

There's
something
brewing
here



Adolph Coors Company
2000 Annual Report

A woman with blonde hair, smiling, is placing her hand on the shoulder of a man in a blue shirt. The man is also smiling. The background is a textured, brownish-grey.

Something's brewing here at Coors. It's a feeling.

An excitement in the air. We had a great year

in 2000 – we sold more beer than ever before.

But it wasn't easy. Our people worked very hard to

deliver the record performance we posted. What's

important is our people now see that we can

deliver results at levels never before thought

Inene

A photograph of three people smiling. In the background is a man with a beard and mustache, wearing a dark shirt. In the foreground are two women. The woman on the left has short blonde hair and is wearing a dark blue polo shirt with a name tag that says "ene" and a "Coors" logo. The woman on the right has dark hair and is wearing a light blue sweater. She is placing her hand on the shoulder of the woman on the left. The text is overlaid in a yellow, sans-serif font.

possible by working the fundamentals, working
smart and working together. And the better we do,
the more clearly we see what we're capable of.
There's definitely something brewing here – besides
a whole lot of great beer, it's a growing confidence,
a winning attitude, a sense of possibility. Some folks
call it momentum. We just call it a good start.



It was a big year for our beer.

We think Coors products are the most drinkable on the planet, and it seems that quite a few consumers agreed. Our volume broke all records here, growing at more than four times the industry rate. That's a lot of beer.

And it was a lot of work, because the increase in demand surprised even us. So our people had to work smart, work together and just plain work hard to get all that product out the door.

There were a few disappointments. We very likely could have sold even more beer than we did. As they say in the industry, we probably left some cases on the table. We also had to spend more than we wanted to meet our commitments.

But we made it, and we're proud. It takes a great organization to accomplish what we did. And the best part is, we know we can do even better.



Our people went the extra mile in 2000. They lived the Coors value of "excelling" – dedicated to performance, productivity and process improvement, determined to do their part to make our company a winner.

Meeting record **demand** in 2000
told us a lot about ourselves.

If you've ever been challenged beyond what you thought were your limits, you know that feeling of exhausted elation when you succeed. That's how a lot of us felt after the peak beer-selling season in 2000. We sold a record amount of product, and tough as it was, it gave us a glimpse of what's possible.





By working closely with distributors and retailers, we've become known for being a solid, professional partner, driving our own success by helping to build theirs. Seen here, representatives from Coors Distributing Company, Denver, and Applejack Wine and Spirits, Wheat Ridge, Colorado.

Our commitment to **excelling** continued to drive results.

Coors broke volume records in 2000 in large part by emphasizing the basics – targeted marketing, exciting packaging, commitment to solid selling fundamentals and supply chain efficiency, quality and service.

Our approach to growth at the field level is two-pronged. One, build our big brands in our big markets. And two, go into high-potential markets with strong, committed local wholesaler partners. In both cases we bring proven market-building expertise, working closely with our distributors to identify opportunities, develop clear strategies and execute them.

At retail, our unique category management approach is based upon bringing value rather than just gaining shelf space. We use a sophisticated, objective process to help retailers sell more beer, not just our beer. That builds relationships, loyalty and, over time, sales for Coors.



We won! Again! Retailers recognized our category management excellence for the fourth consecutive year in 2000 – this time Coors was chosen as one of the 12 best category managers in the entire consumer goods industry – the only brewer among the 12.



Strong distributor partners are critical to our success, and there are none stronger than DeCrescente Distributing in Albany, New York. Led by C.J. and Carmine DeCrescente, the organization's disciplined execution, outstanding people, great customer service and community involvement have, three years running, made it a winner of a Founder's Award, Coors' recognition of excellence in wholesalers – and made Coors Light a winner in the Albany market.



Coors Light is a great fit for French Canadian beer drinkers with its young, hip, active image. Our marketing strategy emphasizes on-premise and borrows elements from European Coors Light advertising campaigns to build awareness and market share.

Coors Light has unique international appeal. It represents the cold, crisp, pure freshness of the Colorado Rockies. It exudes an energetic sociability and an American-ness that's active, positive and down-to-earth. And the distinctive Coors Light silver graphics say pure and cold, bright and modern.

We drove positive growth momentum in Puerto Rico during the second half of 2000 with a new marketing strategy, placing stronger emphasis on Coors Light attributes across print, outdoor and point-of-sale media. Today, more than half the beer sold in Puerto Rico is Coors Light.

We develop new international markets in much the same way as we do domestic ones – with highly focused strategies and strong, committed local distributor partners. Coors Light scored a win in the Canadian province of Quebec, nearly doubling market share in 2000.



Fresh new graphics and an integrated marketing campaign emphasizing our signature silver color helped reestablish our momentum in Puerto Rico during the second half of 2000.

Picking our **markets**, posting wins –
our international approach is working.

As brewer of the majority of our export beers, the Coors Memphis plant is a critical part of our international strategy. The Memphis team spearheaded efforts to better utilize existing brewing capacity at the facility and improve the quality of our product in 2000.





Getting stronger through



What's brewing at Coors? Confidence. Consistency. Strength. You can feel it – we're making real progress in our drive to become one of the industry's most consistent performers.

Central to sustaining our momentum is finding creative ways to increase capacity – investing wisely to use existing assets better and improve returns. In 2000 we made many process improvements in Golden, and we announced plans to add a new bottling line in our Shenandoah Valley facility. Both will increase packaging capacity and reduce costs.

Strategic partnerships give us still another way to increase flexibility and capacity while bringing other benefits. Case in point: our joint venture with Montréal-based Molson, North America's oldest brewer. The new relationship adds Molson's brands to our U.S. portfolio and provides access to as much as 500,000 barrels of Molson's available brew-

capacity for Coors products in the future.

alliances

and smart spending.

Our joint venture with Canada's Molson brings three import brands – Molson Canadian, Molson Golden and Molson Ice – to the Coors portfolio, further strengthening our position in the highest-growth, highest-margin premium and above-premium beer categories. We also strengthened our existing Coors Canada partnership in 2000.



We expect our planned addition of a new bottling line at our Elkton, Virginia, facility in the Shenandoah Valley to add more than one million barrels of packaging capacity by early 2002 while reducing costs to supply our eastern U.S. markets.

We've built one of the strongest portfolios of brands in the business: Coors Light. Original Coors. Killian's Irish Red. Zima. Blue Moon. Keystone. Coors Non-Alcoholic. And Extra Gold. Each brand offers its own take on our unique, clean, refreshing Rocky Mountain taste.





Around the world, Coors is powered by its 5,850 employees – a diverse group of smart, talented and committed men and women working together every day to make their company the best it can be.



New to the Coors fold through a joint venture with Molson, Inc. comes a great family of beers from the north: Molson Canadian, Molson Golden and Molson Ice. Now, with the addition of these premium imports to our U.S. portfolio, we truly have a beer for every taste.

We brewed and sold a Coors record 24,150,000 barrels of beer in 2000, including Coors Light brewed in Canada – and raised the bar for 2001.



snapshot of a great American beer company.

4, 5, 6

In 2000 Coors outpaced the U.S. industry volume growth rate for the fourth consecutive year, posted its fifth consecutive year of double-digit earnings growth and for the sixth straight year grew Coors Light at a strong single-digit rate.

Times may change, but the secret to our success will not: our single-minded, companywide focus on the four fundamentals of the beer business: doing great beer, amazing our customers, making money and investing in our people. When we get these four things right, we feel we're pretty tough to stop.



It started back in 1873 on the very same site where our Golden, Colorado, brewery stands today, a great Rocky Mountain brewing tradition that's getting stronger every day. We like to think Adolph Coors would be proud of how we've continued his life's work.

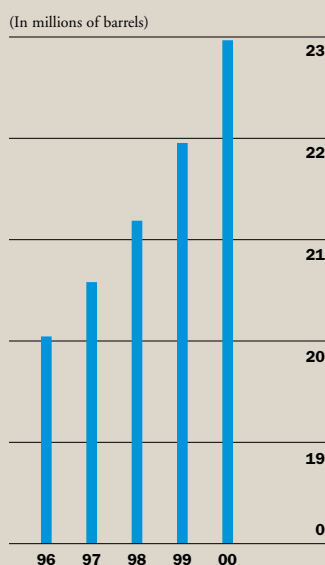
Financial Highlights

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

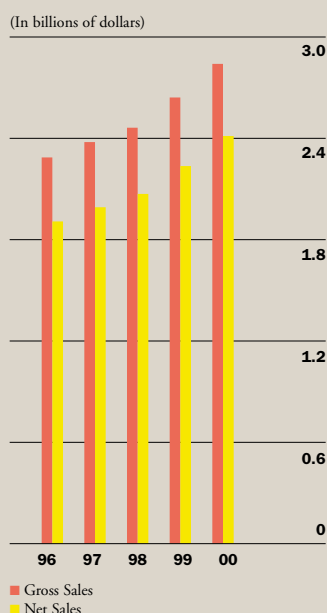
	December 31, 2000	December 26, 1999	Change
Barrels of beer and other malt beverages sold	22,994,000	21,954,000	4.7%
Net sales	\$2,414,415	\$2,236,484	8.0%
Net income	\$ 109,617	\$ 92,284	18.8%
Properties – net	\$ 735,793	\$ 714,001	3.1%
Total assets	\$1,629,304	\$1,546,376	5.4%
Shareholders' equity	\$ 932,389	\$ 841,539	10.8%
Dividends	\$ 26,564	\$ 23,745	11.9%
Number of full-time employees	5,850	5,800	0.9%
Number of shareholders of record	2,933	3,105	(5.5%)
Number of Class A common shares outstanding	1,260,000	1,260,000	0.0%
Number of Class B common shares outstanding	35,871,121	35,462,034	1.2%
Per share of common stock			
Net income – basic	\$ 2.98	\$ 2.51	18.7%
Net income – diluted	\$ 2.93	\$ 2.46	19.1%
Net book value	\$ 25.35	\$ 22.91	10.7%
Dividends	\$ 0.720	\$ 0.645	11.6%

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, and Memphis, Tennessee. 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.

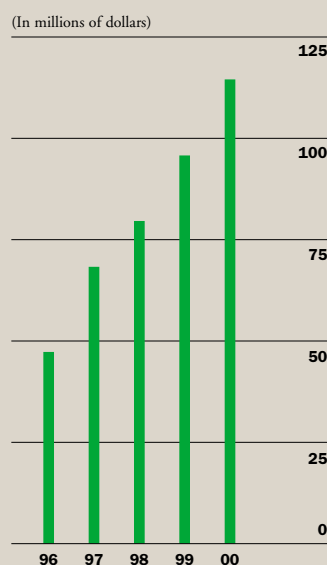
Malt Beverage Sales Volume



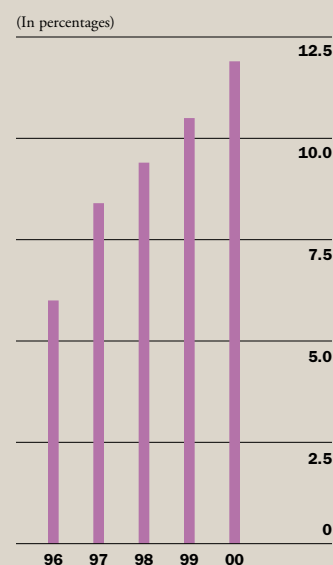
Sales¹



After-tax Income²



Return on Invested Capital³



¹The difference between gross sales and net sales represents beer excise taxes.

²Excluding net special charges (in 2000, 1999, 1998 and 1996) and special credits (in 1997).

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 return on invested capital rate includes gains related to changes in non-pension postretirement benefits.

Pete Coors and Leo Kiely
among the brew kettles at
our Golden, Colorado, brewery.



To our **shareholders**

Brewing. Besides describing what we do every day, the word implies something happening, something in the works. In the most positive sense possible, there's something going on at Coors, and it's pretty exciting.

We're achieving good, consistent financial results, we're well positioned to benefit from changing industry dynamics and we're more committed than ever to executing a disciplined, focused strategy for growth and profitability.

This business is all about execution. Executing at an absolute level of excellence is what makes winners. Coors executed well in 2000, enabling the company to benefit from a positive industry environment that included favorable demographic trends, continued strong growth in demand for light, refreshing premium-priced beers and a positive pricing environment.

We had to overcome some significant cost challenges to meet unprecedented demand, particularly for our

higher-cost packages. But the measure of a great organization is its ability to respond to challenges, and respond we did. Through the skills, dedication and teamwork of our people and partners, we were able to achieve our fifth consecutive year of strong double-digit earnings growth.

Some highlights from the year:

- We again outgrew the U.S. beer industry – our unit volume grew more than four times faster.
- We set company records for annual unit volume, sales, net income and earnings per share, and grew returns significantly – return on invested capital approached 12 percent, up from 6 percent in 1996.*
- We continued to invest significantly in our brands and sales organization, both domestically and internationally.
- We began construction of a new bottling line at our Elkton, Virginia, plant.

*All figures exclude special items

I've worked for Coors since 1939, more than 60 years. As recently as 30 years ago, there were more than 700 family-owned breweries in the United States; today there are just a handful left.

I'm proud to count Coors as a leader among them. You see, survival was always a key word in my vocabulary in the past. As our goal evolves from surviving to winning, the most important strategy here at Coors remains unchanged: paying meticulous attention to the uniqueness and quality of our product.

You may not know this, but my father always had somewhat of a bias against growth. He thought the bigger you get, the harder it is to maintain quality. But I've found just the opposite to be true. Today, our beers are better than ever, and if product quality is any indication, we're going to be around – and increasingly successful – for many generations to come.



Bill Coors
Chairman, Adolph Coors Company

- We entered into a joint venture with Molson, which added import brands to our portfolio and, through a contract brewing arrangement, gained access to extra production capacity for our U.S. brands. We also strengthened our existing Coors Canada partnership.

Review of 2000 financial performance

Our scorecard for the year was pretty good. For the 53-week fiscal year ended December 31, 2000, the company's net sales were \$2.4 billion, an increase of 8 percent over 1999's 52-week figure of \$2.2 billion. Including the extra week in the fiscal year, 2000 sales volume reached 22,994,000 barrels, showing 4.7 percent growth over the previous year.

Distributor sales to retail for the year 2000 increased by approximately 6.5 percent over 1999. Excluding the extra week in fiscal year 2000, sales volume and sales to retail increased 4.1 percent and 4.4 percent respectively, year to year. As we expected, because sales in the 53rd week were

seasonally low, this extra week did not materially affect the company's annual earnings.

Excluding special items, after-tax income for fiscal year 2000 was \$114.5 million. This, compared with the \$95.8 million we achieved in 1999, represented a 19.6 percent increase. Basic earnings per share rose 19.2 percent to \$3.11 and diluted earnings per share reached \$3.06, up 19.5 percent from \$2.56 per share in 1999, not including special items.

A number of key factors drove our company's fiscal 2000 results, including volume growth, increased pricing, the success of key international businesses and higher interest income.

Overall, our brand volumes grew at more than four times the industry rate. Coors Light extended its string of consecutive years of mid-single-digit growth to six. Original Coors was flat for the year with tough fourth-quarter comparisons, but Killian's Irish Red, Zima and Keystone Light volumes all experienced significant growth. Throughout 2000, we continued to improve sales execution and grow key brand equities by increasing our sales and marketing investments by more than \$30 million.

The industry pricing environment remained positive in 2000 – we were able to increase our domestic net prices modestly with no significant negative effect on volume trends.

We again had success internationally, particularly in Canada with Coors Light, that country's number-one light beer, and in Japan, where Zima volume nearly doubled in 2000. Both grew earnings faster than our domestic business. And we continue to be excited about our relationship with Murphy's in Ireland – working together, we have so far been able to build Coors Light to a 5 percent market share in the bottled lager segment. Elsewhere on the international front, our decision early in 2000 to close our brewing operations in Spain began to reap financial benefits toward year-end.

Our 2000 results also were positively impacted by higher interest income as we built cash balances, increased the return on those balances and had lower debt than in 1999.

Looking ahead to 2001

We'll be watching the same factors in 2001 that we discussed this time last year: volume, pricing and cost of goods.

We entered 2001 with solid volume momentum in four of our five largest brands. With strong brand equities and our sales execution solid and getting better, our goal is to outperform the industry volume growth rate for the fifth consecutive year.

On the pricing front, we will again seek to strike a balance between price competitiveness and building strong brands. The factors that will affect pricing in 2001 include the level of promotional discounting, the degree of value-pack activity and the extent of any new front-line increases, all of which are difficult to predict.

We expect cost of goods to be up modestly in 2001 with most of the same challenges we saw in 2000 – raw material prices and shifts in demand toward higher-cost packages.

A bright future

We are extremely optimistic about the future of this industry and our place in it. Sure, it's competitive, but we feel very strongly that Coors, with a solid portfolio of brands, premium light beer focus, strong young adult appeal, manufacturing scale and one of the best teams in the business, has all the attributes necessary to be a winner. We have plenty of room to improve and, as we said in last year's letter to you, that's just the way we like it.

But we never forget that being a brewer and marketer of alcohol beverages carries with it an awesome responsibility. Underage drinking, drunk driving and reckless overconsumption are very serious issues. Coors always has been strongly committed to helping address them through marketing responsibly, actively partnering with distributors and retailers, and supporting legislation and educational programs. This commitment will continue.

What's **brewing** is our sense that
we can win in this business.

We believe the biggest cost factor will be mix shifts, where we are continuing to increase the percentage of popular but more costly longneck bottles in our package mix. Higher anticipated sales of import beers by Coors-owned distributorships and increasing raw material and energy costs will be factors as well.

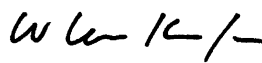
We have addressed a number of the issues that increased costs as we operated at nearly full capacity throughout much of 2000. We added to bottle and multi-pack capacity and improved many production processes, all of which will help us meet growing demand more efficiently in 2001 and beyond – although one-time project expenses to implement these measures will largely offset cost savings in the short term.

We'd like to thank our employees, partners and shareholders for the roles they played in our success in 2000. There's something great brewing here at Coors, and you're all a big part of it.



Peter H. Coors

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



W. Leo Kiely III

Vice President,
Adolph Coors Company
President and Chief Executive Officer,
Coors Brewing Company

Without question, the year 2000 represented an encouraging start to what we feel could be a truly exciting new decade for Adolph Coors Company. By virtually every measure, our financial performance during the year reflected a continuing commitment to growth and constant improvement at Coors:

- Total worldwide unit volume, including our joint venture in Canada, grew to nearly 24.2 million barrels. That's 4.1 million more barrels than we brewed in 1996, a compound annual growth rate of 4.8 percent since that time – more than 7 times the U.S. industry growth rate during this 4-year period.
- Pretax earnings grew 18.1 percent in 2000 to \$185 million, more than double our pretax earnings of four years ago.*
- Diluted earnings per share in 2000 grew by \$0.50 per share from 1999, achieving compound annual growth of 25 percent since 1996.



Tim Wolf
Chief Financial Officer

During the fourth quarter of 2000, we had the opportunity to meet hundreds of potential new investors in the course of the secondary offering of Coors Class B common shares by some of the Coors Family Trusts. Telling our story, sharing our progress and the great potential

we see – in growth, in margin expansion, profit leverage and international opportunities – was exhilarating for us.

During 2000, we feel we were successful in strengthening our financial and market positions with vision and discipline. We have confidence in our future and in our ability to succeed in an extremely competitive domestic and global beer industry.

Financial performance

summary

- All liquidity and leverage ratios improved as our cash generation continued to strengthen. We ended the year with a net cash position of more than \$281 million, an increase of about \$106 million from 1999 – continued progress given our need to increase capacity capital spending to support our growth.
- Most important, all key measures of return increased significantly from 1999 to 2000: return on invested capital improved 1.4 percentage points to 11.9 percent; return on equity improved 1 point to 12.9 percent; and return on assets grew 0.8 of a point to 7.2 percent.

It's encouraging that these improvements in financial measures were achieved as we invested significantly in our business in 2000: an incremental \$36.7 million in domestic and international marketing and sales-related spending and \$150.3 million in capacity, productivity and systems.

At the same time, we are all well aware that the solid rate of progress we've achieved so far does not mean that our focus and commitment can waiver, even for a moment. On the contrary, the competition – in virtually every market – is only getting tougher, so our pace of improvement must continue to meet or exceed the challenges ahead.

We have a great team and a great product. We are up to the task.

A handwritten signature in black ink, reading "Timothy V. Wolf".

Timothy V. Wolf
Vice President and Chief Financial Officer,
Adolph Coors Company
Senior Vice President and Chief Financial Officer,
Coors Brewing Company
March 5, 2000

**All figures exclude special items*

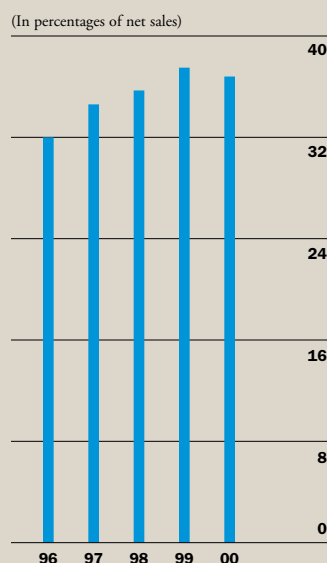
Our progress continues. In 2000 we extended our track record of steady improvement, reaching new highs in a number of important performance measures such as unit volume, sales, net income and earnings per share, while seeing significant year-over-year growth in our returns, including return on invested capital, return on equity and return on assets.

Cash for strategic flexibility. We continued to strengthen cash generation at Coors in 2000, improving our net cash position by more than 60 percent and giving us the means to support a range of strategies for growth in 2001 and beyond.

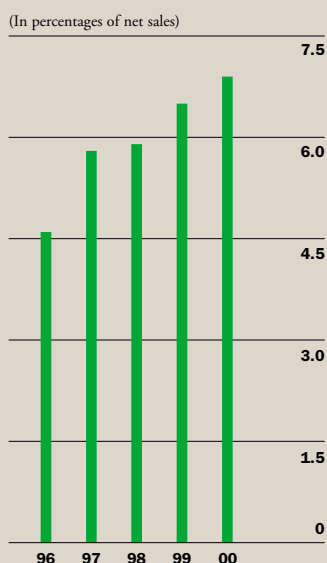
Room for improvement. Despite the progress we have made, Coors has considerable room to improve performance balance – there is still significant top-line growth potential in untapped domestic and international markets, while plenty of opportunities remain to reduce costs and increase efficiencies in our operations.

Financial Contents	
Management's Discussion and Analysis	18
Reports from Management and Independent Accountants	26
Consolidated Financial Statements	27
Notes to Consolidated Financial Statements	32
Selected Financial Data	46

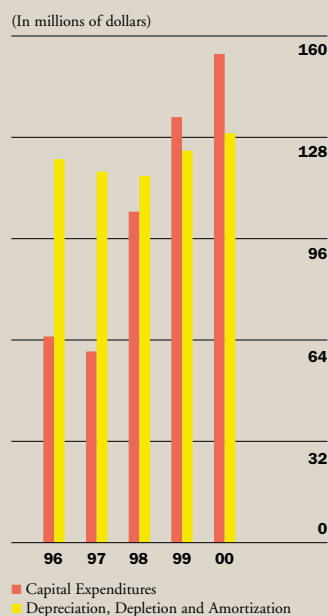
Gross Margin



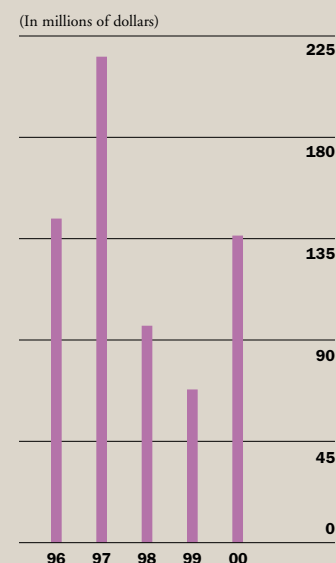
Operating Margin



Capital Expenditures/ Depreciation, Depletion and Amortization



Cash from Operating and Investing Activities¹



¹Excluding purchases, sales and maturities of marketable securities.

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

Introduction

We are the third-largest producer of beer in the United States. Our portfolio of brands is designed to appeal to a range of consumer taste, style and price preferences. Our beverages are sold throughout the United States and in select international markets.

This discussion summarizes the significant factors affecting our consolidated results of operations, liquidity and capital resources for the three-year period ended December 31, 2000, and should be read in conjunction with the financial statements and notes thereto included elsewhere in this report. Our fiscal year is the 52 or 53 weeks that end on the last Sunday in

December. Our fiscal year 2000 consisted of 53 weeks. Our 1999 and 1998 fiscal years each consisted of 52 weeks.

In 2000, the Financial Accounting Standards Board's Emerging Issues Task Force issued a pronouncement stating that shipping and handling costs should not be reported as a reduction to gross sales within the income statement. As a result of this pronouncement, our finished product freight expense, which is incurred upon shipment of our product to our distributors, is now included within Cost of goods sold in our accompanying Consolidated Statements of Income. This expense had previously been reported as a reduction to gross sales; prior year financial statements have been reclassified for consistency as to where freight expense is reported.

Summary of operating results:

(In thousands, except percentages, fiscal year ended)

	Dec. 31, 2000		Dec. 26, 1999		Dec. 27, 1998	
Gross sales	\$ 2,841,738		\$ 2,642,712		\$ 2,463,655	
Beer excise taxes	(427,323)		(406,228)		(391,789)	
Net sales	2,414,415	100%	2,236,484	100%	2,071,866	100%
Cost of goods sold	(1,525,829)	63%	(1,397,251)	62%	(1,333,026)	64%
Gross profit	888,586	37%	839,233	38%	738,840	36%
Other operating expenses						
Marketing, general and administrative	(722,745)	30%	(692,993)	31%	(615,626)	30%
Special charges	(15,215)	1%	(5,705)	—	(19,395)	1%
Total other operating expenses	(737,960)	31%	(698,698)	31%	(635,021)	31%
Operating income	150,626	6%	140,535	7%	103,819	5%
Other income – net	18,899	1%	10,132	—	7,281	—
Income before taxes	169,525	7%	150,667	7%	111,100	5%
Income tax expense	(59,908)	2%	(58,383)	3%	(43,316)	2%
Net income	\$ 109,617	5%	\$ 92,284	4%	\$ 67,784	3%

Consolidated Results of Operations – 2000 vs. 1999 and 1999 vs. 1998

2000 vs. 1999 Our gross and net sales for 2000 were \$2,841.7 million and \$2,414.4 million, respectively, resulting in a \$199.0 million and \$177.9 million increase over our 1999 gross and net sales of \$2,642.7 million and \$2,236.5 million, respectively. Gross and net sales were favorably impacted by a 4.7% increase in barrel unit volume. We sold 22,994,000 barrels of beer and other malt beverages in 2000, compared to sales of 21,954,000 barrels in 1999. Year-to-date net sales were also favorably impacted by a continuing shift in consumer preferences toward higher-net-revenue products, domestic price increases and a longer fiscal year (2000 consisted of 53 weeks, versus 52 weeks in 1999). Excluding our 53rd week, unit volume was up approxi-

mately 4.1% compared to the 52-week period ended December 26, 1999. Excise taxes as a percent of gross sales decreased slightly in 2000 compared to 1999 primarily as a result of a shift in the geographic mix of our sales.

Cost of goods sold was \$1,525.8 million in 2000, an increase of 9.2%, compared to \$1,397.3 million in 1999. Cost of goods sold as a percentage of sales was 63.2% for 2000, compared to 62.5% for 1999. On a per barrel basis, cost of goods sold increased 4.3% in 2000 compared to 1999. This increase was primarily due to an ongoing mix shift in demand toward more expensive products and packages, including longneck bottles and import products sold by Coors-owned distributors, as well as higher aluminum, energy and freight costs. Cost of goods sold also increased as a result of higher labor costs in 2000 from wage increases and overtime incurred during our peak season in order to meet unprecedented

demand for our products, higher depreciation expense because of higher capital expenditures and additional fixed costs as a result of our 53rd week in 2000.

Gross profit for 2000, was \$888.6 million, a 5.9% increase over gross profit of \$839.2 million for 1999. As a percentage of sales, gross profit decreased to 36.8% in 2000, compared to 37.5% of net sales in 1999.

Marketing, general and administrative costs were \$722.7 million in 2000 compared to \$693.0 million in 1999. The \$29.7 million or 4.3% increase over the prior year was primarily due to higher spending on marketing and promotions, both domestically and internationally. We continued to invest behind our brands and sales forces – domestic and international – during 2000, which included reinvesting incremental revenues that were generated from the volume and price increases achieved and discussed earlier. Our 2000 corporate overhead and information technology spending was also up slightly over 1999.

In 2000, our net special charges were \$15.2 million, or \$0.13 per basic and diluted share, after tax. We incurred a total special charge of \$20.6 million triggered by our decision to close our Spain brewery and commercial operations. The decision to close the Spain operations came as a result of an unfavorable outlook from various analyses we performed which focused on the potential for improved distribution channels, the viability of Coors brands in the Spain market and additional contract brewing opportunities. Of the approximately \$20.6 million charge, approximately \$11.3 million related to severance and other related closure costs for approximately 100 employees, approximately \$4.9 million related to a fixed asset impairment charge and approximately \$4.4 million for the write-off of our cumulative translation adjustments previously recorded to equity, related to our Spain operations. In 2000, approximately \$9.6 million of severance and other related closure costs were paid. These payments were funded from current cash balances. The remaining \$1.7 million reserve related to severance and other related closure costs is expected to be paid by the end of the first quarter of 2001 and will also be funded from current cash balances. Closing our Spain operations will eliminate annual operating losses of approximately \$7.0 million to \$8.0 million. The anticipated payback period is less than three years. We intend to invest much of the annual savings into our domestic and international businesses. The closure resulted in small savings in 2000, and we expect greater annual savings beginning in fiscal 2001. The Spain closure special charge was partially offset by a credit of \$5.4 million related to an insurance claim settlement.

In 1999, we recorded a special charge of \$5.7 million, or \$0.10 per basic and diluted share, after tax. The special charge included \$3.7 million for severance costs from the restructuring of our engineering and construction units and \$2.0 million for distributor network improvements. Approximately 50 engineering and construction employees accepted severance packages under this reorganization. During 1999 and 2000, approximately \$0.9 million and \$2.3 million, respectively, of severance costs were paid. The remaining \$0.5 million of severance costs at December 31, 2000, are expected to be paid in the first quarter of 2001.

As a result of these factors, our operating income was \$150.6 million for the year ended December 31, 2000, an increase of \$10.1 million or 7.2% over operating income of \$140.5 million for the year ended December 26, 1999. Excluding special charges, operating earnings were \$165.8 million for 2000, an increase of \$19.6 million or 13.4% over operating earnings of \$146.2 million for 1999.

Net other income was \$18.9 million for 2000, compared to net other income of \$10.1 million for 1999. The significant increase in 2000 is primarily due to higher net interest income, resulting from higher average cash investment balances with higher average yields and lower average debt balances in 2000 compared to 1999.

Including the impact of special items, our effective tax rate for 2000, was 35.3% compared to 38.8% for 1999. The primary reasons for the decrease in our effective rate were: the realization of a tax benefit pertaining to the Spain brewery closure, the resolution of an Internal Revenue Service audit, and reduced state tax rates. Excluding the impact of special charges, our effective tax rate for the year ended December 31, 2000, was 38.0%, compared to 38.8% for the year ended December 26, 1999.

Net income for the year increased \$17.3 million or 18.8% over last year. For 2000, net income was \$109.6 million, or \$2.98 per basic share (\$2.93 per diluted share), which compares to net income of \$92.3 million, or \$2.51 per basic share (\$2.46 per diluted share), for 1999. Excluding special charges, after-tax earnings for 2000, were \$114.5 million, or \$3.11 per basic share (\$3.06 per diluted share). This was an \$18.8 million or 19.6% increase over after-tax earnings, excluding special charges, of \$95.8 million, or \$2.61 per basic share (\$2.56 per diluted share), for 1999.

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

1999 vs. 1998 Our gross and net sales for 1999 were \$2,642.7 million and \$2,236.5 million, respectively, representing a \$179.1 million and \$164.6 million increase over 1998. Gross and net sales were impacted favorably by a unit volume increase of 3.6%. Net sales per barrel for 1999 were also favorably impacted by improved net realizations per barrel due to increased pricing, reduced domestic discounting and mix improvement toward higher-net-revenue product sales. Excise taxes as a percent of gross sales decreased slightly in 1999 compared to 1998 primarily as a result of a shift in the geographic mix of our sales.

Cost of goods sold was \$1,397.3 million in 1999, which was a \$64.2 million or 4.8% increase over 1998. 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.

Gross profit increased 13.6% to \$839.2 million from 1998 due to the 7.9% net sales increase coupled with a lower increase in cost of goods sold of 4.8%, both discussed above. As a percentage of net sales, gross profit in 1999 increased to 37.5% from 35.7% in 1998.

Marketing, general and administrative expenses increased to \$693.0 million in 1999. Of the total \$77.4 million or 12.6% increase, advertising costs increased \$47.6 million over 1998 due to increased investments behind our core brands, both domestically and internationally. General and administrative expenses for our international business, as well as information technology expenses, were also higher in 1999 compared to 1998.

In 1999, we recorded a special charge of \$5.7 million, or \$0.10 per basic and diluted share, after tax. The special charge included \$3.7 million for severance costs from the restructuring of our engineering and construction units and \$2.0 million for distributor network improvements. Approximately 50 engineering and construction employees accepted severance packages under this reorganization. During 1999 and 2000, approximately \$0.9 million and \$2.3 million, respectively, of severance costs were paid. The remaining \$0.5 million of severance costs at December 31, 2000, are expected to be paid in the first quarter of 2001.

During 1998, we recorded a \$17.2 million pretax charge for severance and related costs of restructuring the production operations and a \$2.2 million pretax charge for the impairment of certain long-lived assets for one of our distributorships. These items resulted in a total special pretax charge of \$19.4 million in 1998.

As a result of the factors noted above, operating income grew 35.4% to \$140.5 million in 1999 from \$103.8 million in 1998. Excluding special charges, operating income rose 18.7% to \$146.2 million in 1999 from \$123.2 million in 1998.

Net other income of \$10.1 million in 1999 increased from \$7.3 million in 1998. This \$2.8 million increase was primarily due to reductions in net interest expense, which was attributable to increased capitalized interest due to higher capital spending and lower levels of debt.

Our effective tax rate decreased to 38.8% in 1999 from 39.0% in 1998 primarily due to higher tax-exempt income. The 1999 and 1998 effective tax rates exceeded the statutory rate primarily because of state tax expense. Our effective tax rates for fiscal years 1999 and 1998 were not impacted by special charges.

Net income for 1999 was \$92.3 million, or \$2.51 per basic share (\$2.46 per diluted share), compared to \$67.8 million, or \$1.87 per basic share (\$1.81 per diluted share), for 1998, representing increases of 34.2% (basic) and 35.9% (diluted) in earnings per share. Excluding special charges, after-tax 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.

Liquidity and Capital Resources

Our primary sources of liquidity are cash provided by operating activities, marketable securities and external borrowings. In 2000, our financial condition remained strong. At the end of 2000, our cash, cash equivalents and marketable securities totaled \$386.2 million, up from \$279.9 million at the end of 1999. Although our cash and cash equivalents and working capital balances decreased from \$163.8 million and \$220.1 million, respectively, in 1999 to \$119.8 million and \$118.4 million, respectively, in 2000, this was largely a result of a strategic shift in our investing activities. In 2000, we shifted from investing in shorter-term securities to investing in longer-term securities which currently provide better yields. These long-term securities include investment grade corporate, government agency and municipal debt instruments.

Our total investments in marketable securities increased \$150.3 million to \$266.4 million at the end of 2000 compared to \$116.1 million at the end of 1999. This increase was primarily funded by current year maturities of short-term investments, cash from operations and distributions received from joint ventures. All of these securities can be easily converted to cash, if necessary. Our decrease in cash and cash equivalents and working capital was also a result of increased capital expenditures in 2000. We believe that cash flows from operations, cash from sales of highly liquid securities and cash provided by short-term borrowings, when necessary, will be more than sufficient to meet our ongoing operating requirements, scheduled principal and interest payments on debt, dividend payments, anticipated capital expenditures and potential repurchases of common stock under our stock repurchase plan.

Operating activities Net cash provided by operating activities was \$285.4 million for 2000, compared to \$200.1 million and \$203.6 million for 1999 and 1998, respectively. Operating cash flows in 1999 were \$85.3 million lower than in 2000 because of a \$48.0 million contribution we made to our defined benefit pension plan in January 1999 with no similar contribution being made in 2000. The 1999 contribution was made as a result of benefit improvements made to our defined benefit pension plan that resulted in an increase in the projected benefit obligation of approximately \$48 million. The remaining increase in 2000 operating cash flow was due to higher net income, slightly higher depreciation expense, the non-cash portion of the special charge related to Spain, higher cash distributions received from our joint venture entities and working capital changes. The increase in distributions received was a result of higher earnings of the joint ventures in 2000 compared to 1999. The fluctuations in working capital were primarily due to timing between the two years; our accounts receivable were lower at December 31, 2000, as a result of the 53rd week in 2000, which tends to be our slowest week, and our accounts payable were higher at December 31, 2000, due to increased capital expenditures at the end of 2000 compared to 1999. These increases in operating cash flows were partially offset by increases in the equity earnings of our joint ventures and gains on sale of properties.

The decrease in operating cash flows in 1999 from 1998 of \$3.5 million was a result of the \$48 million contribution made to our defined benefit pension plan in January 1999, as discussed above, with no similar contribution being made in 1998. This decrease in operating cash flows was partially offset by working capital changes, an increase in deferred tax expense, higher cash distributions received from our joint venture entities and an increase in depreciation and amortization. The working capital fluctuations were due to increased operating activity and timing of payments between the two years. The increase in deferred tax expense was due to timing differences arising between book income and taxable income. The increase in distributions received was a result of higher net earnings of the joint ventures in 1999 compared to 1998. The increase in depreciation and amortization was due to an increase in capitalized assets in 1999 compared to 1998.

Investing activities During 2000, we used \$297.5 million in investing activities compared to a use of \$121.0 million in 1999 and \$146.5 million in 1998. As discussed under the Liquidity section above, we have shifted to investing in longer-term marketable securities by investing cash from short-term investment maturities into longer term corporate, government agency and municipal debt instruments. The net impact of our marketable securities activities was a cash outflow of \$148.6 million compared to a net inflow of \$11.0 million in 1999 and an outflow of \$39.3 million in 1998. In 1999, we allocated less of our cash resources to marketable securities than in both 1998 and 2000, and instead allocated more resources to cash equivalents. In 2000, we also increased our capital expenditures to \$154.3 million compared to \$134.4 in 1999 and \$104.5 million in 1998. Our 2000 capital expenditures included additional spending on capacity-related projects, as well as expenditures for upgrades and improvements to our facilities.

Financing activities During 2000, we used approximately \$31.6 million in financing activities, primarily for dividend payments of \$26.6 million on our Class B common stock and \$20.0 million for purchases of our Class B common stock under our stock repurchase program. These cash uses were partially offset by cash inflows of \$17.2 million related to the exercise of stock options under our stock option plans.

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

During 1999, we used \$76.4 million in financing activities consisting primarily of principal payments of \$40.0 million on our medium-term notes, net purchases of \$11.0 million for Class B common stock and dividend payments of \$23.7 million.

During 1998, we used \$66.0 million in financing activities consisting of principal payments of \$27.5 million on our medium-term notes, net purchases of \$17.8 million for Class B common stock and dividend payments of \$21.9 million.

Debt obligations At December 31, 2000, we had \$100 million in Senior Notes outstanding, \$80 million of which is due in 2002 and the remaining \$20 million is due in 2005. Fixed interest rates on these notes range from 6.76% to 6.95%. Interest is paid semiannually in January and July. No principal payments were due or made on our debt in 2000. In 1999, we repaid the last \$40.0 million of outstanding medium-term notes that were due. Payments on these notes in 1998 were \$27.5 million.

Our debt-to-total capitalization ratio declined to 10.1% at the end of 2000, from 11.1% at year end 1999 and 15.8% at year end 1998.

Revolving line of credit In addition to the Senior Notes, we have an unsecured, committed credit arrangement totaling \$200 million, all of which was available as of December 31, 2000. This line of credit has a five-year term which expires in 2003, with one remaining optional one-year extension. A facilities fee is paid on the total amount of the committed credit. Under the arrangement, we are required to maintain a certain debt-to-total capitalization ratio and were in compliance at year end 2000.

We also have two revolving lines of credit used for our operations in Japan. Each of these facilities provides up to 500 million yen (approximately \$4.4 million each as of December 31, 2000) in short-term financing. As of December 31, 2000, the approximate yen equivalent of \$2.6 million was outstanding under these arrangements.

Advertising and promotions As of December 31, 2000, our aggregate commitments for advertising and promotions, including marketing at sports arenas, stadiums and other venues and events, were approximately \$125.5 million over the next eight years.

Stock repurchase plan In November 2000, the board of directors authorized the extension of our stock repurchase program through 2001. The program authorizes repurchases of up to \$40 million of our outstanding Class B common stock. Repurchases will be financed by funds generated from operations or by our cash and cash equivalent balances. In 2000, we used \$20.0 million to repurchase common stock of which \$17.6 million related to repurchases under this stock purchase program.

Capital improvements During 2000, we spent approximately \$150.3 million in capital expenditures (excluding capital improvements for the container joint ventures, which were recorded on the books of the respective joint ventures). We will continue to invest in our business and we expect our capital expenditures in 2001 to be in the range of approximately \$200 million to \$240 million for improving and enhancing our facilities, infrastructure, information systems and environmental compliance.

Molson USA, LLC On January 2, 2001, we entered into a joint venture partnership agreement with Molson, Inc. and paid \$65 million for our 49.9% interest in the joint venture. The joint venture, known as Molson USA, LLC, has been formed to import, market, sell and distribute Molson's brands of beer in the United States. We used a portion of our current cash balances to pay the \$65 million acquisition price.

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. You can identify these statements by forward-looking words such as "expect," "anticipate," "plan," "believe," "seek," "estimate," "internal," "outlook," "trends," "industry forces," "strategies," "goals" and similar words. These forward-looking statements may include, among others, statements concerning our outlook for 2001; overall volume trends; pricing trends and industry forces; cost reduction strategies and their anticipated results; our expectations for funding our 2001 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 the expectations we describe in our forward-looking statements.

To improve our financial performance, we must grow premium beverage volume, achieve modest price increases for our products and control costs. 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:

- Our success depends largely on the success of one product, the failure of which would materially adversely affect our financial results.
- Because our primary production facilities are located at a single site, we are more vulnerable than our competitors to transportation disruptions and natural disasters.
- We are smaller than our two primary competitors, and we are more vulnerable than our competitors to cost and price fluctuations.
- We are vulnerable to the pricing actions of our primary competitors, which we do not control.
- If demand for our products continues to grow at current rates, we may lack the capacity needed to meet demand or we may be required to increase our capital spending significantly.
- If any of our suppliers are unable or unwilling to meet our requirements, we may be unable to promptly obtain the materials we need to operate our business.
- The government may adopt regulations that could conceivably increase our costs or our liabilities or could limit our business activities.
- If the social acceptability of our products declines, or if litigation is directed at the alcoholic beverage industry, our sales volumes could decrease and our business could be materially adversely affected.
- Any significant shift in packaging preferences in the beer industry could increase our costs disproportionately and could limit our ability to meet consumer demand.
- We depend on independent distributors to sell our products, and we cannot provide any assurance that these distributors will sell our products effectively.
- Because our sales volume is more concentrated in fewer geographic areas in the United States than our competition, any loss of market share in the states where we are concentrated could have a material adverse effect on our results of operations.
- Because we lack a significant presence in international markets, we are dependent on the U.S. market.
- We are subject to environmental regulation by federal, state and local agencies, including laws that impose liability without regard to fault.

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

Outlook for 2001

Our performance in 2000 benefited from strong domestic and export volume gains, as well as a positive industry environment. For 2001, we are committed to the basic goal of growing our unit volume more than twice as fast as the industry. Also in 2001, the beer price environment is again expected to be positive. Nonetheless, increased sales of value-packs or an increase in price discounting could have an unfavorable impact on our top-line performance, resulting in lower margins.

The outlook for cost of goods sold in 2001 includes many of the same challenges that we saw in 2000 – although we are working hard to reduce the growth rate in some key areas. Following are the cost factors that we anticipate will be most important in 2001:

- First, in the area of operating efficiencies, we have put additional bottle and value-pack packaging capacity on line and are working to improve many processes to relieve stress points in our production capacity. These projects should help us to meet growing demand at a lower cost. During peak season 2000, we were operating close to full capacity, which increased our costs. In 2001, savings from incremental capacity will be largely offset by startup and other one-time expenses related to completing these capacity projects.
- Second, input costs as a group are likely to increase again in 2001. Early in 2001, the outlook is for slightly higher aluminum can costs for the year. We anticipate modestly higher glass bottle costs because of higher natural gas rates. Paper rates are expected to be flat to down slightly. We expect that freight rates will be up early in the year, with rates in the back half unknown, but perhaps offering some opportunity to moderate. Agricultural commodity costs are expected to be down slightly due to lower prices for rice and corn.
- Third, package and product mix shifts will increase costs in 2001. Aside from changes in raw material rates, we plan to spend more on glass in 2001 because of the continuing shift in our package mix toward longneck bottles, which cost more and are less profitable than most of our other package configurations. We plan to increase longneck bottles as a percent of our bottle mix to more than 80% this year, up from just over 70% last year. Cost of goods sold per barrel is likely to be increased by higher anticipated sales of import beers by Coors-owned distributorships. We expect mix shifts to be the largest group of factors increasing our cost of goods sold per barrel in 2001, as they were in 2000.

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

- All in all, our expectations early in 2001 are for total cost of goods sold to be up modestly per barrel for the year – and we are focusing throughout our operations to reduce the growth rate per barrel versus last year. It is important to note that a large shift in raw material prices or consumer demand toward other packages could alter this outlook.

Marketing and sales spending is expected to increase in 2001, while general and administrative costs are expected to be flat to up slightly. We continue to focus on reducing costs so that we can invest in our brands and sales efforts incrementally. Additional sales and marketing spending is determined on an opportunity-by-opportunity basis. Incremental revenue generated by price increases is likely to be spent on advertising and marketplace support because the competitive landscape has shifted during the past three years toward much more marketing, promotional and advertising spending.

Net interest income growth will slow because of our lower cash position as a result of our \$65 million payment for a 49.9% interest in our new Molson joint venture and our increase in capital expenditures in 2000 and 2001. The increase in our capital expenditures in 2001 will result in higher capitalized interest, which will partially offset the slower interest income growth. Of course, net interest income could be less favorable than expected in 2001 if we invest a substantial portion of our cash balances in operating assets or other investments with longer-term returns, or if interest rates decline. Also, cash may be used to repurchase additional shares of outstanding common stock as approved by our board of directors.

Our effective tax rate for 2001 is not expected to differ significantly from the 2000 effective tax rate applied to income, excluding special items. However, the level and mix of pretax income for 2001 could affect the actual rate for the year.

In 2001, we have planned capital expenditures (excluding capital improvements for our container joint ventures, which will be recorded on the books of the respective joint ventures) in the range of approximately \$200 million to \$240 million for improving and enhancing our facilities, infrastructure, information systems and environmental compliance. This capital spending plan is up from \$154 million in 2000. All of the planned increase for 2001 is the result of strong growth in consumer demand for our products, particularly in longneck bottles and value-packs.

While most of the incremental capital spending in 2001 is intended to increase available beer packaging capacity for 2002, a portion is focused on increasing our brewing capacity. The largest single project is the addition of a longneck bottle line in our Elkton, Virginia, facility.

Our 2001 capacity investments play a critical role in our long-term plan to increase productivity and lower our costs. Additionally, some of these investments will provide a foundation for future capacity investments. We are approaching these capacity projects with a strong bias for utilizing current assets fully before building new assets, and we will continue to apply rigorous discipline to our capital process, ensuring that it is carefully paced, competitively priced and designed to lower costs and improve returns. We are prepared to fund our growth in 2001 and well into the future largely from our strong operating cash flow. In addition to our 2001 planned capital expenditures, incremental strategic investments will be considered on a case-by-case basis.

Contingencies

Environmental We were one of numerous parties named by the Environmental Protection Agency (EPA) as a “potentially responsible party” at the Lowry site, a landfill owned by the City and County of Denver. In 1990, we recorded a special pretax charge of \$30 million, representing our portion, for potential cleanup costs of the site based upon an assumed present value of \$120 million in total site remediation costs. We also agreed to pay a specified share of costs if total remediation costs exceeded this amount.

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 our settlement. We have no reason to believe that total remediation costs will result in additional liability to us.

We were one of several parties named by the EPA as a “potentially responsible party” at the Rocky Flats Industrial Park site. In September 2000, the EPA entered into an Administrative Order on Consent with certain parties, including our company, requiring implementation of a removal action. Our projected costs to construct and monitor the removal action are approximately \$300,000. The EPA will also seek to recover its oversight costs associated with the project which are not possible to estimate at this time.

From time to time, we have been notified that we are or may be a potentially responsible party under the Comprehensive Environmental Response, Compensation and Liability Act or similar state laws for the cleanup of other sites where hazardous substances have allegedly been released into the environment. We cannot predict with certainty the total costs of cleanup, our share of the total cost, the extent to which contributions will be available from other parties, the amount of time necessary to complete the cleanups or insurance coverage.

In addition, we are aware of groundwater contamination at some of our properties in Colorado resulting from historical, ongoing or nearby activities. There may also be other contamination of which we are currently unaware.

In August 2000, an accidental spill into Clear Creek at our Golden, Colorado, facility caused damage to some of the fish population in the creek. As a result, we are required to pay certain fines or other costs by implementing a supplemental environmental project. We settled with the Colorado Department of Public Health and Environment regarding violations of our permit in the amount of \$98,000 on February 22, 2001. This money will be paid to the Clear Creek Watershed Foundation to construct a waste rock repository in Clear Creek County. We have not yet settled with the Division of Wildlife for damage to the fish population but have proposed funding the remaining costs for construction of the waste rock repository.

While we cannot predict our eventual aggregate cost for our environmental and related matters in which we are currently involved, we believe 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 our operating results or our financial or competitive position. We believe adequate reserves have been provided for losses that are probable.

Litigation We are also named as a defendant in various actions and proceedings arising in the normal course of business. In all of these cases, we are denying the allegations and are vigorously defending ourselves against them and, in some instances, have 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 our financial position or results of operations.

Quantitative and Qualitative Disclosures About Market Risk

In the normal course of business, we are exposed to fluctuations in interest rates, the value of foreign currencies and production and packaging materials prices. We have established policies and procedures that govern the management of these exposures through the use of a variety of financial instruments. We employ various financial instruments, including forward foreign exchange contracts, options and swap agreements, to manage certain of the exposures when practical. By policy, we do not enter into such contracts for the purpose of speculation and are continually enhancing our disciplines around these risk mitigation efforts.

Our objective in managing our 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, we primarily enter into forward foreign exchange contracts, options and swap agreements whose values change in the opposite direction of the anticipated cash flows. We do not hedge the value of net investments in foreign-currency-denominated operations and translated earnings of foreign subsidiaries. Our primary foreign currency exposures are the Canadian dollar and the Japanese yen.

A sensitivity analysis has been prepared to estimate our 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 our derivative and debt portfolio:

(In millions, as of)		Dec. 31, 2000	Dec. 26, 1999
Estimated fair value volatility			
Foreign currency risk – forwards, options		\$(3.0)	\$ (2.8)
Interest rate risk – swaps, debt		\$(1.3)	\$ (1.3)
Commodity price risk – swaps, options		\$(9.1)	\$(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.



Peter H. Coors

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



Timothy V. Wolf

Vice President and Chief Financial Officer,
Adolph Coors Company
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 31, 2000, and December 26, 1999, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States of America. 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 of America 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 our opinion.



PricewaterhouseCoopers LLP

Denver, Colorado
February 7, 2001

Consolidated Statements of Income

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

	December 31, 2000	December 26, 1999	December 27, 1998
Sales – domestic and international	\$ 2,841,738	\$ 2,642,712	\$ 2,463,655
Beer excise taxes	(427,323)	(406,228)	(391,789)
Net sales (Note 13)	2,414,415	2,236,484	2,071,866
Cost of goods sold	(1,525,829)	(1,397,251)	(1,333,026)
Gross profit	888,586	839,233	738,840
Other operating expenses			
Marketing, general and administrative	(722,745)	(692,993)	(615,626)
Special charges (Note 9)	(15,215)	(5,705)	(19,395)
Total other operating expenses	(737,960)	(698,698)	(635,021)
Operating income	150,626	140,535	103,819
Other income (expense)			
Interest income	21,325	11,286	12,136
Interest expense	(6,414)	(4,357)	(9,803)
Miscellaneous – net	3,988	3,203	4,948
Total	18,899	10,132	7,281
Income before income taxes	169,525	150,667	111,100
Income tax expense (Note 5)	(59,908)	(58,383)	(43,316)
Net income	\$ 109,617	\$ 92,284	\$ 67,784
Other comprehensive income (expense), net of tax (Note 12)			
Foreign currency translation adjustments	2,632	(3,519)	1,430
Unrealized (loss) gain on available-for-sale securities and derivative instruments	(729)	6,438	440
Reclassification adjustments	366	–	–
Comprehensive income	\$ 111,886	\$ 95,203	\$ 69,654
Net income per common share – basic	\$ 2.98	\$ 2.51	\$ 1.87
Net income per common share – diluted	\$ 2.93	\$ 2.46	\$ 1.81
Weighted-average common shares – basic	36,785	36,729	36,312
Weighted-average common shares – diluted	37,450	37,457	37,515

See notes to consolidated financial statements.

Consolidated Balance Sheets

(In thousands)

Assets

Current assets

	December 31, 2000	December 26, 1999
Cash and cash equivalents	\$ 119,761	\$ 163,808
Short-term marketable securities	72,759	113,185
Accounts and notes receivable		
Trade, less allowance for doubtful accounts of \$139 in 2000 and \$55 in 1999	104,484	123,861
Affiliates	7,209	13,773
Other, less allowance for certain claims of \$104 in 2000 and \$133 in 1999	15,385	22,026
Inventories		
Finished	40,039	44,073
In process	23,735	19,036
Raw materials	37,570	34,077
Packaging materials, less allowance for obsolete inventories of \$1,993 in 2000 and \$1,195 in 1999	8,580	10,071
Total inventories	109,924	107,257
Other supplies, less allowance for obsolete supplies of \$1,621 in 2000 and \$1,975 in 1999	23,703	23,584
Prepaid expenses and other assets	19,847	24,858
Deferred tax asset (Note 5)	24,679	20,469
Total current assets	497,751	612,821
Properties , at cost and net (Notes 2 and 13)	735,793	714,001
Excess of cost over net assets of businesses acquired , less accumulated amortization of \$9,319 in 2000 and \$7,785 in 1999	29,446	31,292
Long-term marketable securities	193,675	2,890
Other assets (Note 10)	172,639	185,372
Total assets	\$1,629,304	\$1,546,376

See notes to consolidated financial statements.

Consolidated Balance Sheets

(In thousands)

Liabilities and Shareholders' Equity

Current liabilities

Accounts payable

Trade

Affiliates

Accrued salaries and vacations

Taxes, other than income taxes

Federal and state income taxes (Note 5)

Accrued expenses and other liabilities

Total current liabilities

Long-term debt (Note 4)

Deferred tax liability (Note 5)

Postretirement benefits (Note 8)

Other long-term liabilities

Total liabilities

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)

Class B common stock, non-voting, no par value, \$0.24 stated
value (authorized: 100,000,000 shares; issued and outstanding:
35,871,121 in 2000 and 35,462,034 in 1999)

Total capital stock

Paid-in capital

Retained earnings

Accumulated other comprehensive income

Total shareholders' equity

Total liabilities and shareholders' equity

December 31, 2000

December 26, 1999

\$ 186,105

\$ 155,344

11,621

24,271

57,041

60,861

32,469

53,974

—

8,439

92,100

89,815

379,336

392,704

105,000

105,000

89,986

78,733

77,147

75,821

45,446

52,579

696,915

704,837

—

—

1,260

1,260

8,541

8,443

9,801

9,703

11,203

5,773

908,123

825,070

3,262

993

932,389

841,539

\$1,629,304

\$1,546,376

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

(In thousands, for the years ended)

	December 31, 2000	December 26, 1999	December 27, 1998
Cash flows from operating activities			
Net income	\$ 109,617	\$ 92,284	\$ 67,784
Adjustments to reconcile net income to net cash provided by operating activities			
Equity in net earnings of joint ventures	(42,395)	(36,958)	(33,227)
Distributions from joint ventures	55,379	30,280	22,438
Non-cash portion of special charges	11,068	4,769	10,543
Depreciation, depletion and amortization	129,283	123,770	115,815
Net (gain) loss on sale or abandonment of properties and intangibles, net	(4,729)	2,471	7,687
Deferred income taxes	6,870	20,635	(8,751)
Change in operating assets and liabilities			
Accounts and notes receivable	28,260	(21,036)	2,140
Inventories	(3,087)	(4,373)	4,176
Prepaid expenses and other assets	3,107	(49,786)	8,977
Accounts payable	18,324	35,261	9,899
Accrued expenses and other liabilities	(26,280)	2,751	(3,898)
Net cash provided by operating activities	285,417	200,068	203,583
Cash flows from investing activities			
Purchases of investments	(356,741)	(94,970)	(101,682)
Sales and maturities of investments	208,176	105,920	62,393
Additions to properties and intangible assets	(154,324)	(134,377)	(104,505)
Proceeds from sales of properties and intangible assets	6,427	3,821	2,264
Other	(1,079)	(1,437)	(4,949)
Net cash used in investing activities	(297,541)	(121,043)	(146,479)
Cash flows from financing activities			
Issuances of stock under stock plans	17,232	9,728	9,823
Purchases of stock	(19,989)	(20,722)	(27,599)
Dividends paid	(26,564)	(23,745)	(21,893)
Payments of long-term debt	–	(40,000)	(27,500)
Other	(2,235)	(1,692)	1,140
Net cash used in financing activities	(31,556)	(76,431)	(66,029)
Cash and cash equivalents			
Net (decrease) increase in cash and cash equivalents	(43,680)	2,594	(8,925)
Effect of exchange rate changes on cash and cash equivalents	(367)	1,176	88
Balance at beginning of year	163,808	160,038	168,875
Balance at end of year	\$ 119,761	\$ 163,808	\$ 160,038

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 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
Shares issued under stock plans		181	25,336			25,517
Purchases of stock		(83)	(19,906)			(19,989)
Other comprehensive income					2,269	2,269
Net income				109,617		109,617
Cash dividends – \$0.72 per share				(26,564)		(26,564)
Balances, December 31, 2000	\$1,260	\$8,541	\$11,203	\$908,123	\$ 3,262	\$932,389

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

1. Summary of Significant Accounting Policies

Principles of consolidation Our consolidated financial statements include our accounts and our majority-owned and controlled domestic and foreign subsidiaries. All significant intercompany accounts and transactions have been eliminated. The equity method of accounting is used for our investments in affiliates where we have the ability to exercise significant influence (see Note 10). We have other investments that are accounted for at cost.

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

Fiscal year Our fiscal year is a 52- or 53-week period ending on the last Sunday in December. Fiscal year ended December 31, 2000, was a 53-week period. Fiscal years ended December 26, 1999, and December 27, 1998, were both 52-week periods.

Investments in marketable securities We invest our excess cash on hand in interest-bearing marketable securities, which include corporate, government agency and municipal debt instruments that are investment grade. At December 31, 2000, \$72.8 million of these securities were classified as current assets and \$193.7 million were classified as non-current assets, as their maturities exceeded one year, ranging from 2002 through 2003. All of these securities were considered to be available-for-sale. These securities have been recorded at fair value, based on quoted market prices, through other comprehensive income. Unrealized gains relating to these securities totaled \$1.9 million and \$0.1 million at December 31, 2000, and December 26, 1999, respectively. Net gains realized on sales of available-for-sale securities were immaterial in 2000, 1999 and 1998.

Concentration of credit risk The majority of our accounts receivable balances are from malt beverage distributors. We secure 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 \$42.9 million and \$41.0 million at December 31, 2000, and December 26, 1999, respectively.

Properties Land, buildings and machinery 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 40 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, we are exposed to fluctuations in interest rates, foreign currency exchange rates and production and packaging materials prices. We have established policies and procedures that govern the management of these exposures through the use of a variety of financial instruments. We employ various financial instruments, including forward foreign exchange contracts, options and swap agreements, to manage certain of the exposures when practical. By policy, we do not enter into such contracts for the purpose of speculation.

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

Our objective in managing our 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, we primarily enter into forward foreign 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. In calculating effectiveness, we do not exclude any component of the derivative instruments' gain or loss from the calculation. The cash flows of the derivative instruments are expected to be highly effective in achieving offsetting 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 the 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 earnings over the remaining life of the underlying exposure. If the hedged assets or liabilities were to be sold or extinguished, we would recognize the gain or loss on the designated financial instruments concurrent with when the sale or extinguishment of the hedged assets or liabilities would be recognized in earnings. Cash flows from our derivative instruments are classified in the same category as the hedged item in the Consolidated Statements of Cash Flows.

At December 31, 2000, we have certain forward foreign exchange contracts, options and swap agreements outstanding. Substantially all of these instruments have been designated as cash flow hedges, and these instruments hedge a portion of our total exposure to the variability in future cash flows relating to fluctuations in foreign exchange rates and certain production and packaging materials prices. The terms of these derivative instruments extend from January 2001 through August 2002 and relate to exposures extending through March 2003 (see Note 14).

During 2000 we had certain interest rate swap agreements outstanding to help manage our exposure to fluctuations in interest rates. These swap agreements were not designated as hedges and accordingly, all gains and losses on these agreements were recorded in interest income in the accompanying Consolidated Statements of Income. At December 31, 2000, we did not have any outstanding interest rate swap agreements.

During 2000, there were no significant gains or losses recognized in earnings for hedge ineffectiveness. Also, we did not discontinue any hedges as a result of an expectation that the forecasted transaction would no longer occur. Accordingly, there were no gains or losses reclassified into earnings as a result of a discontinuance of a hedge. At December 31, 2000, the estimated deferred net gain that is expected to be recognized over the next 12 months, on certain forward foreign exchange contracts and production and packaging materials derivative contracts, when the underlying forecasted cash flow transactions occur, is \$4.2 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, we 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 our 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 We periodically evaluate our assets to assess their recoverability from future operations using undiscounted cash flows. Impairment is recognized in operations if a permanent diminution in value is judged to have occurred.

Notes to Consolidated Financial Statements

Revenue recognition Revenue is recognized upon shipment of our product to our distributors.

Freight expense In 2000, the Financial Accounting Standards Board's Emerging Issues Task Force issued a pronouncement stating that shipping and handling costs should not be reported as a reduction to gross sales within the income statement. As a result of this pronouncement, our finished product freight expense, which is incurred upon shipment of our product to our distributors, is now included within Cost of goods sold in our accompanying Consolidated Statements of Income. This expense had previously been reported as a reduction to gross sales; prior year financial statements have been reclassified to reflect this change in where freight expense is reported.

Advertising Advertising costs, included in Marketing, general and administrative, are expensed when the advertising is run. Advertising expense was \$477.3 million, \$443.4 million and \$395.8 million for years 2000, 1999 and 1998, respectively. We had \$18.7 million and \$17.7 million of prepaid advertising costs reported as current and non-current assets at December 31, 2000, and December 26, 1999, respectively.

Research and development Research and project development costs, included in Marketing, general and administrative, are expensed as incurred. These costs totaled \$15.9 million, \$15.5 million and \$15.2 million in 2000, 1999 and 1998, 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 and 1998, we issued restricted common stock under our management incentive program. We did not issue any restricted stock under this plan in 2000. These issuances, net of forfeitures, resulted in net non-cash (decreases) increases to the equity accounts of (\$5.8) million, (\$0.7) million and \$2.4 million in 2000, 1999 and 1998, respectively. Also during 2000, 1999 and 1998, equity was increased by the non-cash tax effects of the exercise of stock options under our stock plans of \$14.2 million, \$7.0 million and \$5.9 million, respectively. Income taxes paid were \$49.6 million in 2000, \$42.4 million in 1999 and \$39.6 million in 1998.

Use of estimates The preparation of financial statements in conformity with generally accepted accounting principles requires our 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 1999 and 1998 financial statements to conform with the 2000 presentation.

2. Properties

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

(In thousands, as of)	Dec. 31, 2000	Dec. 26, 1999
Land and improvements	\$ 93,507	\$ 94,687
Buildings	508,443	501,013
Machinery and equipment	1,731,463	1,680,600
Natural resource properties	7,373	7,423
Construction in progress	91,964	44,845
	2,432,750	2,328,568
Less accumulated depreciation, depletion and amortization	(1,696,957)	(1,614,567)
Net properties	\$ 735,793	\$ 714,001

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

(In thousands, for the years ended)	Dec. 31, 2000	Dec. 26, 1999	Dec. 27, 1998
Interest costs	\$ 9,567	\$ 8,478	\$ 12,532
Interest capitalized	(3,153)	(4,121)	(2,729)
Interest expensed	\$ 6,414	\$ 4,357	\$ 9,803
Interest paid	\$ 7,664	\$ 9,981	\$ 12,808

3. Leases

We lease certain office facilities and operating equipment under cancelable and non-cancelable agreements accounted for as operating leases. At December 31, 2000, the minimum aggregate rental commitment under all non-cancelable leases was (in thousands):

Fiscal year	Amount (in thousands)
2001	\$ 6,065
2002	5,412
2003	4,494
2004	4,337
2005	3,855
Thereafter	6,686
Total	\$30,849

Total rent expense was (in thousands) \$11,502, \$10,978 and \$11,052 for years 2000, 1999 and 1998, respectively.

4. Debt

Long-term debt consists of the following:

(In thousands, as of)	December 31, 2000		December 26, 1999	
	Carrying value	Fair value	Carrying value	Fair value
Senior notes	\$100,000	\$100,300	\$100,000	\$ 99,000
Industrial development bonds	5,000	5,000	5,000	5,000
	\$105,000	\$105,300	\$105,000	\$104,000

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

On July 14, 1995, we 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 terms of our private placement Notes allow for maximum liens, transactions and obligations. At December 31, 2000, we were in compliance with these requirements.

We are 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 31, 2000, was 5.0%. We are required to maintain a minimum tangible net worth and a certain debt-to-total capitalization ratio under the Bond agreements. At December 31, 2000, we were in compliance with these requirements.

We have an unsecured, committed credit arrangement totaling \$200 million, all of which was available as of December 31, 2000. This line of credit has a five-year term which expires in 2003, with one remaining optional one-year extension. A facilities fee is paid on the total amount of the committed credit. Under the arrangement, we are required to maintain a certain debt-to-total capitalization ratio and were in compliance at year-end 2000.

Our 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 \$4.4 million each as of December 31, 2000) in short-term financing. As of December 31, 2000, the approximate yen equivalent of \$2.6 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. 31, 2000	Dec. 26, 1999	Dec. 27, 1998
Current			
Federal	\$29,573	\$24,088	\$35,351
State and foreign	9,282	6,686	10,867
Total current tax expense	38,855	30,774	46,218
Deferred			
Federal	6,669	19,035	(7,401)
State and foreign	201	1,600	(1,350)
Total deferred tax expense (benefit)	6,870	20,635	(8,751)
Other			
Allocation to paid-in capital	14,183	6,974	5,849
Total income tax expense	\$59,908	\$58,383	\$43,316

Our 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. 31, 2000	Dec. 26, 1999	Dec. 27, 1998
Expected tax rate	35.0%	35.0%	35.0%
State income taxes, net of federal benefit	3.7	3.7	3.1
Effect of foreign investments	(3.1)	1.1	2.5
Non-taxable income	(0.2)	(0.8)	(1.7)
Other, net	(0.1)	(0.2)	0.1
Effective tax rate	35.3%	38.8%	39.0%

Notes to Consolidated Financial Statements

Our deferred taxes are composed of the following:

(In thousands, as of)	Dec. 31, 2000	Dec. 26, 1999
Current deferred tax assets		
Deferred compensation and other employee related	\$ 14,212	\$ 12,052
Balance sheet reserves and accruals	11,613	13,258
Other	–	211
Valuation allowance	(1,146)	(1,146)
Total current deferred tax assets	24,679	24,375
Current deferred tax liabilities		
Balance sheet reserves and accruals	–	3,906
Net current deferred tax assets	\$ 24,679	\$ 20,469
Non-current deferred tax assets		
Deferred compensation and other employee related	\$ 9,602	\$ 14,578
Balance sheet reserves and accruals	8,410	4,913
Retirement benefits	11,365	9,947
Environmental accruals	2,274	2,264
Deferred foreign losses	1,395	1,623
Partnership investments	3,297	–
Total non-current deferred tax assets	36,343	33,325
Non-current deferred tax liabilities		
Depreciation and capitalized interest	110,225	109,425
Deferred benefit on foreign investment	16,104	–
Other	–	2,633
Total non-current deferred tax liabilities	126,329	112,058
Net non-current deferred tax liabilities	\$ 89,986	\$ 78,733

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 remained unchanged during 2000.

In 2000, we realized a tax benefit pertaining to the Spain brewery closure. We also resolved the Internal Revenue Service (IRS) examination of our federal income tax returns through 1995. The IRS is currently examining the federal income tax returns through 1998. 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 31, 2000, we had three stock-based compensation plans, which are described in greater detail below. We apply Accounting Principles Board Opinion No. 25 and related interpretations in accounting for our 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 our 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, our net income and earnings per share would have been reduced to the pro forma amounts indicated below:

(In thousands, except per share data)	2000	1999	1998
Net income			
As reported	\$109,617	\$92,284	\$67,784
Pro forma	\$ 96,164	\$82,222	\$61,484
Earnings per share – basic			
As reported	\$ 2.98	\$ 2.51	\$ 1.87
Pro forma	\$ 2.61	\$ 2.24	\$ 1.69
Earnings per share – diluted			
As reported	\$ 2.93	\$ 2.46	\$ 1.81
Pro forma	\$ 2.57	\$ 2.20	\$ 1.64

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:

	2000	1999	1998
Risk-free interest rate	6.72%	5.03%	5.78%
Dividend yield	1.27%	1.09%	1.63%
Volatility	31.41%	30.66%	32.56%
Expected term (years)	6.2	7.8	10.0
Weighted average fair market value	\$20.17	\$23.28	\$14.96

1990 Plan The 1990 Equity Incentive Plan, (1990 EI Plan) 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, and one-third of the stock option grant vests in each of the three successive years after the date of grant. During 2000, we discontinued our 1983 Stock Option Plan. No options had been granted under this plan since 1989. The 716,886 shares available for grant under the 1983 plan were transferred to the 1990 plan. Total authorized shares for issuance under the 1990 EI Plan are 8 million.

A summary of the status of our 1990 EI Plan as of December 31, 2000, December 26, 1999, and December 27, 1998, and changes during the years ending on those dates is presented below:

	Options available for grant	Outstanding options	Weighted-average exercise price	Options exercisable at year-end	
				Shares	Weighted-average exercise price
As of 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		
As of 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		
As of December 26, 1999	3,172,581	2,643,455	36.05	881,161	23.26
Granted	(1,179,094)	1,179,094	51.37		
Exercised	–	(900,804)	23.80		
Forfeited	160,148	(160,148)	47.76		
As of December 31, 2000	2,153,635	2,761,597	\$45.91	910,548	\$35.21

The following table summarizes information about stock options outstanding at December 31, 2000:

Range of exercise prices	Options outstanding			Options exercisable	
	Shares	Weighted-average remaining contractual life (years)	Weighted-average exercise price	Shares	Weighted-average exercise price
\$16.75–\$22.00	382,801	5.8	\$19.59	382,801	\$19.59
\$26.88–\$33.41	427,227	7.0	\$33.35	236,933	\$33.31
\$35.81–\$59.25	1,886,248	8.6	\$53.41	268,507	\$56.67
\$60.53–\$75.22	65,321	9.7	\$65.65	22,307	\$64.85
\$16.75–\$75.22	2,761,597	7.8	\$45.91	910,548	\$35.21

We issued 4,953 shares and 85,651 shares of restricted stock in 1999 and 1998, respectively, under the 1990 EI Plan. No restricted shares were issued under this plan in 2000. 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. The compensation cost associated with these awards is amortized over the vesting period. Compensation cost associated with these awards was immaterial in 2000, 1999 and 1998.

1991 Plan The Equity Compensation Plan for Non-Employee Directors (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 or her 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 2000, 1999 and 1998. Common stock reserved for the 1991 plan as of December 31, 2000, was 29,296 shares.

Notes to Consolidated Financial Statements

1995 Supplemental Compensation Plan This supplemental compensation plan covers substantially all our 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 our 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 our Class B common stock. No awards were made under this plan in 2000. Awards under the plan in 1999 and 1998 were immaterial. There are 84,000 shares authorized under this plan. The number of shares of common stock available under this plan as of December 31, 2000, was 83,707 shares.

7. Employee Retirement Plans

We maintain several defined benefit pension plans for the majority of our 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. Our funding policy is to contribute annually not less than the ERISA minimum funding standards, nor more than the maximum amount that can be deducted for federal income tax purposes. Total expense for all these plans was \$14.7 million in 2000, \$11.6 million in 1999 and \$11.9 million in 1998. These amounts include our matching for the savings and investment (thrift) plan of \$7.3 million in 2000, \$6.1 million in 1999 and \$6.1 million in 1998. The increase in pension expense from 1999 to 2000 is primarily due to the full-year effect of the improvements to the retirement plan benefit formula that became effective July 1, 1999. In November 1998, our 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, we made a \$48 million contribution to the plan in January 1999. In 2000, the funded position of the Coors Retirement Plan was eroded somewhat due to the combined effects of a lower discount rate and a challenging investment environment.

Note that the settlement rates shown in the table on this page were selected for use at the end of each of the years shown. Our 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. 31, 2000	Dec. 26, 1999	Dec. 27, 1998
Components of net periodic pension cost			
Service cost – benefits earned during the year	\$ 16,467	\$ 16,456	\$ 14,449
Interest cost on projected benefit obligation	44,192	38,673	33,205
Expected return on plan assets	(58,108)	(52,173)	(42,498)
Amortization of prior service cost	5,906	4,161	2,274
Amortization of net transition amount	(1,690)	(1,690)	(1,691)
Recognized net actuarial loss	590	75	28
Net periodic pension cost	\$ 7,357	\$ 5,502	\$ 5,767

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. 31, 2000	Dec. 26, 1999
Change in projected benefit obligation		
Projected benefit obligation at beginning of year	\$548,428	\$ 532,556
Service cost	16,467	16,456
Interest cost	44,192	38,673
Amendments	871	48,573
Actuarial loss (gain)	31,974	(63,326)
Benefits paid	(27,512)	(24,504)
Projected benefit obligation at end of year	\$614,420	\$ 548,428
Change in plan assets		
Fair value of assets at beginning of year	\$627,153	\$ 480,000
Actual return on plan assets	(20,376)	124,840
Employer contributions	2,561	50,078
Benefits paid	(27,512)	(24,504)
Expenses paid	(3,326)	(3,261)
Fair value of plan assets at end of year	\$578,500	\$ 627,153
Funded status – (shortfall) excess	\$ (35,920)	\$ 78,725
Unrecognized net actuarial loss (gain)	7,722	(105,473)
Unrecognized prior service cost	53,680	58,715
Unrecognized net transition amount	962	(728)
Prepaid benefit cost	\$ 26,444	\$ 31,239

	2000	1999	1998
Weighted average assumptions as of year-end			
Discount rate	7.75%	8.00%	7.00%
Rate of compensation increase	4.75%	5.25%	4.50%
Expected return on plan assets	10.50%	10.50%	10.50%

8. Non-Pension Postretirement Benefits

We have 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 2000 to 5.25% in 2007. The discount rate used in determining the accumulated postretirement benefit obligation was 7.75%, 8.00% and 7.00% at December 31, 2000, December 26, 1999, and December 27, 1998, respectively. In November 1998, our 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, for the years ended)	Dec. 31, 2000	Dec. 26, 1999	Dec. 27, 1998
Components of net periodic postretirement benefit cost			
Service cost – benefits earned during the year	\$1,477	\$1,404	\$1,484
Interest cost on projected benefit obligation	5,613	5,112	4,707
Recognized net actuarial gain	(51)	(138)	(207)
Net periodic postretirement benefit cost	\$7,039	\$6,378	\$5,984

(In thousands, as of)	Dec. 31, 2000	Dec. 26, 1999
Change in projected postretirement benefit obligation		
Projected benefit obligation at beginning of year	\$ 72,400	\$ 72,122
Service cost	1,477	1,404
Interest cost	5,613	5,112
Amendments	–	554
Actuarial loss (gain)	3,264	(2,497)
Benefits paid	(5,004)	(4,295)
Projected postretirement benefit obligation at end of year	\$ 77,750	\$ 72,400
Change in plan assets		
Fair value of assets at beginning of year	\$ –	\$ –
Actual return on plan assets	–	–
Employer contributions	5,004	4,295
Benefits paid	(5,004)	(4,295)
Fair value of plan assets at end of year	\$ –	\$ –
Funded status – shortfall	\$(77,750)	\$(72,400)
Unrecognized net actuarial gain	(4,662)	(7,958)
Unrecognized prior service cost	261	242
Accrued postretirement benefits	(82,151)	(80,116)
Less current portion	5,004	4,295
Long-term postretirement benefits	\$(77,147)	\$(75,821)

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	\$ 485	\$ (427)
Effect of postretirement benefit obligation	\$4,120	\$(3,660)

9. Special Charges (Credits)

Our annual results for 2000 include net pretax special charges of \$15.2 million, which resulted in after-tax expense of \$0.13 per basic and diluted share. We incurred a total special charge of \$20.6 million related to our decision to close our Spain brewery and commercial operations. The brewery was acquired in March 1994 and provided services for the production and sales to unaffiliated distributors of Coors products in Spain and certain European markets outside of Spain. The decision to close the Spain operations came as a result of an unfavorable outlook from various analyses we performed which focused on the potential for improved distribution channels, the viability of Coors brands in the Spain market and additional contract brewing opportunities. Of the \$20.6 million charge, \$11.3 million related to severance and other related closure costs for approximately 100 employees, \$4.9 million related to a fixed asset impairment charge and \$4.4 million for the write-off of our cumulative translation adjustments, previously recorded in equity, related to our Spain operations. In 2000, approximately \$9.6 million of severance and other related closure costs were paid out. These payments were funded out of current cash balances. At December 31, 2000, there was a remaining reserve of approximately \$1.7 million for severance and other related closure costs. These costs are expected to be paid by the end of the first quarter of 2001 and will also be funded out of current cash balances. Our 2000 special charge was partially offset by a credit of \$5.4 million related to an insurance claim settlement.

Our annual results for 1999 included a pretax special charge of \$5.7 million, which resulted in after-tax expense of \$0.10 per basic and diluted share. Approximately \$3.7 million of this charge related to a restructuring of part of our operations which primarily included a voluntary severance program involving our

Notes to Consolidated Financial Statements

engineering and construction work force. Approximately 50 engineering and construction employees accepted severance packages under the voluntary program. Also included in the \$5.7 million charge was approximately \$2.0 million of special charges incurred to facilitate distributor network improvements. During 1999 and 2000 we paid out \$0.9 million and \$2.3 million, respectively, of severance costs and at December 31, 2000, a severance reserve of \$0.5 million remained. These severance costs are expected to be paid out in the first quarter of 2001.

Our annual results for 1998 included a 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 our production operations. The severance costs related to the restructuring were comprised of costs under a voluntary severance program involving our 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. These severance costs have all been paid as of December 31, 2000. Also included in the 1998 results was a \$2.2 million pretax charge for the impairment of certain long-lived assets at one of our distributorships.

10. Investments

Equity method investments We have investments in affiliates that are accounted for using the equity method of accounting. These investments aggregated \$56.3 million and \$69.2 million at December 31, 2000, and December 26, 1999, respectively. These investment amounts are included in Other assets on our accompanying Consolidated Balance Sheets.

Summarized condensed balance sheet and income statement information for our equity method investments are as follows:

Summarized condensed balance sheets:

(In thousands, as of)	Dec. 31, 2000	Dec. 26, 1999
Current assets	\$75,464	\$99,539
Non-current assets	\$87,353	\$84,945
Current liabilities	\$34,907	\$34,317
Non-current liabilities	\$ 264	\$ 75

Summarized condensed statements of operations:

(In thousands, for the years ended)	Dec. 31, 2000	Dec. 26, 1999	Dec. 27, 1998
Net sales	\$490,227	\$449,238	\$453,246
Gross profit	\$132,805	\$116,970	\$ 97,478
Net income	\$ 77,575	\$ 68,375	\$ 59,650
Company's equity in net income	\$ 42,395	\$ 36,958	\$ 33,227

Coors Canada, Inc. (CCI), one of our fully owned subsidiaries, 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 2000, CCI received a distribution from the partnership of a U.S. dollar equivalent of approximately \$25.8 million. Our share of net income from this partnership, which was approximately \$25.4 million in 2000, is included in Sales on the accompanying Consolidated Statements of Income. Also see discussion in Note 13.

In December 2000, we made certain changes to the Canadian partnership arrangement. Also in December 2000, we entered into a brewing and packaging arrangement with Molson in which we will have access to some of Molson's available production capacity in Canada. The Molson capacity available to us under this arrangement is expected to reach an annual contract brewing rate of up to 500,000 barrels over the next few years.

We operate a production joint venture partnership with Owens-Brockway Glass Container, Inc. (Owens), the Rocky Mountain Bottle Company (RMBC), to produce glass bottles at our 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 our bottle requirements and Owens has a contract to supply bottles for our bottle requirements not met by RMBC. In 2000, RMBC produced approximately 1.1 billion bottles. We purchased all of the bottles produced by RMBC.

The expenditures under this agreement in 2000, 1999 and 1998 were approximately \$86 million, \$69 million and \$67 million, respectively. Our commitment for our 2001 bottle purchases from the joint venture is estimated to be approximately \$86 million. During 2000, we received a \$20.2 million cash distribution from this joint venture. Our share of net income from this partnership is included within Cost of goods sold on the accompanying Consolidated Statements of Income.

In 1994, we formed a 50/50 production joint venture with American National Can Company (ANC) to produce beverage cans and ends at our manufacturing facilities for sale to us and outside customers. In 2000, we purchased all the cans and ends sold by the joint venture. The agreement has an initial term of seven years and can be extended for two additional three-year periods. In 2000, we notified ANC of our intent to terminate the joint venture in 2001. We are evaluating other alternatives, including a new arrangement with Rexam LLC, who recently acquired ANC. The aggregate amount paid to the joint venture for cans and ends in 2000, 1999 and 1998 was approximately \$230 million, \$223 million and \$231 million, respectively. The estimated cost in 2001 under this agreement for cans and ends is \$203 million. Additionally, during 2000, we received an \$8.5 million cash distribution from this joint venture. Our share of net income from this partnership is included within Cost of goods sold on the accompanying Consolidated Statements of Income.

In 1992, we spun off our wholly owned subsidiary, ACX Technologies, Inc., which has subsequently changed its name to Graphic Packaging International Corporation. We are a limited partner in a partnership in which a subsidiary of Graphic Packaging is the general partner. The partnership owns, develops, operates and sells certain real estate previously owned directly by us. Under the agreement, cash distributions and income or losses are allocated equally between the partners until we recover our investment. After we recover our 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 our partnership interest to 20%. In late 1999, we recovered our investment. In 2000, we received an \$814,000 cash distribution from the partnership (see Note 14).

Cost investments In 1991, we 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 31, 2000, and December 26, 1999. 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.

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 our Class A and Class B common stock, net of forfeitures, for each of the three years ended December 31, 2000, December 26, 1999, and December 27, 1998, is summarized below:

	Common stock	
	Class A	Class B
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
Shares issued under stock plans	—	817,395
Purchases of stock	—	(408,308)
Balances at December 31, 2000	1,260,000	35,871,121

At December 31, 2000, December 26, 1999, and December 27, 1998, 25 million shares of \$1 par value preferred stock were authorized but unissued.

Notes to Consolidated Financial Statements

The board of directors authorized the repurchase during 2000, 1999 and 1998 of up to \$40 million each year of our outstanding Class B common stock on the open market. During 2000, 1999 and 1998, 308,000 shares, 232,300 shares and 766,200 shares, respectively, were repurchased for approximately \$17.6 million, \$12.2 million and \$24.9 million, respectively, under this stock repurchase program. In November 2000, the board of directors extended the program and authorized the repurchase during 2001 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. 31, 2000	Dec. 26, 1999	Dec. 27, 1998
Net income available to common shareholders	\$109,617	\$92,284	\$67,784
Weighted-average shares for basic EPS	36,785	36,729	36,312
Effect of dilutive securities			
Stock options	606	640	1,077
Contingent shares not included in shares outstanding for basic EPS	59	88	126
Weighted-average shares for diluted EPS	37,450	37,457	37,515
Basic EPS	\$ 2.98	\$ 2.51	\$ 1.87
Diluted EPS	\$ 2.93	\$ 2.46	\$ 1.81

The dilutive effects of stock options were arrived at by applying the treasury stock method, assuming we were to repurchase common shares with the proceeds from stock option exercises. Stock options to purchase 6,555 and 871,409 shares of common stock were not included in the computation of 2000 and 1999 earnings per share, respectively, because the stock options' exercise prices were greater than the average market price of the common shares.

12. Other Comprehensive Income

(In thousands)	Foreign currency translation adjustments	Unrealized gain on available-for-sale securities and derivative instruments	Accumulated other comprehensive income
Balances, December 28, 1997	\$(3,796)	\$ —	\$(3,796)
Foreign currency translation adjustments	2,344		2,344
Unrealized gain on available-for-sale securities		721	721
Tax expense	(914)	(281)	(1,195)
Balances, December 27, 1998	(2,366)	440	(1,926)
Foreign currency translation adjustments	(5,745)		(5,745)
Unrealized loss on available-for-sale securities		(648)	(648)
Unrealized gain on derivative instruments		11,159	11,159
Tax benefit (expense)	2,226	(4,073)	(1,847)
Balances, December 26, 1999	(5,885)	6,878	993
Foreign currency translation adjustments	4,460		4,460
Unrealized gain on available-for-sale securities		2,045	2,045
Unrealized loss on derivative instruments		(3,221)	(3,221)
Reclassification adjustment for net gains released in net income on available-for-sale securities and derivative instruments		(4,058)	(4,058)
Reclassification adjustment for accumulated translation adjustment of closure of Spain operations	4,434		4,434
Tax (expense) benefit	(3,380)	1,989	(1,391)
Balances, December 31, 2000	\$ (371)	\$ 3,633	\$ 3,262

13. Segment and Geographic Information

We have one reporting segment relating to the continuing operations of producing, marketing and selling malt-based beverages. Our operations are conducted in the United States, the country of domicile, and several foreign countries, none of which is individually significant to our overall operations. The net revenues from external customers, operating income and pretax income attributable to the United States and all foreign countries for the years ended December 31, 2000, December 26, 1999, and December 27, 1998, are as follows:

(In thousands)	2000	1999	1998
United States and its territories			
Net revenues	\$2,331,693	\$2,177,407	\$2,028,485
Operating income	\$ 163,563	\$ 148,823	\$ 103,411
Pretax income	\$ 185,082	\$ 161,281	\$ 115,880
Other foreign countries			
Net revenues	\$ 82,722	\$ 59,077	\$ 43,381
Operating (loss) income	\$ (12,937)	\$ (8,288)	\$ 408
Pretax (loss) income	\$ (15,557)	\$ (10,614)	\$ (4,780)

Included in 2000, 1999 and 1998 foreign revenues are earnings from CCI, our investment accounted for using the equity method of accounting (see Note 10). Included in operating income and pretax income are net special charges of \$15.2 million, \$5.7 million and \$19.4 million, for 2000, 1999 and 1998, respectively. The 2000 net special charge included a credit of \$5.4 million related to the United States and its territories and a charge of \$20.6 million related to other foreign countries. The special charges recorded in 1999 and 1998 related entirely to the United States and its territories.

The net long-lived assets located in the United States and its territories and all other foreign countries as of December 31, 2000, and December 26, 1999, are as follows:

(In thousands)	2000	1999
United States and its territories	\$732,171	\$705,062
Other foreign countries	3,622	8,939
Total	\$735,793	\$714,001

The total net export sales (in thousands) during 2000, 1999 and 1998 were \$202,832, \$185,260 and \$150,964, respectively.

14. Commitments and Contingencies

Insurance It is our 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 2000, we fully insured future risks for long-term disability, and, in most states, workers' compensation, but maintained 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.

Letters of credit As of December 31, 2000, we had approximately \$5.6 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 2001 to October 2001. These letters of credit are being maintained as security for performance on certain insurance policies and for operations of underground storage tanks, as well as to secure principal and interest on industrial revenue bonds issued by us.

Financial guarantees We have financial guarantees outstanding on behalf of our subsidiary, Coors Japan, and certain third parties. These subsidiary guarantees are primarily for working capital lines of credit and payments of certain duties and taxes. The third-party guarantees relate to bank loans provided to companies that acquired

certain strategic distributorships. At December 31, 2000, our financial guarantees totaled approximately \$17.1 million, of which \$13.9 million were on behalf of our subsidiary, Coors Japan.

Power supplies In 1995, Coors Energy Company (CEC), a fully owned subsidiary of ours, 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.P. (Trigen).

In 1995, we sold our power plant and support facilities to Trigen. In conjunction with this sale, we agreed to purchase the electricity and steam needed to operate the brewery's Golden facilities through 2020. Our financial commitment under this agreement is divided between a fixed, non-cancelable cost of approximately \$13.7 million for 2001, which adjusts annually for inflation, and a variable cost, which is generally based on fuel cost and our electricity and steam use.

Supply contracts We have 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 that we purchase certain minimum levels of materials for terms extending through 2005. The approximate future purchase commitments under these supply contracts are:

Fiscal Year	Amount (In thousands)
2001	\$162,000
2002	115,000
2003	115,000
2004	115,000
2005	24,000
Total	\$531,000

Our total purchases (in thousands) under these contracts in fiscal year 2000, 1999 and 1998 were approximately \$149,000, \$108,900 and \$95,600, respectively.

Graphic Packaging International Corporation In 1992, we spun off our wholly owned subsidiary, ACX Technologies Inc., which has subsequently changed its name to Graphic Packaging International Corporation. William K. Coors is a trustee of family trusts that collectively own all of our Class A voting common stock, approximately 31% of our Class B common stock, approximately 43% of Graphic Packaging's common stock and 100% of Graphic Packaging's convertible preferred stock. Peter H. Coors is also a trustee of some of these trusts.

Notes to Consolidated Financial Statements

We have a packaging supply agreement with a subsidiary of Graphic Packaging under which we purchase a large portion of our paperboard requirements. This contract expires in 2002. Our purchases under the packaging agreement in 2000 totaled approximately \$112 million. We expect purchases in 2001 under the packaging agreement to be approximately \$133 million.

Advertising and promotions We have various long-term non-cancelable commitments for advertising and promotions, including marketing at sports arenas, stadiums and other venues and events. At December 31, 2000, the future commitments are as follows:

Fiscal Year	Amount (In thousands)
2001	\$ 37,750
2002	37,205
2003	12,432
2004	10,598
2005	8,297
Thereafter	19,244
Total	\$125,526

Environmental We were one of numerous parties named by the Environmental Protection Agency (EPA) as a “potentially responsible party” at the Lowry site, a landfill owned by the City and County of Denver. In 1990, we recorded a special pretax charge of \$30 million, representing our portion, for potential cleanup costs of the site based upon an assumed present value of \$120 million in total site remediation costs. We also agreed to pay a specified share of costs if total remediation costs exceeded this amount.

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. We have no reason to believe that total remediation costs will result in additional liability to us.

We were one of several parties named by the EPA as a “potentially responsible party” at the Rocky Flats Industrial Park site. In September 2000, the EPA entered into an Administrative Order on Consent with certain parties, including our company, requiring implementation of a removal action. Our projected costs to construct and monitor the removal action is approximately

\$300,000. The EPA will also seek to recover its oversight costs associated with the project which are not possible to estimate at this time although we believe they would be immaterial to our financial position.

From time to time, we have been notified that we are or may be a potentially responsible party under the Comprehensive Environmental Response, Compensation and Liability Act or similar state laws for the cleanup of other sites where hazardous substances have allegedly been released into the environment. We cannot predict with certainty the total costs of cleanup, our share of the total cost, the extent to which contributions will be available from other parties, the amount of time necessary to complete the cleanups or insurance coverage.

In addition, we are aware of groundwater contamination at some of our properties in Colorado resulting from historical, ongoing or nearby activities. There may also be other contamination of which we are currently unaware.

In August 2000, an accidental spill into Clear Creek at our Golden, Colorado, facility caused damage to some of the fish population in the creek. As a result, we are required to pay certain fines or other costs by implementing a supplemental environmental project. We settled with the Colorado Department of Public Health and Environment regarding violations of our permit in the amount of \$98,000 on February 22, 2001. This money will be paid to the Clear Creek Watershed Foundation to construct a waste rock repository in Clear Creek County. We have not yet settled with the Division of Wildlife for damage to the fish population but have proposed funding the remaining costs for construction of the waste rock repository.

While we cannot predict our eventual aggregate cost for our environmental and related matters in which we are currently involved, we believe 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 our operating results or our financial or competitive position. We believe adequate reserves have been provided for losses that are probable.

Litigation We are also named as a defendant in various actions and proceedings arising in the normal course of business. In all of these cases, we are denying the allegations and are vigorously defending ourselves against them and, in some instances, have 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 our financial position or results of operations.

Restructuring At December 31, 2000, we had a \$2.2 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 post-retirement benefits other than pensions. For the restructuring liabilities incurred during 2000, 1999 and 1998, see discussion at Note 9.

Labor Approximately 8% of our work force, located principally at the Memphis brewing and packaging facility, is represented by a labor union with whom we engage in collective bargaining. A labor contract prohibiting strikes took effect in early 1997 and extends to 2001.

15. Quarterly Financial Information (Unaudited)

The following summarizes selected quarterly financial information for each of the two years in the period ended December 31, 2000.

In 2000 and 1999, certain adjustments were made which were not of a normal and recurring nature. As described in Note 9, income in 2000 was decreased by a net special pretax charge of \$15.2 million, or \$0.13 per basic share (\$0.13 per diluted share) after tax, and 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. Refer to Note 9 for a further discussion of special charges.

During the fourth quarter of 2000, costs and expenses were reduced by approximately \$3.1 million when certain estimates for employee benefits and other liabilities were adjusted based upon updated information that we received in the normal course of business. Partially as a result of these favorable adjustments, we increased certain other spending in the fourth quarter, primarily for advertising, for a comparable amount.

(In thousands, except per share data)

	First	Second	Third	Fourth	Year
2000					
Gross sales	\$ 596,789	\$ 788,921	\$ 773,535	\$ 682,493	\$2,841,738
Beer excise taxes	(91,360)	(119,108)	(116,459)	(100,396)	(427,323)
Net sales	505,429	669,813	657,076	582,097	2,414,415
Cost of goods sold	(326,919)	(404,570)	(413,314)	(381,026)	(1,525,829)
Gross profit	\$ 178,510	\$ 265,243	\$ 243,762	\$ 201,071	\$88,586
Net income	\$ 14,819	\$ 48,344	\$ 34,492	\$ 11,962	\$ 109,617
Net income per common share – basic	\$ 0.40	\$ 1.32	\$ 0.94	\$ 0.32	\$ 2.98
Net income per common share – diluted	\$ 0.40	\$ 1.29	\$ 0.92	\$ 0.32	\$ 2.93
1999					
Gross sales	\$ 563,774	\$ 741,766	\$ 697,605	\$ 639,567	\$2,624,712
Beer excise taxes	(85,972)	(115,123)	(107,029)	(98,104)	(406,228)
Net sales	477,802	626,643	590,576	541,463	2,236,484
Cost of goods sold	(310,322)	(366,295)	(367,089)	(353,545)	(1,397,251)
Gross profit	\$ 167,480	\$ 260,348	\$ 223,487	\$ 187,918	\$ 839,233
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

16. Subsequent Event

In January 2001, we entered into a joint venture partnership agreement with Molson, Inc. and paid \$65 million for our 49.9% interest in the joint venture. The joint venture, known as Molson USA, LLC, will import, market, sell and distribute Molson's brands of beer in the United States. Under the agreement, the joint venture owns the exclusive right to import

Molson brands into the United States, including Molson Canadian, Molson Golden, Molson Ice and any Molson brands that may be developed in the future for import into the United States. We will be responsible for the sales of these brands. Production for these brands will be handled in Canada by Molson and marketing of these brands will be managed by the joint venture.

Selected Financial Data

Following is selected financial data for 11 years ended December 31, 2000:

(In thousands, except per share)	2000 ¹	1999	1998	1997
Consolidated Statement of Operations Data:				
Gross sales	\$ 2,841,738	\$ 2,642,712	\$ 2,463,655	\$ 2,378,143
Beer excise taxes	(427,323)	(406,228)	(391,789)	(386,080)
Net sales	2,414,415	2,236,484	2,071,866	1,992,063
Cost of goods sold	(1,525,829)	(1,397,251)	(1,333,026)	(1,302,369)
Gross profit	888,586	839,233	738,840	689,694
Other operating expenses:				
Marketing, general and administrative	(722,745)	(692,993)	(615,626)	(573,818)
Special (charges) credits	(15,215)	(5,705)	(19,395)	31,517
Total other operating expenses	(737,960)	(698,698)	(635,021)	(542,301)
Operating income	150,626	140,535	103,819	147,393
Other income (expense) – net	18,899	10,132	7,281	(500)
Income before income taxes	169,525	150,667	111,100	146,893
Income tax expense	(59,908)	(58,383)	(43,316)	(64,633)
Income from continuing operations	\$ 109,617	\$ 92,284	\$ 67,784	\$ 82,260
Per share of common stock				
– basic	\$ 2.98	\$ 2.51	\$ 1.87	\$ 2.21
– diluted	\$ 2.93	\$ 2.46	\$ 1.81	\$ 2.16
Consolidated Balance Sheet Data:				
Cash and cash equivalents and short-term and long-term marketable securities	\$ 386,195	\$ 279,883	\$ 287,672	\$ 258,138
Working capital	\$ 118,415	\$ 220,117	\$ 165,079	\$ 158,048
Properties, at cost and net	\$ 735,793	\$ 714,001	\$ 714,441	\$ 733,117
Total assets	\$ 1,629,304	\$ 1,546,376	\$ 1,460,598	\$ 1,412,083
Long-term debt	\$ 105,000	\$ 105,000	\$ 105,000	\$ 145,000
Other long-term liabilities	\$ 45,446	\$ 52,579	\$ 56,640	\$ 23,242
Shareholders' equity	\$ 932,389	\$ 841,539	\$ 774,798	\$ 736,568
Cash Flow Data:				
Cash provided by operations	\$ 285,417	\$ 200,068	\$ 203,583	\$ 273,803
Cash used in investing activities	\$ (297,541)	\$ (121,043)	\$ (146,479)	\$ (141,176)
Cash used in financing activities	\$ (31,556)	\$ (76,431)	\$ (66,029)	\$ (72,042)
Other Information:				
Barrels of malt beverages sold	22,994	21,954	21,187	20,581
Dividends per share of common stock	\$ 0.720	\$ 0.645	\$ 0.60	\$ 0.55
EBITDA ²	\$ 299,112	\$ 273,213	\$ 243,977	\$ 236,984
Capital expenditures	\$ 154,324	\$ 134,377	\$ 104,505	\$ 60,373
Operating income as a percentage of net sales ³	6.9%	6.5%	5.9%	5.8%
Total debt to total capitalization	10.1%	11.1%	15.8%	19.0%

Note: Numbers in italics include results of discontinued operations.

¹ 53-week year versus 52-week year.

² EBITDA is defined as earnings before interest, taxes, depreciation and amortization and excludes special charges (credits).

³ Freight expense has not been reclassified out of sales and into cost of goods sold for these years as it is impracticable to do so due to system conversions.

⁴ Reflects the dividend of ACX Technologies, Inc. to our shareholders during 1992.

⁵ Excluding special charges (credits).

1996	1995 ^{1,3}	1994 ³	1993 ³	1992 ^{3,4}	1991 ³	1990 ³
\$ 2,287,338 (379,312)	\$ 2,075,917 (385,216)	\$ 2,050,911 (377,659)	\$ 1,960,378 (364,781)	\$ 1,927,593 (360,987)	\$ 1,903,886 (360,879)	\$1,670,629 (186,756)
1,908,026 (1,297,661)	1,690,701 (1,106,635)	1,673,252 (1,073,370)	1,595,597 (1,050,650)	1,566,606 (1,051,362)	1,543,007 (1,052,228)	1,483,873 (986,352)
610,365	584,066	599,882	544,947	515,244	490,779	497,521
(523,250) (6,341)	(518,888) 15,200	(505,668) 13,949	(467,138) (122,540)	(441,943) —	(448,393) (29,599)	(409,085) (30,000)
(529,591)	(503,688)	(491,719)	(589,678)	(441,943)	(477,992)	(439,085)
80,774 (5,799)	80,378 (7,100)	108,163 (3,943)	(44,731) (12,099)	73,301 (14,672)	12,787 (4,403)	58,436 (5,903)
74,975 (31,550)	73,278 (30,100)	104,220 (46,100)	(56,830) 14,900	58,629 (22,900)	8,384 8,700	52,533 (20,300)
\$ 43,425	\$ 43,178	\$ 58,120	\$ (41,930)	\$ 35,729	\$ 17,084	\$ 32,233
\$ 1.14 \$ 1.14	\$ 1.13 \$ 1.13	\$ 1.52 \$ 1.51	\$ (1.10) \$ (1.10)	\$ 0.95 \$ 0.95	\$ 0.46 \$ 0.46	\$ 0.87 \$ 0.87
\$ 116,863 \$ 124,194 \$ 814,102 \$ 1,362,536 \$ 176,000 \$ 32,745 \$ 715,487	\$ 32,386 \$ 36,530 \$ 887,409 \$ 1,384,530 \$ 195,000 \$ 33,435 \$ 695,016	\$ 27,168 \$ (25,048) \$ 922,208 \$ 1,371,576 \$ 131,000 \$ 30,884 \$ 674,201	\$ 82,211 \$ 7,197 \$ 884,102 \$ 1,350,944 \$ 175,000 \$ 34,843 \$ 631,927	\$ 39,669 \$ 112,302 \$ 904,915 \$ 1,373,371 \$ 220,000 \$ 52,291 \$ 685,445	\$ 14,715 \$ 110,043 \$ 933,692 \$ 1,844,811 \$ 220,000 \$ 53,321 \$ 1,099,420	\$ 63,748 \$ 201,043 \$1,171,800 \$1,761,664 \$ 110,000 \$ 58,011 \$1,091,547
\$ 194,603 \$ (56,403) \$ (59,284)	\$ 90,097 \$ (116,172) \$ 30,999	\$ 186,426 \$ (174,671) \$ (67,020)	\$ 168,493 \$ (119,324) \$ (6,627)	\$ 155,776 \$ (140,403) \$ 9,581	\$ 164,148 \$ (349,781) \$ 136,600	\$ 231,038 \$ (309,033) \$ 97,879
20,045 \$ 0.50 \$ 213,725 \$ 65,112 4.6% 21.2%	20,312 \$ 0.50 \$ 191,426 \$ 157,599 3.9% 24.9%	20,363 \$ 0.50 \$ 220,979 \$ 160,314 5.6% 20.6%	19,828 \$ 0.50 \$ 197,865 \$ 120,354 (4.9%) 26.3%	19,569 \$ 0.50 \$ 189,168 \$ 115,450 4.7% 24.3%	19,521 \$ 0.50 \$ 151,144 \$ 241,512 2.7% 19.5%	19,297 \$ 0.50 \$ 179,455 \$ 183,368 6.0% 9.2%

Boards of Directors

Adolph Coors Company and Coors Brewing Company



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Chairman,
Adolph Coors Company.
Director since 1940.



Peter H. Coors
President and Chief
Executive Officer,
Adolph Coors Company.
Chairman, Coors
Brewing Company.
Director since 1973.



W. Leo Kiely III
Vice President,
Adolph Coors Company.
President and Chief
Executive Officer,
Coors Brewing Company.
Director since 1998.



Luis G. Nogales
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Nogales Partners.
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Pamela H. Patsley
Executive Vice President,
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Dr. Albert C. Yates
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Colorado State University.
Director since 1998.



Joseph Coors
Director Emeritus,
Adolph Coors
Company and Coors
Brewing Company.
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to 2000.

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Olivia M. Thompson
Vice President, Controller
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M. Caroline Turner
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Timothy V. Wolf
Vice President and
Chief Financial Officer

Coors Brewing Company

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Chairman of the Board

William K. Coors
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Senior Vice President,
General Counsel and Secretary

William H. Weintraub
Senior Vice President,
Marketing

Timothy V. Wolf
Senior Vice President and
Chief Financial Officer

Investor Information

Annual Shareholders' Meeting

The Company will hold its Annual Meeting of Shareholders starting at 2:00 p.m. on Thursday, May 17, 2001, 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 2000 Annual Report on Form 10-K filed with the Securities and Exchange Commission by visiting our Web site, www.coors.com; 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 (NH370) 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, visit the "Invest In Us" section of our Web site, www.coors.com; write to the Coors Consumer Information Center, Mail No. NH475, Adolph Coors Company, P.O. Box 4030, Golden, Colorado 80401; or call (800) 642-6116.

Customer/News Media Relations

Customers are invited to call our Consumer Information Center, (800) 642-6116, or access our Web site, www.coors.com, for information about the Company and our products.

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

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 obtain 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 visit our Web site, www.coors.com.

Transfer Agent

BankBoston N.A., Shareholder Services, 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, 2001: 2,931.

Class B common shares outstanding as of March 1, 2001: 36,019,827.

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:

2000	High	Low	Dividends
First Quarter	53.75	37.375	\$0.165
Second Quarter	66.50	42.4375	\$0.185
Third Quarter	67.625	57.125	\$0.185
Fourth Quarter	82.3125	58.9375	\$0.185

1999	High	Low	Dividends
First Quarter	65.8125	51.6875	\$0.150
Second Quarter	59.1875	45.25	\$0.165
Third Quarter	61.0	48.25	\$0.165
Fourth Quarter	57.6875	47.9375	\$0.165

In February, the Company declared a quarterly dividend of 18.5 cents per share, which was paid March 15, 2001, to shareholders of record February 28, 2001.

Equal Opportunity at Coors

Coors employs 5,850 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.



Adolph Coors Company
Golden, Colorado 80401
(303) 279-6565
www.coors.com

