₆	\$0.165

1998	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

In February, the Company declared a quarterly dividend of 16.5 cents per share, which was paid March 15, 2000, to shareholders of record February 29, 2000.

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

**Ready for
another round.**

Coors