



Adolph Coors Company  
2001 Annual Report

Solid as the

ROCKIES

**Look at the Colorado Rockies.**

**Up there the weather changes by the hour,  
but the **mountains stand strong.****





In a challenging,  
always-changing market,  
the mountains inspire us.  
Our focus is unchanged –  
if anything, it has inten-  
sified. On excelling at  
the fundamentals of the  
beer business; on grow-  
ing ahead of the industry  
while we work at contin-  
uously improving our  
operations.

In a tough environment,  
we made real progress in  
several key areas to keep  
our future as bright as  
high-altitude snow on  
a sunny day.

**Coors is as solid as ever.**

**As solid as the Rockies.**







# Targeting

**A solid focus, renewed:  
becoming 21- to 29-year-old  
drinkers' favorite beer**

In 2001, competition intensified for the loyalty of young, legal-age beer drinkers. We further focused our strategies to appeal to that critical market by building on two unique Coors equities, drinkability and sociability – a great taste and a great beer to enjoy among friends.

In 2002, all-new ads will powerfully bring it home: showing cool people out with their friends, having a Coors Light and having a blast. This is the Coors brand, based on a universal value among beer drinkers of all ages: Fun.





## Aligning

### **Sales and marketing: solidly aligned to drive growth**

Our sales and marketing teams are working together more closely than ever, collaborating to develop local strategies and supporting each other to execute those strategies, market by market. Part of the picture is a packaging philosophy more focused on what beer drinkers want every day, like multi-pack cans and long-neck bottles, to help drive long-term sales growth.

### **Aligning our operations more closely with what our distributors need**

Meanwhile, we're in the midst of transforming the way we take orders, plan production and manage other processes to improve service and quality for distributors. So they'll get simplified ordering and fresher product to help them sell more beer.











## Partnering

### **A new venture with Ball Corporation to make aluminum cans and ends**

We formed a new venture with industry leader Ball Corporation to make aluminum cans and ends for Coors. The arrangement will enhance quality as we upgrade our can decorating capabilities and inspection systems. By combining expertise, experience and other resources, we'll also continue to reduce costs.

### **Moving can supply closer to our Coors Shenandoah plant**

By moving production of cans for our Elkton, Virginia, packaging facility from Colorado to Ball's Wallkill, New York, plant, we'll reduce freight expenses. And better sourcing frees capacity in Golden, enabling us to move previously outsourced 8- and 10-ounce can manufacturing in-house for further cost reductions.



## Driving

### **Getting our Rocky Mountain taste to destination – driving better service and lower costs**

2001 was the year that a number of initiatives to modernize and optimize the Coors supply chain, begun a few years ago, started to show results.

Among them is new transportation management software that dramatically improves performance by automating, streamlining and standardizing key processes, significantly reducing our trucking costs.

### **Part of a larger strategy**

Coors entered 2002 with accelerating efficiency improvements and increased integration across its product supply chain, from Web-based ordering for distributors to network optimization. The bottom line? More control and shorter cycle times for customers – a new, vastly more efficient foundation to support future growth for Coors.













## Brewing

### **...a growing portfolio of the world's best beers**

Do great beer. That's our first priority. Always has been. Adolph Coors established this quality tradition in 1873 beneath the same mountains that watch over us to this day in Golden, Colorado, where it all began.

We're proud of our family of beers and other malt beverages – Coors Light, Coors Original, George Killian's Irish Red, Zima, Blue Moon, Extra Gold, Keystone and Coors Non-Alcoholic.

And we're building on that pride and heritage of excellence by joining world-class brewers from outside the United States. With Canada's Molson, through joint ventures both in the U.S. and north of the border. And, most recently, through acquisition, forming the United Kingdom's second-largest brewer, Coors Brewers Limited, with the U.K.'s leading brand, Carling.

Partnering with quality brands and great brewing traditions, we're creating one of the most impressive collections of beer brands in the world.



## Financial Highlights

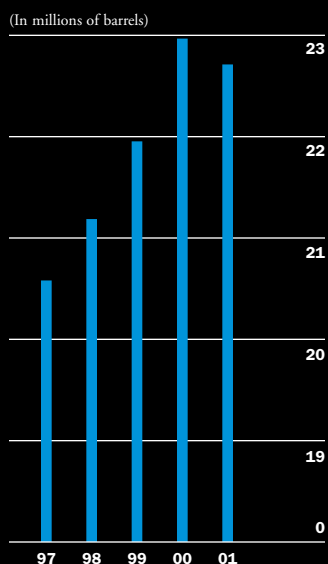
(Dollars in thousands, except per share data, for the years ended)

	December 30, 2001	December 31, 2000	Change
Barrels of beer and other malt beverages sold	<b>22,713,000</b>	22,994,000	(1.2%)
Net sales	<b>\$2,429,462</b>	\$2,414,415	0.6%
Net income	<b>\$ 122,964</b>	\$ 109,617	12.2%
Properties – net	<b>\$ 869,710</b>	\$ 735,793	18.2%
Total assets	<b>\$1,739,692</b>	\$1,629,304	6.8%
Shareholders' equity	<b>\$ 951,312</b>	\$ 932,389	2.0%
Dividends	<b>\$ 29,510</b>	\$ 26,564	11.1%
Number of employees	<b>5,500</b>	5,850	(6.0%)
Number of shareholders of record	<b>2,900</b>	2,933	(1.1%)
Number of Class A common shares outstanding	<b>1,260,000</b>	1,260,000	0.0%
Number of Class B common shares outstanding	<b>34,689,410</b>	35,871,121	(3.3%)
<b>Per share of common stock</b>			
Net income – basic	<b>\$ 3.33</b>	\$ 2.98	11.7%
Net income – diluted	<b>\$ 3.31</b>	\$ 2.93	13.0%
Net book value	<b>\$ 25.78</b>	\$ 25.35	1.7%
Dividends	<b>\$ 0.80</b>	\$ 0.720	11.1%

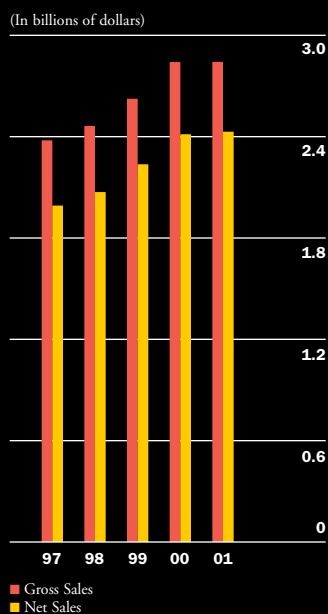
These financial highlights do not include Coors Brewers Limited figures.

**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 owns the second-largest brewer in the United Kingdom, Coors Brewers Limited, and has U.S. 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 ventures that operate these plants.

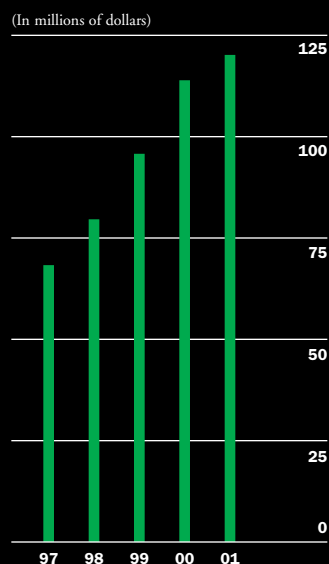
### Malt Beverage Sales Volume



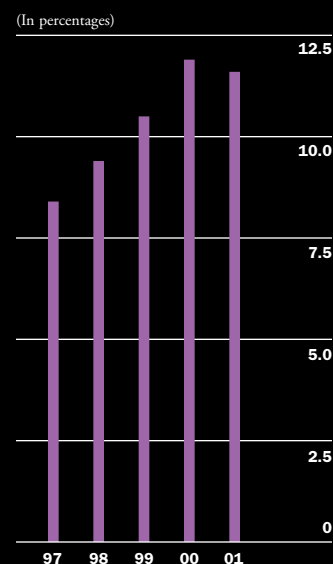
### Sales<sup>1</sup>



### After-tax Income<sup>2</sup>



### Return on Invested Capital<sup>3</sup>



<sup>1</sup>The difference between gross sales and net sales represents beer excise taxes.

<sup>2</sup>Excluding net special charges (in 2001, 2000, 1999 and 1998), gains on sale of distributorships (in 2001 and 2000) and special credits (in 1997).

<sup>3</sup>Defined as after-tax income before interest expense and any unusual income or expense items (including special charges, gains on sale of distributorships and credits), divided by the sum of average total debt and shareholders' equity.



## To Our Shareholders

**Most would call 2001 a tough year. And we wouldn't disagree. We posted results that fell short of our goals, which was disappointing. But in times of challenge, great companies turn it up a notch, and that's exactly what we did.**

**We grew our business, despite the challenges. Our passion for winning helped Coors finish the year in an excellent position to accelerate growth. Coors remains a solid business – as solid as the Rockies.**

During 2001, the efforts we started a few years ago to improve efficiency and productivity began to benefit the company. Meanwhile, we maintained our front-end investments to further strengthen the Coors brand portfolio.

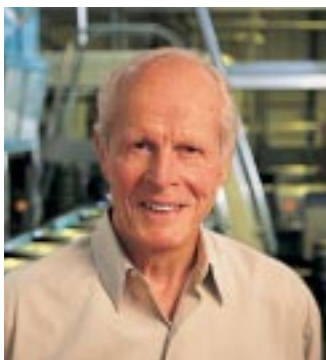
Industry pricing held up well in 2001. Combined with improvements in our operations and increased alignment in other areas of our business, Coors delivered profit growth and held share gains achieved over the last several years despite increased competition in the marketplace.

A few highlights:

- We grew profits by more than 5 percent in the face of a tough market and significant cost pressures.
- We started to see the results of our ongoing efforts to reduce operating costs, particularly in logistics and our operational supply chain.
- We set up a new venture with Ball Corporation to make cans and ends for domestic production.
- We sharpened our focus on the core brewing business by outsourcing our information technology infrastructure and selling three company-owned distributorships.
- We started to gain traction in the fourth quarter on domestic sales to retail, showing positive, accelerating growth trends as we entered 2002, led by Coors Light.
- We posted double-digit volume and income growth from our Coors Light business in Canada.
- And, at the start of 2002, we transformed our business with our U.K. acquisition and formation of Coors Brewers Limited, which dramatically increases and diversifies our total volume, revenues, profits and cash flow.



Pete Coors and Leo Kiely on the keg line at our Golden, Colorado, brewery.



**Bill Coors**  
*Chairman, Adolph Coors Company*

**The beer industry is consolidating, and as a general rule, you either consolidate or you get consolidated. We're happy to be in the first group with our acquisition of the Carling business portion of Bass Brewers in the United Kingdom.**

**I was extremely pleased to see the Carling business join forces with Coors. It has quite a stable of products, it's a leader, and it has a very fine group of people working there. Its business culture and priorities will be a great fit with ours.**

**But do you know what really made me proud? The people running the Carling business wanted the Coors name. We'd been looking for a name they'd be happy with – we assumed it would include "Carling" – the brewery's largest brand – but they said, "No, we would recommend it be Coors Brewers Limited." As you can imagine, I was really pleased to see my family name associated with one of the U.K.'s proudest brewing traditions. I'm looking forward to seeing what we can accomplish together.**

### **2001: The year in review**

For the 52-week fiscal year 2001, our unit volume was down by 1.2 percent when compared with the 53-week fiscal 2000, reaching 22.7 million barrels for the year. Excluding that extra week in fiscal 2000, volume for 2001 declined 0.1 percent and sales to retail were down approximately 0.5 percent. Although the extra week in 2000 boosted volume and sales slightly, it didn't materially affect earnings because margins are typically lower at year-end.

Our 2001 net sales were up 0.6 percent from the previous year. Net sales per barrel increased 1.9 percent because of modestly higher front-line pricing and less price discounting. This increase was offset by a shift away from higher-priced brands and geographies.

Our cost of goods sold per barrel increased 2.0 percent in 2001 versus 2000, or approximately 2.3 percent excluding the impact of selling company-owned distributorships. Driving trends in this area were, primarily, higher labor, packaging material and energy costs, particularly in the first half of the year.

Marketing, general and administrative costs per barrel also were up for 2001, by 0.4 percent.

Excluding special items, operating income for fiscal 2001 increased by 5.4 percent, with after-tax income growing 5.5 percent compared with 2000. Basic earnings per share were \$3.26, up 5.2 percent from 2000, while diluted earnings per share reached \$3.23, a 6.3 percent increase over 2000.

Our confidence that we can win in the beer business was bolstered by some important bright spots during 2001.

We continued to invest solidly in our business, starting up a new bottle line in Shenandoah, increasing brewing capacity in Memphis, and adding a new multipacker and increasing brewing capacity in Golden.

In total, we invested \$245 million on capital projects to build capacity, improve systems and service and to lower costs – making us stronger, more competitive and more profitable.

Thanks in large part to even better cross-team, cross-functional alignment, we started to gain ground



in reducing our operating costs, in particular, distribution costs, from supply chain initiatives and improved transportation management. And we broke ground on a new Golden distribution center, part of our network optimization strategy.

Our operations teams beat their cost plans in the fourth quarter, bringing in lower operations cost per barrel than the fourth quarter of 2000. This was the first time since the third quarter of 1999 that our operations teams have achieved lower cost-per-barrel performance than in the same quarter of the previous year.

Overall, we improved the domestic sales and volume momentum for our core brands in the fourth quarter. We are optimistic that we are doing the right things to resume our track record of solid performance and growth in the coming year.

There were a number of accomplishments on the international front, as well. Coors Light turned in a terrific performance in Canada, growing sales volume year-over-year by more than 11 percent and gaining

0.7 in market share. Coors Light enjoys the number-one position – a 50 percent share – in Canada's fast-growing light beer segment.

Coors Light has also continued to do very well in Ireland, where volume grew by 45 percent in 2001. We held our own in Puerto Rico, maintaining Coors Light's more than 50 percent market share in a difficult local economy.

A big international story for Coors was the announcement in the fourth quarter 2001 of our plan to expand our business in the United Kingdom, one of the world's largest beer markets, with the acquisition of the Carling business portion of Bass Brewers from Interbrew S.A. This new U.K. business, now called Coors Brewers Limited, includes the Carling brand, Britain's best-selling beer; Worthington, a popular traditional ale; Caffrey's Irish Ale; Grolsch (through a joint venture with Grolsch N.V.); and a number of other beer and flavored alcohol beverage brands.

The business we acquired in this transaction is a strong and profitable enterprise, run by a talented team that has continued growing share

in a very challenging U.K. market. The acquisition gives us a much more solid base from which to participate in the consolidating worldwide beer business – adding 40 percent to our volume, 50 percent-plus to our revenues and more than 60 percent to our earnings before interest, taxes, depreciation and amortization (EBITDA).

The foundation for this exciting acquisition was created by the persistent hard work of Coors people across the entire organization and throughout our history. Their talent and commitment to excelling makes everything – and anything – possible.

#### **A solid outlook for the future**

Every new year brings with it new challenges and opportunities. We are committed to meeting both by keeping to our mantra of growing ahead of the market, reducing costs and building a great team. We've never been in a better position to do just that – now on both sides of the Atlantic.

If there's anything we learned in 2001 – or perhaps relearned is a better word – it's the importance

of reaching out to each new generation of beer drinkers. But we'll always do it the right way. We will continue to take our responsibility as a brewer and marketer of alcohol beverages very, very seriously.

We'd like to thank our shareholders, directors, employees, suppliers, distributors and other business partners for the critical part each has played in our success. Together we've built a rock-solid, world-class player in the beer business. It's exciting to think about where we can take it from here.



**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*

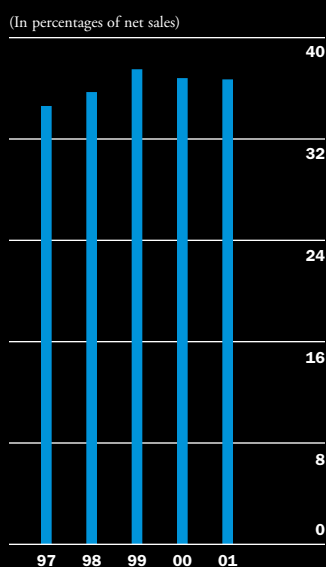
**Important progress in a difficult environment.** In 2001, we made significant progress in our long-term goals of achieving top-line growth and cost reductions – through careful capital investing to improve capacity and productivity; strategic outsourcing and partnerships to sharpen our business focus; and a major acquisition to grow volume, revenue and profits.

**Better balance.** As we entered 2002, we began to see the results of our efforts over the past few years to improve the business, particularly in the information technology and supply chain areas, while maintaining our commitment to grow market share.

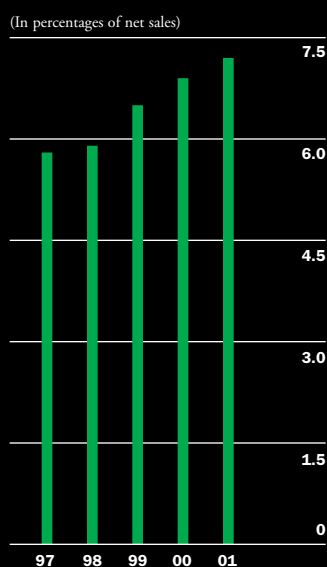
**Excellent growth prospects.** Our strategy is solid and unchanged, focused on growth, productivity and people. Coors emerged from 2001 more aligned across the organization, more global and better positioned than ever to achieve its goals.

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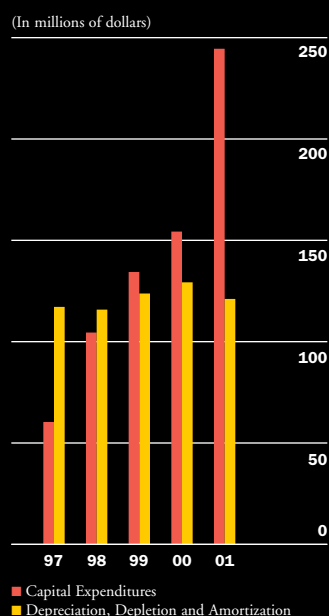
### Gross Margin



### Operating Margin<sup>1</sup>



### Capital Expenditures/ Depreciation, Depletion and Amortization



<sup>1</sup>Excluding special items and gains on the sale of distributorships.



## Financial Performance Summary

**Even with a very slight volume decline (comparable 52 weeks) in 2001, we still grew pretax income by 5.3 percent to \$194 million and grew diluted earnings per share by 6.3 percent to \$3.23.**

Return on invested capital slipped 0.3 percent to 11.6 percent as we carefully spent \$245 million on capital projects, largely to provide much-needed brewing and packaging capacity through at least the next several years. Capital spending was high compared to previous years, but was well invested to help reduce costs by providing much-needed operating flexibility and additional capacity closer to eastern markets.

2001 was a truly defining year for Coors with the successful completion of the Carling transaction. We believe that its strategic importance is profound and that its financing is solid. Prior to adding debt for the Carling purchase, Standard & Poor's reaffirmed our previous rating (BBB+) while Moody's reduced our rating by only one "notch" (to Baa2). We realize, however, that these solid ratings will hold (or improve) only if we

perform. Still, we believe that these ratings reflect the progress we have made in recent years both as a total company and in our financial discipline.

As we move from having net cash in the \$200 million range to net debt of over \$1.6 billion, we are focused on reducing debt by disciplined capital spending, suspending share repurchases, selling non-core assets, holding our dividend flat and, most important, driving revenue growth. Given the significant cash and profit leverage from even modest revenue growth, the most effective way for us to generate cash to rapidly reduce debt is to grow sales. Growth is the cornerstone of our business.

While debt will prudently fuel our growth and expansion, we approach its reduction with no less care, conservatism and discipline than before.

Formal and informal partnerships are essential to our progress – with our distributors, container venture partners and suppliers. Nowhere was partnership more in evidence than with our bankers during the extraordinarily tight time

frame for completing our acquisition financing. They all provided unwavering support and labored tirelessly alongside our own committed staff throughout the holidays. We thank them for their continued commitment to Coors and our transformational transaction.

In today's business climate, two additional points are important to share.

In an environment where ensuring financial integrity has never been more essential, we have always believed in communicating openly with all stakeholders and in conducting ourselves within the full spirit and letter of what is right in reporting results. Specifically, we have \$20 million of third-party debt that we report off our balance sheet, a prudent financing requested by our aluminum can venture partner to fund our collective high-return projects to improve quality and efficiency of production activities.

Second, regarding the retirement security of our employees, we have not compromised that security by making our 401(k) match in company stock.



Tim Wolf

We have always made that 401(k) match in cash, completely unrestricted and immediately vested. Consequently, only 4 percent of our employees' funds are in Coors stock, the result of their own choice among 18 different investment alternatives.

As we begin 2002, we are committed to driving our top-line growth; resolved to reduce operating costs; focused on generating cash to reduce debt; mindful of always building our talent and team; and feel passionately that Coors is as solid, steady and strong as the extraordinary Rocky Mountains.

Timothy V. Wolf  
Chief Financial Officer

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

### Introduction

We acquired the Carling business in England and Wales from Interbrew S.A. on February 2, 2002. Because the acquisition was finalized in 2002, the operating results and financial position of the Carling business are not included in our 2001, 2000 or 1999 results discussed below. This acquisition will have a significant impact on our future operating results and financial condition. The Carling business, which was subsequently renamed Coors Brewers Ltd., generated sales volume of approximately 9 million barrels in 2001. Since 1995, business has, on average, grown its volumes by 1.9% per annum, despite an overall decline in the U.K. beer market over the same period. This acquisition was funded through cash and third-party debt. The borrowings will have a significant impact on our capitalization, interest coverage and free cash flow trends. See further discussion of this impact in the Liquidity and Capital Resources section below.

**Critical accounting policies** Our discussions and analysis of financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosures of contingent assets and liabilities. On an on-going basis, we evaluate the continued appropriateness of our accounting policies and estimates, including those related to customer programs and incentives, bad debts, inventories, product retrieval, investments, intangible assets, income taxes, pension and other post-retirement benefits and contingencies and litigation. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ materially from these estimates under different assumptions or conditions.

We believe the following critical accounting policies affect our more significant estimates and judgments used in the preparation of our consolidated financial statements:

**Revenue recognition** Revenue is recognized upon shipment of our product to distributors. If we believe that our products do not meet our high quality standards, we retrieve those products and they are destroyed. Any retrieval of sold products is recognized as a reduction of sales at the value of the original sales price and is recorded at the time of the retrieval. Using historical results and production volumes, we estimate the costs that are probable of being incurred for product retrievals and record those costs in Cost of goods sold in the Consolidated Income Statements each period.

**Valuation allowance** We record a valuation allowance to reduce our deferred tax assets to the amount that is more likely than not to be realized. While we consider future taxable income and ongoing prudent and feasible tax planning strategies in assessing the need for the valuation allowance, in the event we were to determine that we would be able to realize our deferred tax assets in the future in excess of its net recorded amount, an adjustment to the deferred tax asset would increase income in the period such determination was made. Likewise, should we determine that we would not be able to realize all or part of our net deferred tax asset in the future, an adjustment to the deferred tax asset would be charged to income in the period such determination was made.

**Allowance for obsolete inventory** We write down our inventory for estimated obsolescence or unmarketable inventory equal to the difference between the cost of inventory and the estimated market value based upon assumptions about historic usage, future demand and market conditions. If actual market conditions are less favorable than those projected by management, additional inventory write-downs may be required.

**Reserves for insurance deductibles** We carry deductibles for workers' compensation, automobile and general liability claims up to a maximum amount per claim. The undiscounted estimated liability is accrued based on an actuarial determination. This determination is impacted by assumptions made and actual experience.



**Contingencies, environmental and litigation reserves** When we determine that it is probable that a liability for environmental matters or other legal actions has been incurred and the amount of the loss is reasonably estimable, an estimate of the required remediation costs is recorded as a liability in the financial statements. Costs that extend the life, increase the capacity or improve the safety or efficiency of company-owned assets or are incurred to mitigate or prevent future environmental contamination may be capitalized. Other environmental costs are expensed when incurred.

**Goodwill and intangible asset valuation** Goodwill and other intangible assets, with the exception of the pension intangible asset and water rights, are amortized on a straight-line basis over the estimated future periods to be benefited, generally 40 years for goodwill and up to 20 years for trademarks, naming and distribution rights. We periodically evaluate whether events and circumstances have occurred that indicate the remaining estimated useful life of goodwill and other intangibles may warrant revision or that their remaining balance may not be recoverable. In evaluating impairment, we estimate the sum of the expected future cash flows, undiscounted and without interest charges, derived from these intangibles over their remaining lives. In July 2001, the Financial Accounting Standards Board's issued of Statement

of Financial Accounting Standard (SFAS) No. 142, Goodwill and Other Intangible Assets. SFAS 142 will be effective for us beginning in the first quarter of 2002, and requires goodwill and intangible assets that have indefinite lives to not be amortized but be reviewed annually for impairment, or more frequently if impairment indicators arise. Although we have yet to complete our analysis of these assets and the related amortization expense under the new rules, we anticipate that a significant part of the goodwill and other intangible assets on our books at year-end will no longer be subject to amortization. Our analysis has not identified any goodwill or other intangible assets that would be considered impaired under SFAS 142.

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. Prior to 2000, this expense had previously been reported as a reduction to gross sales; fiscal year 1999 financial statements have been reclassified for consistent presentation of where freight expense is reported.

#### Summary of operating results:

(In thousands, except percentages, fiscal year ended)

	December 30, 2001		December 31, 2000		December 26, 1999	
Gross sales	<b>\$ 2,842,752</b>		\$ 2,841,738		\$ 2,642,712	
Beer excise taxes	<b>(413,290)</b>		(427,323)		(406,228)	
Net sales	<b>2,429,462</b>	<b>100%</b>	2,414,415	100%	2,236,484	100%
Cost of goods sold	<b>(1,537,623)</b>	<b>63%</b>	(1,525,829)	63%	(1,397,251)	62%
Gross profit	<b>891,839</b>	<b>37%</b>	888,586	37%	839,233	38%
<b>Other operating expenses</b>						
Marketing, general and administrative	<b>(717,060)</b>	<b>30%</b>	(722,745)	30%	(692,993)	31%
Special charges	<b>(23,174)</b>	<b>1%</b>	(15,215)	1%	(5,705)	—
Total other operating expenses	<b>(740,234)</b>	<b>31%</b>	(737,960)	31%	(698,698)	31%
Operating income	<b>151,605</b>	<b>6%</b>	150,626	6%	140,535	7%
Other income — net	<b>46,408</b>	<b>2%</b>	18,899	1%	10,132	—
Income before taxes	<b>198,013</b>	<b>8%</b>	169,525	7%	150,667	7%
Income tax expense	<b>(75,049)</b>	<b>3%</b>	(59,908)	2%	(58,383)	3%
Net income	<b>\$ 122,964</b>	<b>5%</b>	\$ 109,617	5%	\$ 92,284	4%

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

### Consolidated Results of Operations – 2001 vs. 2000 and 2000 vs. 1999

This discussion summarizes the significant factors affecting our consolidated results of operations, liquidity and capital resources for the three-year period ended December 30, 2001, 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 2001 and 1999 fiscal years each consisted of 52 weeks whereas our 2000 fiscal year consisted of 53 weeks.

#### 2001 vs. 2000

**Gross and net sales** Our gross and net sales were \$2,842.8 million and \$2,429.5 million, respectively, for the 52-week fiscal year ended December 30, 2001, resulting in a \$1.1 million and \$15.1 million increase over our 2000 gross and net sales of \$2,841.7 million and \$2,414.4 million, respectively. Net revenue per barrel increased 1.9% over 2000. Sales volume totaled 22,713,000 barrels in 2001, a 1.2% decrease from 2000. Excluding the extra week in fiscal year 2000, net sales volume decreased 0.1% in 2001. The relatively soft volume in 2001 resulted from the following factors: our competitors' introduction of new flavored malt-based beverages which garnered some attention from distributors and retailers and lessening some attention from core beer brands; unseasonably cold weather early in the year in most parts of the United States; and weak economic conditions in some of our key markets, including California and Texas. The increase in net sales and net revenue per barrel over last year was due to higher domestic pricing of approximately 2% and less promotional discounting, partially offset by a mix shift away from higher-priced brands and geographies. Excise taxes as a percent of gross sales were 14.5% in 2001 compared with 15.0% in 2000. The decline was mainly due to the change in our geographic sales mix.

**Cost of goods sold and gross profit** Cost of goods sold increased by 0.8% to \$1,537.6 million from \$1,525.8 million in 2000. Cost of goods sold as a percentage of net sales was 63.3% in 2001 compared with 63.2% in 2000. On a per barrel basis,

cost of goods sold increased 2% over 2000. This increase was primarily due to higher packaging material costs for aluminum cans and glass bottles, in addition to higher raw materials, energy and labor costs. The continuing shift in our package mix toward more expensive longneck bottles also increased costs slightly. These increases were partially offset by distribution efficiencies from new information systems and processes designed to reduce transportation costs, the benefits from not incurring the 53rd week of costs and closing our Spain brewing and commercial operations in 2000.

Gross profit as a percentage of net sales of 36.7% in 2001 was virtually unchanged from prior year's 36.8%.

**Marketing, general and administrative expenses** Marketing, general and administrative expenses were \$717.1 million in 2001 compared with \$722.7 million in 2000. The \$5.6 million decrease was mostly due to lower costs for advertising and promotions and the favorable impact from the sale of our company-owned distributorships which resulted in less advertising and overhead costs. In addition, overhead expenses declined due to 52 weeks in 2001 versus 53 weeks in the prior year. These favorable variances were partially offset by higher costs related to information systems, market research and professional fees.

**Special charges** Our net special charges were \$23.2 million in 2001 compared to special charges of \$15.2 million in 2000. The following is a summary of special charges incurred during these years:

**Information technology** We entered into a contract with EDS Information Services, LLC (EDS), effective August 1, 2001, to outsource certain information technology functions. We incurred outsourcing costs during the year of approximately \$14.6 million. These costs were mainly related to a \$6.6 million write-down of the net book value of information technology assets that were sold to and leased back from EDS, \$5.3 million of one-time implementation costs and \$2.7 million of employee transition costs and professional fees associated with the outsourcing project. We believe this new arrangement will allow us to focus on our core business while having access to the expertise and resources of a world-class information technology provider.



**Restructure charges** In the third quarter of 2001, we recorded \$1.6 million of severance costs for approximately 25 employees, primarily due to the restructuring of our purchasing organization. During the fourth quarter of 2001, we announced plans to restructure certain production areas. These restructurings, which began in October 2001 and have continued through April 2002, will result in the elimination of approximately 90 positions. As a result, we recorded associated employee termination costs of approximately \$4.0 million in the fourth quarter. Similar costs of approximately \$0.4 million related to employee terminations in other functions were also recorded in the fourth quarter. We expect all 2001 severance to be paid by the second quarter of 2002. We continue to evaluate our entire supply chain with the goal of becoming a more competitive and efficient organization.

**Can and end plant joint venture** In the third quarter of 2001, we recorded \$3.0 million of special charges related to the dissolution of our existing can and end joint venture as part of the restructuring of this part of our business that will allow us to achieve operational efficiencies. Effective January 1, 2002, we entered into a partnership agreement with Ball Corporation, one of the world's leading suppliers of metal and plastic packaging to the beverage and food industries, for the manufacture and supply of aluminum cans and ends for our domestic business.

**Property abandonment** In 2001, we recorded a \$2.3 million charge for a portion of certain production equipment that was abandoned and will no longer be used.

**Spain closure** In 2000, we recorded a total pretax special charge of \$20.6 million related to the closure of our Spain brewing and commercial operations. Of the total 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 to equity related to our Spain operations. All severance and related closure costs were paid by July 1, 2001, out of current cash balances. The closure resulted in savings of approximately \$7 million in 2001 and only modest

savings in 2000. These savings were invested back into our domestic and international businesses. In December 2001, the plant and related fixed assets were sold for approximately \$7.2 million resulting in a net gain, before tax, of approximately \$2.7 million.

**Insurance settlement** In 2000, we received an insurance claim settlement of \$5.4 million that was credited to special charges.

**Operating income** As a result of the factors noted above, operating income was \$151.6 million for the year ended December 30, 2001, an increase of \$1.0 million or 0.7% over operating income of \$150.6 million for the year ended December 31, 2000. Excluding special charges, operating income was \$174.8 million, a \$9.0 million, or 5.4%, increase over operating earnings of \$165.8 million in 2000.

**Other income (expense), net** Other income (expense), net consists of items such as interest income, equity income on certain unconsolidated affiliates and gains and losses from divestitures and foreign currency exchange transactions. Net other income was \$46.4 million in 2001 compared with income of \$18.9 million in 2000. The \$27.5 million increase was mainly due to \$27.7 million of gains recognized from the sale of company-owned distributorships coupled with a \$2.0 million gain from the sale of certain non-essential water rights. In addition, as part of our tax strategy to utilize certain capital loss carryforwards, we recognized gains of \$4.0 million from the sale of marketable securities. Partially offsetting these gains were net foreign currency exchange losses of \$0.3 million primarily related to a derivative transaction performed in anticipation of the Carling acquisition, a write-off of mineral land reserves of \$1.0 million, an equity loss from the Molson USA joint venture of \$2.2 million and goodwill amortization of \$1.6 million related to this investment.

**Income taxes** Our reported effective tax rate for 2001 was 37.9% compared to 35.3% in 2000. In 2000, our rate was affected by the favorable settlement of certain tax issues related 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 2001 was 37.9% compared to 38.0% in 2000.

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**Net income** Net income for the year increased \$13.3 million, or 12.2%, over the prior year. For 2001, net income was \$123.0 million, or \$3.33 per basic share (\$3.31 per diluted share), which compares to net income of \$109.6 million, or \$2.98 per basic share (\$2.93 per diluted share), for 2000. Adjusting for the impact of share repurchases of approximately 1,500,000 shares, net income per share, would have been \$3.29 per basic share (\$3.27 per diluted share) in 2001. Excluding special charges and gains on sales of distributorships, after-tax earnings for 2001 were \$120.2 million, or \$3.26 per basic share (\$3.23 per diluted share). This was a \$6.3 million or 5.5% increase over 2000 of \$113.9 million, or \$3.10 per basic share (\$3.04 per diluted share).

### 2000 vs. 1999

**Gross and net sales** 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. Net revenue per barrel was 3.1% higher than 1999. 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. Net sales in 2000 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 approximately 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 and gross profit** 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 net 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 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 net sales, gross profit decreased to 36.8% in 2000 compared to 37.5% of net sales in 1999.

**Marketing, general and administrative expenses** 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.

**Special charges** In 2000, our net special charges were \$15.2 million. We incurred a total special charge of \$20.6 million triggered by our decision to close our Spain brewery and commercial operations. 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 with the remaining \$1.7 million reserve being paid during the first



quarter of 2001. These payments were funded from current cash balances. Closing our Spain operations eliminated 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. The Spain closure special charge was partially offset by an unrelated insurance claim settlement credit of \$5.4 million.

In 1999, we recorded a special charge of \$5.7 million. 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. Amounts paid related to this restructuring were approximately \$0.2 million, \$2.3 million and \$0.9 million during 2001, 2000 and 1999, respectively.

**Operating income** 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.

**Other income (expense), net** Net other income was \$18.9 million for 2000, compared with net other income of \$10.1 million for 1999. The significant increase in 2000 was 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.

**Income taxes** Our reported 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** Net income for the year increased \$17.3 million or 18.7% over the prior 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 and gains on sales of distributorships, after-tax earnings for 2000, were \$113.9 million, or \$3.10 per basic share (\$3.04 per diluted share). This was an \$18.1 million or 18.9% 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.

### Liquidity and Capital Resources

Our primary sources of liquidity are cash provided by operating activities, marketable securities and external borrowings, including a new revolving credit facility that became effective after year-end. At the end of 2001, our cash and cash equivalents and marketable securities totaled \$309.7 million, down from \$386.2 million at the end of 2000. Additionally, cash and cash equivalents declined from \$119.8 million in 2000 to \$77.1 million in 2001. At December 30, 2001, working capital was \$89.0 million compared to \$118.4 million at December 31, 2000. The decrease in cash and cash equivalents was primarily due to the following: the payment of \$65 million for the purchase of a 49.9% interest in Molson USA, LLC, a joint venture with Molson, Inc.; higher capital expenditures of \$244.5 million; and \$72.3 million of stock repurchases. Proceeds from the sale of our company-owned distributorships positively impacted our cash balance. The decrease in working capital was due to the reclassification of \$80 million of debt from long term to current, as this amount is due in July 2002; higher accounts payable resulting mostly from increased capital expenditures, higher cash overdraft balances (which are classified as financing activities in the Consolidated Statements of Cash Flows), coupled with liabilities assumed relative to our purchase of Rexam's interest in our prior can joint venture. Lower sales in 2001, driven primarily by a slight softening in demand, resulted in a decrease in accounts receivable. Inventories increased due to an inventory transfer from our prior can joint venture related to our purchase of Rexam's interest in that joint venture.

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At December 30, 2001, our total investment in marketable securities was \$232.6 million, all of which were classified as current assets. At December 31, 2000, the amount in current was \$72.8 million. In January 2002, these securities were sold, resulting in a net gain of \$4.0 million, of which approximately half of these proceeds were used in the Carling acquisition and the remaining amount was applied towards operating cash requirements. In March 2002, all obligations under the terms of our Colorado Industrial Revenue bonds were prepaid totaling approximately \$5.0 million and the debt was terminated. As part of the settlement and indemnification agreement related to the Lowry Superfund site with the City and County of Denver and Waste Management of Colorado, Inc., we agreed to post a letter of credit equal to the present value of our share of future estimated costs if estimated future costs exceed a certain amount and our long-term credit rating falls to a certain level. The future estimated costs now exceed the level provided in the agreement, however, our credit rating remains above the level that would require this letter of credit to be obtained. Based on our preliminary evaluation, should our credit rating fall below the level stipulated by the agreement, it is reasonably possible that the letter of credit that would be issued could be for as much as \$10 million. For more information on the Lowry Superfund site see the Environmental Contingencies section below.

We believe that cash flows from operations, cash from the sale or maturity of marketable securities, all of which are highly liquid, and cash provided by short-term borrowings through our revolver financing, when necessary, will be sufficient to meet our ongoing operating requirements, scheduled principal and interest payments on debt, dividend payments and anticipated capital expenditures. However, our liquidity could be significantly impacted by a decrease in demand for our products, which could arise from competitive circumstances, a decline in the societal acceptability views of alcohol beverages, any shift away from light beers and any of the other factors we describe

in the section titled "Risk Factors". We also have recently entered into new credit facilities in connection with the acquisition of the Coors Brewers business. These facilities contain financial and operating covenants, and provide for scheduled repayments, that could impact our liquidity on an ongoing basis.

**Operating activities** The net cash provided by operating activities for each of the three years presented reflects our net income adjusted for non-cash items. Net cash provided by operating activities was \$193.4 million for 2001, compared to \$280.7 million and \$211.3 million for 2000 and 1999, respectively. Operating cash flows were \$87.3 million lower in 2001 than in 2000 as higher net income of \$13.3 million was more than offset by a decline in cash distributions received from our joint venture entities and lower depreciation expense. Also in 2001, we realized significant gains on the sale of properties and securities, and our net deferred tax liability decreased from year-end 2000 mainly due to the realization of certain tax benefits. The gains from the sale of properties were mainly due to the sale of three company-owned distributorships for \$27.7 million. Operating cash flows in 1999 were \$67.4 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 \$48.0 million. The remaining increase in 2000 operating cash flow was due to higher net income, 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.



**Investing activities** During 2001, we used \$196.7 million in investing activities compared to a use of \$297.5 million in 2000 and \$121.0 million in 1999. The \$100.8 million decrease from 2000 to 2001 was primarily due to proceeds from the sale of properties, mainly three of our company-owned distributorships, and lower net investment activity in 2001. In 2001, our net cash proceeds from marketable securities activity was \$39.9 million compared to a net cash use of \$148.6 million in 2000. In 2000, we 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, all of which are highly liquid. This change in investment strategy resulted in a higher cash outflow for purchases of securities in 2000 compared to 2001. Cash used in 2001 for investing activities consisted of the \$65 million payment made to acquire our 49.9% interest in Molson USA, a joint venture with Molson, Inc. and increased capital expenditures of \$244.5 million compared to \$154.3 in 2000. A significant portion of our 2001 capital expenditures were for capacity-related projects that were started late in 2000 and in early 2001. Net cash used in investing was \$176.5 million higher in 2000 compared to 1999 mostly due to our change in investment strategy in 2000 which resulted in a higher net cash outflow for purchases of securities in 2000 compared to 1999 of \$159.6 million, coupled with higher capital expenditures.

**Financing activities** Net cash used in financing activities was \$38.8 million in 2001, consisting primarily of \$72.3 million for purchases of our Class B common stock under our stock repurchase program, dividend payments of \$29.5 million on our Class B common stock, partially offset by cash inflows of \$51.6 million related to an increase in cash overdrafts over year-end 2000; and \$10.7 million associated with the exercise of stock options under our stock option plans.

During 2000, we used approximately \$26.9 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.

During 1999, we used \$87.7 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, dividend payments of \$23.7 million and a decrease in cash overdrafts of \$11.3 million.

**Debt obligations** At December 30, 2001, we had \$100 million in unsecured Senior Notes outstanding, \$80 million of which is due in July 2002. 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 2001 or 2000.

Our affiliate, RMMC has planned capital improvements of approximately \$50.0 million over the first three years of its operations. RMMC will fund these improvements using third-party financing. This debt will be secured by the joint venture's various supply and access agreements with no recourse to either Coors or Ball. This debt will not be included in our financial statements.

In connection with our acquisition of the Coors Brewers business, we entered into new senior unsecured credit facilities under which we borrowed \$800 million of term debt and \$750 million of short-term bridge debt. The new facilities also provide up to \$300 million of revolving borrowing, none of which has been drawn to date. For more information about our senior unsecured credit facilities, see Note 17, Subsequent Event, in the Notes to the Consolidated Financial Statements.

Subsequent to our acquisition of the Coors Brewers business from Interbrew S.A., Standard and Poor's (S&P) affirmed its BBB+ corporate rating while Moody's downgraded our senior unsecured rating to Baa2 from Baa1. The Moody's downgrade reflects the large size of the acquisition relative to our existing business, and the competitive challenges we continue to face in the U.S. market. It also reflects the significant increase in debt that will result, as well as the decrease in our financial flexibility. The rating continues to reflect our successful franchise in the U.S. market, the Coors Brewers strong position in the U.K. market and the product and geographic diversification that Coors Brewers adds.

Our debt-to-total capitalization ratio declined to 9.9% at the end of 2001, from 10.1% at year-end 2000 and 11.1% at year-end 1999. At February 2, 2002, following the acquisition of the Coors Brewers business, our debt-to-total capitalization ratio was approximately 63%.

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**Revolving line of credit** In addition to the Senior Notes, at December 30, 2001, we had an unsecured, committed credit arrangement totaling \$200 million, all of which was available as of December 30, 2001. This line of credit had a five-year term expiring in 2003. A facilities fee was paid on the total amount of the committed credit. Under the arrangement, we were required to maintain a certain debt-to-total capitalization ratio and were in compliance at year-end 2001. In February 2002, this credit facility was terminated and replaced by the credit agreements associated with the purchase of Coors Brewers.

**Financial guarantees** We have a 1.1 million yen financial guarantee outstanding on behalf of our subsidiary, Coors Japan. This subsidiary guarantee is primarily for two working capital lines of credit and payments of certain duties and taxes. One of the lines provides up to 500 million yen and the other provides up to 400 million yen (approximately \$6.8 million in total as of December 30, 2001) in short-term financing. As of December 30, 2001, the approximate yen equivalent of \$3.0 million was outstanding under these arrangements and is included in Accrued expenses and other liabilities in the accompanying Consolidated Balance Sheets.

**Advertising and promotions** As of December 30, 2001, our aggregate commitments for advertising and promotions, including marketing at sports arenas, stadiums and other venues and events, were approximately \$91.5 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. In the third quarter of 2001, our board of directors increased the amount authorized for stock repurchases in 2001 from \$40 million to \$90 million. The authorized increase was in response to the market conditions following the events of September 11, 2001. Repurchases were financed by funds generated from operations or by our cash and cash equivalent balances. During 2001, we used \$72.3 million to repurchase common stock under this stock purchase program. Even though the board of directors extended the program in November 2001, and authorized the repurchase during 2002 of up to \$40 million of stock, we have decided to suspend our share repurchases until debt levels resulting from the acquisition of the Coors Brewers business from Interbrew are reduced.

**Capital expenditures** After being capacity constrained in our operations during peak season in recent years, in 2001 we spent \$244.5 million on capital improvement projects, approximately two-thirds of which was related to improving production capacity, flexibility and efficiency. With these important capabilities in place, we now have ample capacity in brewing, packaging and warehousing to more efficiently meet expected growth in consumer demand for our products, including during the peak summer selling season. During 2002, we currently anticipate capital spending in the range of \$135 million to \$145 million in our North American business. Combined with the capacity work completed in 2001, this level of capital spending will allow us to grow this business and improve its efficiency in the years ahead. As a result, we currently plan capital spending for our North American business in the range of 2002 levels for at least the next several years.

**Molson USA, LLC** On January 2, 2001, we entered into a joint venture partnership agreement with Molson, Inc. and paid \$65 million for a 49.9% interest in the joint venture. The joint venture, known as Molson USA, LLC, was 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.

**Pension plan assets** In 2001, 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. This resulted in the recognition of an additional minimum liability, resulting from the excess of our accumulated benefit obligation over the fair value of plan assets. For pension plans with accumulated obligations in excess of plan assets, the projected benefit obligation was \$659.1 million and the accumulated benefit obligation was \$567.2 million. The amounts recognized in the consolidated statement of financial position for accrued pension liability, additional minimum liability, accumulated other comprehensive loss, prepaid benefit cost and intangible asset in 2001 are \$61.9 million, \$29.8 million, \$13.7 million (\$8.5 million, net of tax), \$21.5 million and \$48.3 million, respectively. For further information regarding pension plan assets, refer to Note 7, Employee Retirement Plans, and Note 13, Other Comprehensive Income, in the Notes to Consolidated Financial Statements.

## Contractual obligations and commercial commitments

### Contractual cash obligations<sup>2</sup>:

(in thousands)	Payments due by period				
	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Long term debt	\$ 105,000	\$ 85,000	\$ 20,000	\$ —	\$ —
Capital lease obligations	9,377	4,298	5,079	—	—
Operating leases	30,763	7,069	11,832	9,393	2,469
Other long term obligations <sup>1</sup>	1,283,015	657,757	455,363	153,395	16,500
Total contractual cash obligations	\$1,428,155	\$754,124	\$492,274	\$162,788	\$18,969

### Other commercial commitments<sup>2</sup>:

(in thousands)	Amount of commitment expiration per period				
	Total amounts committed	Less than 1 year	1-3 years	4-5 years	After 5 years
Standby letters of credit	5,751	5,336	415	—	—
Guarantees	3,038	3,038	—	—	—
Total commercial commitments	\$8,789	\$8,374	\$415	\$—	\$—

<sup>1</sup> See Note 15, Commitments and Contingencies, in the Notes to the Consolidated Financial Statements for more information.

<sup>2</sup> Amounts do not include commitments related to the acquisition of the Coors Brewers business; see Note 17, Subsequent Event, in the Notes to the Consolidated Financial Statements.

## 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 Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. You can identify these statements by forward-looking words such as “expect,” “anticipate,” “plan,” “believe,” “seek,” “estimate,” “outlook,” “trends,” “industry forces,” “strategies,” “goals” and similar words. Statements that we make in this report that are not statements of historical fact may also be forward-looking statements. In particular, statements that we make under the headings “Narrative Description of Business,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and “Outlook for 2002” relating to our overall volume trends, consumer preferences, pricing trends and industry forces, cost reduction strategies and anticipated results, our expectation for funding our 2002 capital expenditures and operations, our debt service capabilities, our shipment level and profitability, increased market share and the sufficiency of capital to meet working capital, capital expenditures requirements and our strategies are forward-looking statements. Forward-looking statements are not guarantees of our future performance and involve risks, uncertainties and assumptions that may cause our actual results to differ materially from the expectations we describe in our forward-looking statements. There may be events in the future that we

are not able to predict accurately, or over which we have no control. You should not place undue reliance on forward-looking statements. We do not promise to notify you if we learn that our assumptions or projections are wrong for any reason. You should be aware that the factors we discuss in “Risk Factors” and elsewhere in this report could cause our actual results to differ from any forward-looking statements.

Our actual results for future periods could differ materially from the opinions and statements expressed with respect to future periods. In particular, our future results could be affected by factors related to our acquisition of the Coors Brewers business in the U.K., including integration problems, unanticipated liabilities and the substantial amount of indebtedness incurred to finance the acquisition, which could, among other things, hinder our ability to adjust rapidly to changing market conditions, make us more vulnerable in the event of a downturn and place us at a competitive disadvantage relative to less leveraged competitors.

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 matters we discussed in “Risk Factors”.



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

### Outlook for 2002

Overall, 2001 represented a challenging year for our company, particularly in the area of sales growth. However, in the fourth quarter of 2001, we began to see improved sales trends in our business and in the beer industry.

We are cautiously optimistic that improved U.S. industry growth, when combined with our new advertising and sales efforts, will allow us in 2002 to achieve our long-standing goal of growing our unit volume 1% to 2% faster than the U.S. beer industry. Despite widespread U.S. economic weakness, the industry pricing environment continued to be favorable late in 2001 and early in 2002. An increase in the level of promotional discounting or the degree of value-pack activity could have an unfavorable impact on sales and margins. Geographic and product mix continued to have a modest negative impact on net sales per barrel late in 2001, with sales shifting toward lower-revenue geographies and products. Also important, the comparative net-sales-per-barrel impact of the sale of company-owned U.S. distributorships that we experienced in the fourth quarter of 2001 – a reduction of about 2.5 % – is likely to continue for the next three quarters, with slight easing in the third quarter of 2002 and significant easing in the fourth quarter. The disposition of Coors-owned distributorships reduces the growth in our sales per barrel primarily because the volumes sold by these distributorships represent much higher revenue-per-barrel business than our average and because the non-Coors brand volumes (for example, import beers) sold by these distributorships are not included in our reported unit volume.

The current outlook for U.S. cost of goods is more encouraging than we have seen in the past few years. Following are the five cost factors that we think will be most important in 2002:

- First, we are beginning to achieve significant operating efficiencies. Our operations teams have begun to achieve success in a number of areas, particularly with distribution costs and related supply-chain work. Some of these savings have started to become significant, especially in the fourth quarter of 2001. During

the past two years, we have been focused on adding production capacity, culminating with the start-up of the new bottle line in our Shenandoah facility this spring. Now, we will focus on utilizing the capacity we have in the most efficient way possible.

- Second, input costs, including packaging materials, agricultural commodities and fuel, are stabilizing. Early in 2002, the outlook is for approximately flat can costs, assuming aluminum ingot prices stay near their current levels. We anticipate modestly higher glass bottle costs, with little change in paper packaging rates and agricultural commodity costs in 2002. Fuel costs are always difficult to forecast, but the outlook at this point is about the same as in 2001. Changes in oil or natural gas prices could alter this outlook.
- Third, mix shifts will also affect costs, but probably less than in the past few years. Aside from changes in raw material rates, we plan to spend more on glass in 2002 because of the continuing shift in our package mix toward longneck bottles (LNNRs), which cost more and are less profitable than most of our other package configurations. We anticipate increasing LNNRs to more than 80% of our bottle mix this year. This represents a significant slowdown in this mix shift toward LNNRs as we complete the phase-out of the shorter convenience bottles.
- Fourth, labor-related costs are expected to increase due to higher pension and health care costs, as well as higher crewing related to capacity expansion projects completed in 2001.
- Fifth, we anticipate that the sale of our distributorships in 2001 will be the largest single factor affecting reported cost of goods in 2002. The fourth quarter 2001 impact of about (3%) offers the best template for the first three quarters of 2002, with this factor essentially normalizing early in the fourth quarter of 2002. The disposition of Coors-owned distributorships reduced the growth in our cost of goods sold per barrel primarily because the volumes sold by these distributorships represent much higher cost-per-barrel business than our average and because the non-Coors brand volumes (for example, import beers) sold by these distributorships are not included on our reported unit volume.

Bringing together all of these factors, we plan to continue to make progress in reducing costs in key areas of our company in 2002. Overall, we see substantial additional potential to reduce our cost of doing business.

Marketing and sales spending in North America is expected to increase in 2002. 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 four years toward much more marketing, promotional and advertising spending. General and administrative costs are expected to increase due to higher labor benefit costs and spending on systems to support our supply chain initiatives.

Interest expense will greatly exceed interest income in 2002 due to the additional debt we incurred to complete the Carling acquisition. We also reduced cash balances to complete this transaction. We will be keenly focused on generating cash and paying down debt for the next few years.

In 2002, 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) for our North American business in the range of approximately \$135 to \$145 million for improving and enhancing our facilities, infrastructure, information systems and environmental compliance. This capital spending plan is down from \$244.5 million in 2001. All of the planned reduction for 2002 is the result of completing capacity-related projects in 2001. Based on preliminary analysis, we anticipate 2002 capital spending in our U.K. business will be in the range of \$80 million to \$90 million.

The impact of Coors Brewers on our 2002 outlook will depend substantially on business plans being developed in early 2002.

## Contingencies

**Environmental** We were one of a number of entities named by the Environmental Protection Agency (EPA) as a potentially responsible party (PRP) at the Lowry Superfund site. This landfill is owned by the City and County of Denver (Denver), and was managed by Waste Management of Colorado, Inc. (Waste). In 1990, we recorded a special pretax charge of \$30 million, a portion of which was put into a trust in 1993 as part of an agreement with Denver and Waste to settle the outstanding litigation related to this issue.

Our settlement was based on an assumed cost of \$120 million (in 1992 adjusted dollars). It requires us to pay a portion of future costs in excess of that amount.

In January 2002, in response to the EPA's five-year review conducted in 2001, Waste provided us with updated annual cost estimates through 2032. We have reviewed these cost estimates in the assessment of our accrual related to this issue. In determining that the current accrual is adequate, we eliminated certain costs included in Waste's estimates, primarily trust management costs that will be accrued as incurred, certain remedial costs for which technology has not yet been developed and income taxes which we do not believe to be an included cost in the determination of when the \$120 million threshold is reached. We generally used a 2% inflation rate for future costs, and discounted certain operations and maintenance costs at the site that we deemed to be determinable, at a 5.46% risk-free rate of return. Based on these assumptions, the present value and gross amount of discounted costs are approximately \$1 million and \$4 million, respectively. We did not assume any future recoveries from insurance companies in the estimate of our liability.

There are a number of uncertainties at the site, including what additional remedial actions will be required by the EPA, and what costs are included in the determination of when the \$120 million threshold is reached. Because of these issues, the estimate of our liability may change as facts further develop, and we may need to increase the reserve. While we cannot predict the amount of any such increase, an additional accrual of as much as \$25 million is reasonably possible based on our preliminary evaluation, with additional cash contributions beginning as early as 2013.

We were one of several parties named by the EPA as a PRP 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. However, we believe they would be immaterial to our operating results, cash flows and financial position.

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

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. A settlement reached in February 2001 with the Colorado Department of Public Health and Environment was modified based on public comment, including comments by the EPA. As a result, permit violations that occurred several years prior to the accidental spill were included in the settlement, as well as economic benefit penalties related to those prior violations. A total civil penalty of \$100,000 was assessed in the final settlement with the Department reached in August 2001. In addition, we will undertake an evaluation of our process wastewater treatment plant. On December 21, 2001, we settled with the Colorado Division of Wildlife for the loss of fish in Clear Creek. We have agreed to construct, as a pilot project, a tertiary treatment wetlands area to evaluate the ability of a wetlands to provide additional treatment to the effluent from our waste treatment facilities. We will also pay for the stocking of game fish in the Denver metropolitan area and the cost of two graduate students to assist in the research of the pilot project. The anticipated costs of the project are estimated to be approximately \$500,000. The amounts of these settlements have been fully accrued as of December 30, 2001.

From time to time, we have been notified that we are or may be a PRP 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.

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, cash flows or our financial or competitive position. We believe adequate reserves have been provided for losses that are probable and estimable.

**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, results of operations or cash flows.

### Risk Factors

You should carefully consider the following factors and the other information contained within this document:

- We have a substantial amount of indebtedness.
- Our ability to successfully integrate the Coors Brewers business and to implement our business strategy with respect to the Coors Brewers business could have a material adverse effect on our financial results.
- Loss of the Coors Brewers Limited management team could negatively impact our ability to successfully operate the U.K. business.
- Our success depends largely on the success of one product in the U.S. and in the U.K., the failure of which would materially adversely affect our financial results.
- Because our primary production facilities in the U.S. and the Coors Brewers production facilities in the U.K. are each located at a single site, we are more vulnerable than our competitors to transportation disruptions and natural disasters.
- We are significantly smaller than our two primary competitors in the U.S., 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 are beyond our control.
- 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 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 alcohol 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 disproportionately increase our costs 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 effectively sell our products.
- Because our sales volume is more concentrated in a few geographic areas in the U.S., any loss of market share in the states where we are concentrated would have a material adverse effect on our results of operations.
- We are subject to environmental regulation by federal, state and local agencies, including laws that impose liability without regard to fault.
- Consolidation of pubs and growth in the size of pub chains in the U.K. could result in less bargaining strength on pricing.
- We may experience labor disruptions in the U.K.

### 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. To manage these exposures when practical, we have established policies and procedures that govern the management of these exposures through the use of a variety of financial instruments. By policy, we do not enter into such contracts for the purpose of speculation.

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 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 were the Canadian dollar (CAD), the Japanese yen (YEN) and the British pound (GBP).

In December 2001, we entered into a foreign currency forward sale agreement to hedge our exposure to fluctuations in the British pound exchange rate related to acquisition of certain Coors Brewers' assets. Also in anticipation of the Carling acquisition, we entered into a commitment with a lender for the financing of this transaction. Included within the commitment letter is a foreign currency written option which reduced our exposure on

the U.S. dollar borrowing to fund the Coors Brewers transaction. The derivatives resulting from these agreements do not qualify for hedge accounting and, accordingly, were marked to market at year-end. The associated \$0.3 million net expense was recorded in other income in the accompanying Consolidated Statements of Income.

Subsequent to year-end, the foreign currency swap settled on January 12, 2002, and the written option included in the loan commitment expired on February 11, 2002, resulting in a combined loss and amortization expense of \$1.2 million to be realized during the first quarter of 2002.

Derivatives are either exchange-traded instruments that are highly liquid, or over-the-counter instruments with highly rated financial institutions. No credit loss is anticipated because the counterparties to over-the-counter instruments generally have long-term ratings from S&P or Moody's that are no lower than A or A2, respectively. Additionally, most counterparty fair value positions favorable to us and in excess of certain thresholds are collateralized with cash, U.S. Treasury securities or letters of credit. We have reciprocal collateralization responsibilities for fair value positions unfavorable to us and in excess of certain thresholds. At December 30, 2001, we had zero counterparty collateral and had none outstanding.

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 forecast with reliable accuracy. Therefore, actual changes in fair values could differ significantly from the results presented in the table below. See Note 1, Summary of Accounting Policies, and Note 12, Derivative Instruments, in the Notes to the Consolidated Financial Statements for further discussion.

The following table presents the results of the sensitivity analysis of our derivative and debt portfolio:

(In millions, as of)	Dec. 30, 2001	Dec. 31, 2000
<b>Estimated fair value volatility</b>		
Foreign currency risk: forwards, option	<b>\$(22.2)</b>	\$(3.0)
Interest rate risk: swaps, debt	<b>\$ (0.4)</b>	\$(1.3)
Commodity price risk: swaps, options	<b>\$(12.2)</b>	\$(9.1)

## 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 the related consolidated statements of income and comprehensive income of shareholders' equity and of cash flows present fairly, in all material respects, the financial position of Adolph Coors Company and its subsidiaries at December 30, 2001, and December 31, 2000, and the results of their operations and their cash flows for each of the three years in the period ended December 30, 2001, 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 6, 2002

## Consolidated Statements of Income

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

	December 30, 2001	December 31, 2000	December 26, 1999
<b>Sales</b> – domestic and international	<b>\$ 2,842,752</b>	\$ 2,841,738	\$ 2,642,712
Beer excise taxes	<b>(413,290)</b>	(427,323)	(406,228)
<b>Net sales</b> (Note 14)	<b>2,429,462</b>	2,414,415	2,236,484
Cost of goods sold	<b>(1,537,623)</b>	(1,525,829)	(1,397,251)
Gross profit	<b>891,839</b>	888,586	839,233
<b>Other operating expenses</b>			
Marketing, general and administrative	<b>(717,060)</b>	(722,745)	(692,993)
Special charges (Note 9)	<b>(23,174)</b>	(15,215)	(5,705)
Total other operating expenses	<b>(740,234)</b>	(737,960)	(698,698)
<b>Operating income</b>	<b>151,605</b>	150,626	140,535
<b>Other income (expense)</b>			
Gain on sales of distributorships	<b>27,667</b>	1,000	–
Interest income	<b>16,409</b>	21,325	11,286
Interest expense	<b>(2,006)</b>	(6,414)	(4,357)
Miscellaneous – net	<b>4,338</b>	2,988	3,203
Total	<b>46,408</b>	18,899	10,132
<b>Income before income taxes</b>	<b>198,013</b>	169,525	150,667
Income tax expense (Note 5)	<b>(75,049)</b>	(59,908)	(58,383)
<b>Net income</b> (Note 7)	<b>\$ 122,964</b>	\$ 109,617	\$ 92,284
<b>Other comprehensive income (expense), net of tax</b> (Note 13)			
Foreign currency translation adjustments	<b>14</b>	2,632	(3,519)
Unrealized (loss) gain on available-for-sale securities	<b>3,718</b>	1,268	(397)
Unrealized (loss) gain on derivative instruments	<b>(6,200)</b>	(1,997)	6,835
Minimum pension liability adjustment	<b>(8,487)</b>	–	–
Reclassification adjustments	<b>(4,498)</b>	366	–
<b>Comprehensive income</b>	<b>\$ 107,111</b>	\$ 111,886	\$ 95,203
<b>Net income per share – basic</b>	<b>\$ 3.33</b>	\$ 2.98	\$ 2.51
<b>Net income per share – diluted</b>	<b>\$ 3.31</b>	\$ 2.93	\$ 2.46
<b>Weighted-average shares – basic</b>	<b>36,902</b>	36,785	36,729
<b>Weighted-average shares – diluted</b>	<b>37,177</b>	37,450	37,457

See notes to consolidated financial statements.



## Consolidated Balance Sheets

(In thousands)

### Assets

#### Current assets

	December 30, 2001	December 31, 2000
Cash and cash equivalents	\$ 77,133	\$ 119,761
Short-term marketable securities	232,572	72,759
Accounts and notes receivable		
Trade, less allowance for doubtful accounts of \$91 in 2001 and \$139 in 2000	94,985	104,484
Affiliates	223	7,209
Other, less allowance for certain claims of \$111 in 2001 and \$104 in 2000	13,524	15,385
Inventories		
Finished	32,438	40,039
In process	23,363	23,735
Raw materials	41,534	37,570
Packaging materials, less allowance for obsolete inventories of \$2,188 in 2001 and \$1,993 in 2000	17,788	8,580
Total inventories	115,123	109,924
Maintenance and operating supplies, less allowance for obsolete supplies of \$2,182 in 2001 and \$1,621 in 2000	23,454	23,703
Prepaid expenses and other assets	21,722	19,847
Deferred tax asset (Note 5)	27,793	24,679
<b>Total current assets</b>	<b>606,529</b>	<b>497,751</b>
Properties, at cost and net (Notes 2 and 14)	869,710	735,793
Goodwill and other intangibles, less accumulated amortization of \$9,049 in 2001 and \$12,981 in 2000 (Notes 1 and 7)	86,289	54,795
Investments in joint ventures, less accumulated amortization of \$1,625 in 2001 (Note 10)	94,785	56,342
Long-term marketable securities	–	193,675
Other assets	82,379	90,948
<b>Total assets</b>	<b>\$1,739,692</b>	<b>\$1,629,304</b>

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

Accrued expenses and other liabilities (Notes 3 and 4)

Current portion of long-term debt (Note 4)

#### Total current liabilities

Long-term debt (Note 4)

Deferred tax liability (Note 5)

Deferred pension and postretirement benefits (Notes 7, 8 and 13)

Other long-term liabilities (Note 3)

#### Total liabilities

Commitments and contingencies (Notes 3, 4, 5, 6, 7, 8, 10 and 15)

Shareholders' equity (Notes 6, 11 and 13)

Capital stock

Preferred stock, non-voting, no par value (authorized:  
25,000,000 shares; issued and outstanding: none)

Class A common stock, voting, no par value (authorized,  
issued and outstanding: 1,260,000 shares)

Class B common stock, non-voting, no par value, \$0.24 stated  
value (authorized: 200,000,000 shares; issued and outstanding:  
34,689,410 in 2001 and 35,871,121 in 2000)

Total capital stock

Paid-in capital

Unvested restricted stock

Retained earnings

Accumulated other comprehensive income

#### Total shareholders' equity

#### Total liabilities and shareholders' equity

December 30, 2001

December 31, 2000

\$ 219,381

\$ 186,105

3,112

11,621

56,767

57,041

31,271

32,469

122,014

92,100

85,000

—

517,545

379,336

20,000

105,000

61,635

89,986

141,720

77,147

47,480

45,446

788,380

696,915

—

—

1,260

1,260

8,259

8,541

9,519

9,801

—

11,332

(597)

(129)

954,981

908,123

(12,591)

3,262

951,312

932,389

\$1,739,692

\$1,629,304

See notes to consolidated financial statements.

## Consolidated Statements of Cash Flows

(In thousands, for the years ended)

	December 30, 2001	December 31, 2000	December 26, 1999
<b>Cash flows from operating activities</b>			
Net income	<b>\$ 122,964</b>	\$ 109,617	\$ 92,284
Adjustments to reconcile net income to net cash provided by operating activities			
Equity in net earnings of joint ventures	<b>(43,630)</b>	(42,395)	(36,958)
Distributions from joint ventures	<b>39,453</b>	55,379	30,280
Impairment and non-cash portion of special charges	<b>6,591</b>	11,068	4,769
Depreciation, depletion and amortization	<b>121,091</b>	129,283	123,770
Gains on sales of securities	<b>(4,042)</b>	–	–
Net (gain) loss on sale or abandonment of properties and intangibles, net	<b>(30,467)</b>	(4,729)	2,471
Deferred income taxes	<b>(19,176)</b>	6,870	20,635
Change in operating assets and liabilities			
Accounts and notes receivable	<b>(836)</b>	21,696	(19,159)
Affiliate accounts receivable	<b>6,986</b>	6,564	(1,877)
Inventories	<b>(5,199)</b>	(3,087)	(4,373)
Prepaid expenses and other assets	<b>(6,024)</b>	3,107	(49,786)
Accounts payable	<b>(36,053)</b>	988	59,082
Affiliate accounts payable	<b>8,509</b>	12,650	(12,565)
Accrued expenses and other liabilities	<b>33,229</b>	(26,280)	2,751
Net cash provided by operating activities	<b>193,396</b>	280,731	211,324
<b>Cash flows from investing activities</b>			
Purchases of investments	<b>(228,237)</b>	(356,741)	(94,970)
Sales and maturities of investments	<b>268,093</b>	208,176	105,920
Additions to properties and intangible assets	<b>(244,548)</b>	(154,324)	(134,377)
Proceeds from sales of properties and intangible assets	<b>63,529</b>	6,427	3,821
Investment in Molson USA, LLC	<b>(65,000)</b>	–	–
Other	<b>9,414</b>	(1,079)	(1,437)
Net cash used in investing activities	<b>(196,749)</b>	(297,541)	(121,043)
<b>Cash flows from financing activities</b>			
Issuances of stock under stock plans	<b>10,701</b>	17,232	9,728
Purchases of treasury stock	<b>(72,345)</b>	(19,989)	(20,722)
Dividends paid	<b>(29,510)</b>	(26,564)	(23,745)
Payments of long-term debt	<b>–</b>	–	(40,000)
Overdraft balances	<b>51,551</b>	4,686	(11,256)
Other	<b>759</b>	(2,235)	(1,692)
Net cash used in financing activities	<b>(38,844)</b>	(26,870)	(87,687)
<b>Cash and cash equivalents</b>			
Net (decrease) increase in cash and cash equivalents	<b>(42,197)</b>	(43,680)	2,594
Effect of exchange rate changes on cash and cash equivalents	<b>(431)</b>	(367)	1,176
Balance at beginning of year	<b>119,761</b>	163,808	160,038
<b>Balance at end of year</b>	<b>\$ 77,133</b>	\$ 119,761	\$ 163,808

See notes to consolidated financial statements.



## Consolidated Statements of Shareholders' Equity

(In thousands, except per share data)	Common stock issued		Paid-in capital	Unvested restricted stock	Retained earnings	Accumulated other comprehensive income	Total
	Class A	Class B					
<b>Balances, December 27, 1998</b>	\$ 1,260	\$ 8,428	\$ 10,505	\$ —	\$ 756,531	\$ (1,926)	\$ 774,798
Shares issued under stock plans, including related tax benefit		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)
<b>Balances, December 26, 1999</b>	1,260	8,443	5,773	—	825,070	993	841,539
Shares issued under stock plans, including related tax benefit		181	25,465	(129)			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)
<b>Balances, December 31, 2000</b>	1,260	8,541	11,332	(129)	908,123	3,262	932,389
Shares issued under stock plans, including related tax benefit		75	13,463	(651)	780		13,667
Amortization of restricted stock				183	(183)		—
Purchases of stock		(357)	(24,795)		(47,193)		(72,345)
Other comprehensive income						(15,853)	(15,853)
Net income					122,964		122,964
Cash dividends – \$0.80 per share					(29,510)		(29,510)
<b>Balances, December 30, 2001</b>	<b>\$1,260</b>	<b>\$8,259</b>	<b>\$ —</b>	<b>\$(597)</b>	<b>\$954,981</b>	<b>\$(12,591)</b>	<b>\$951,312</b>

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, Investments). 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 years ended December 30, 2001, and December 26, 1999, were both 52-week periods. Fiscal year ended December 31, 2000, was a 53-week period.

**Use of estimates** The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Reclassifications** Certain reclassifications have been made to the 2000 and 1999 financial statements to conform with the 2001 presentation.

**Cash and cash equivalents** Cash equivalents represent highly liquid investments with original maturities of 90 days or less. The fair value of these investments approximates their carrying value.

**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. 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, recorded in Accumulated other comprehensive income, relating to these securities totaled \$6.0 million and \$2.0 million at December 30, 2001, and December 31, 2000, respectively. Net gains recognized on sales for available-for-sale securities were \$4.0 million in 2001. Net gains realized on sales of available-for-sale securities were immaterial in 2000 and 1999. The cost of securities sold is based on the specific identification method. At December 30, 2001, all \$232.6 million of these securities were classified as current assets. In January 2002, all of these securities were sold, at a gain of \$4.0 million. Approximately half of the related funds were used in the Carling acquisition and the remaining funds were used to cover general operating cash requirements.

**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 \$41.5 million and \$42.9 million at December 30, 2001, and December 31, 2000, 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. Certain equipment held under capital lease is classified as equipment and amortized using the straight-line method over the lease term and the related obligation is recorded as a liability. Lease amortization is included in depreciation expense. 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.

**Goodwill and other intangible assets** Goodwill and other intangible assets, with the exception of the pension intangible asset and water rights, were amortized on a straight-line basis over the estimated future periods to be benefited, generally 40 years for goodwill and up to 20 years for trademarks, naming and distribution rights whose related weighted average life is 14 years. Please see the Recent accounting pronouncement section below for information regarding the impact of the Financial Accounting Boards' Statement of Financial Accounting Standard (SFAS) No. 142, Goodwill and Other Intangible Assets on this policy.

**System development costs** We capitalize certain system development costs that meet established criteria, in accordance with Statement of Position (SOP) 98-1, Accounting for the Costs of Computer Systems Developed or Obtained for Internal Use. Amounts capitalized in Machinery and equipment are amortized to expense on a straight-line basis over three to five years. At December 30, 2001 and December 31, 2000 amounts capitalized were \$8.4 million and \$3.2 million, respectively. Related amortization expense was \$2.2 million and \$0.8 million for fiscal years 2001 and 2000, respectively. There were no amounts capitalized in 1999. System development costs not meeting the criteria in SOP 98-1, including system reengineering, are expensed as incurred.

**Overdraft balances** Under our cash management system, checks issued pending clearance that result in overdraft balances for accounting purposes are included in the Trade accounts payable balance. The amounts reclassified were \$70.5 million and \$18.9 million at December 30, 2001 and December 31, 2000, respectively.

**Derivative instruments** 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 contracts, options and swap agreements whose values change in the opposite direction of the anticipated cash flows. Derivative instruments, which we designate as hedges of forecasted transactions and which qualify for hedge accounting treatment under Statement of Financial Accounting Standard (SFAS) No. 133, Accounting for Derivative Instruments and Hedging Activities (which we adopted on January 1, 1999), are considered cash flow hedges, and the effective portion of any gains or losses are included in Accumulated other comprehensive income until earnings are affected by the variability of cash flows. Any remaining gain or loss is recognized in current earnings. In calculating effectiveness for SFAS 133 purposes, 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 are sold or extinguished, we recognize in earnings the gain or loss on the designated financial instruments concurrent with the sale or extinguishment of the hedged assets or liabilities. Cash flows from our derivative instruments are classified in the same category as the hedged item in the Consolidated Statements of Cash Flows. See Note 12, Derivative Instruments, for additional information regarding our derivative holdings.



## Notes to Consolidated Financial Statements

**Impairment policy** When events or changes in circumstances indicate that the carrying amount of long-lived assets, including goodwill or other intangible assets, may not be recoverable, an evaluation is performed to determine if an impairment exists. We compare the carrying amount of the assets to the undiscounted expected future cash flows. If this comparison indicates that an impairment exists, the assets are written down to fair value. Fair value would typically be calculated using discounted expected future cash flows. All relevant factors are considered in determining whether impairment exists.

**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; financial statements for all periods presented herein have been reclassified to reflect this change.

**Advertising** Advertising costs, included in Marketing, general and administrative, are expensed when the advertising is run. Advertising expense was \$465.2 million, \$477.3 million and \$443.4 million for years 2001, 2000 and 1999, respectively. Prepaid advertising costs of \$30.4 million (\$5.6 million in current and \$24.8 million in long term) and \$36.2 million (\$7.4 million in current and \$28.8 million in long term) were included in the Consolidated Balance Sheets at December 30, 2001, and December 31, 2000, respectively.

**Research and development** Research and project development costs, included in Marketing, general and administrative, are expensed as incurred. These costs totaled \$16.5 million, \$16.9 million and \$16.5 million in 2001, 2000 and 1999, respectively.

**Environmental expenditures** Environmental expenditures that relate to an existing condition caused by past operations, which contribute to current or future revenue generation, are capitalized; whereas expenditures that 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** During 2001 and 1999, we issued restricted common stock under our management incentive program. The non-cash impact of these issuances, net of forfeitures and tax withholding, was \$1.2 million and \$0.7 million in 2001 and 1999, respectively. We did not issue any restricted stock under this plan in 2000, however, restricted forfeitures and tax withholding resulted in a non-cash decrease to the equity accounts of \$5.8 million. Also during 2001, 2000 and 1999, equity was increased by the tax benefit on the exercise of stock options under our stock plans of \$4.4 million, \$14.2 million and \$7.0 million, respectively. Income taxes paid were \$83.2 million in 2001, \$49.6 million in 2000 and \$42.4 million in 1999. See Note 15, Other Comprehensive Income, for other non-cash items.

**Recent accounting pronouncements** In July 2001, the Financial Accounting Standards Board issued SFAS 141, Business Combinations. SFAS 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001. In connection with the Carling acquisition, we will adopt SFAS 141 (See Note 17, Subsequent Event).

In July 2001, the Financial Accounting Standards Board issued SFAS No. 142, Goodwill and Other Intangible Assets. SFAS 142, which will be effective for us beginning in the first quarter of fiscal 2002, and requires goodwill and intangible assets that have indefinite lives to not be amortized but to be reviewed annually for impairment, or more frequently if impairment indicators arise. During 2001, we recorded approximately \$3 million of amortization related to goodwill and other intangible assets.

Although we have yet to complete our analysis of these assets and the related amortization expense under the new rules for 2002, we anticipate that a significant part of the goodwill and other intangible assets on our books at the end of the year will no longer be subject to amortization. Our analysis to date has not identified any goodwill or other intangible assets that will be considered impaired under SFAS 142.

In June 2001, the Financial Accounting Standards Board issued SFAS No. 143, Accounting for Asset Retirement Obligations, which addresses accounting and financial reporting for obligations associated with the retirement of tangible long-lived assets. This statement is effective for us beginning in the second quarter of 2002, and we are evaluating the impact, if any, that the implementation will have on our financial statements.

In August 2001, the Financial Accounting Standards Board issued SFAS No. 144, Impairment or Disposal of Long-Lived Assets, which addresses accounting and financial reporting for the impairment or disposal of long-lived assets. This statement is effective for us beginning in the first quarter of 2002, and we are evaluating the impact, if any, that the implementation will have on our financial statements.

## 2. Properties

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

(In thousands, as of)	Dec. 30, 2001	Dec. 31, 2000
Land and improvements	\$ 94,321	\$ 93,507
Buildings	506,537	508,443
Machinery and equipment	1,783,527	1,731,463
Natural resource properties	6,798	7,373
Construction in progress	141,663	91,964
	<b>2,532,846</b>	<b>2,432,750</b>
Less accumulated depreciation, depletion and amortization	<b>(1,663,136)</b>	<b>(1,696,957)</b>
Net properties	<b>\$ 869,710</b>	<b>\$ 735,793</b>

In 2001, we sold our distribution operations in Anaheim and San Bernardino, California, and Oklahoma City, Oklahoma, for total proceeds of \$59.4 million, resulting in a net gain, before tax, of approximately \$27.7 million. We are in the process of selling the land and buildings associated with these previously owned distributors and in the short-term are leasing these facilities to the buyers of the distributor operations.

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

(In thousands, for the years ended)	Dec. 30, 2001	Dec. 31, 2000	Dec. 26, 1999
Interest incurred	\$ 8,653	\$ 9,567	\$ 8,478
Interest capitalized	(6,647)	(3,153)	(4,121)
Interest expensed	\$ 2,006	\$ 6,414	\$ 4,357
Interest paid	\$ 7,570	\$ 7,664	\$ 9,981

## 3. Leases

We lease certain office facilities and operating equipment under cancelable and non-cancelable agreements accounted for as capital and operating leases. In 2001, information and technology equipment, included in properties, totaling \$10.2 million was sold and leased back under a non-cash capital lease agreement with EDS Information Services, LLC. Capital lease amortization of \$1.8 million for 2001 was included in accumulated amortization. Current and long term capital lease obligations are included in Accrued expenses and other liabilities and Other long term liabilities, respectively, in the Consolidated Balance Sheets. Future minimum lease payments under scheduled capital and operating leases that have initial or remaining non-cancelable terms in excess of one year are as follows (in thousands):

Fiscal year (In thousands)	Capital Leases	Operating Leases
2002	\$ 4,298	\$ 7,069
2003	4,688	6,173
2004	391	5,659
2005	—	4,868
2006	—	4,525
Thereafter	—	2,469
Total	9,377	\$30,763
Amounts representing interest	(986)	
Obligations under capital lease	8,391	
Obligation due within one year	(3,621)	
Long term obligations under capital leases	\$ 4,770	

Total rent expense was (in thousands) \$11,763, \$11,502 and \$10,978 for the years 2001, 2000 and 1999, respectively.

## Notes to Consolidated Financial Statements

### 4. Debt

Long-term debt consists of the following:

(In thousands, as of)	December 30, 2001		December 31, 2000	
	Carrying value	Fair value	Carrying value	Fair value
Senior Notes	\$20,000	\$20,850	\$100,000	\$100,300
Industrial development bonds	—	—	5,000	5,000
	\$20,000	\$20,850	\$105,000	\$105,300

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

**Senior Notes** At December 30, 2001, we had \$100 million in unsecured Senior Notes at fixed interest rates ranging from 6.76% to 6.95% per annum. Interest on the notes is due semi-annually in January and July. The principal amount of the Notes outstanding is payable as follows: \$80 million in July of 2002, classified as current in Current portion of long-term debt, and \$20 million in July of 2005, classified as Long-term debt. The terms of our private placement Notes allow for maximum liens, transactions and obligations. We were in compliance with these requirements at year-end 2001. No principal payments were due or made in 2001 or 2000.

**Colorado Industrial Revenue Bonds (IRB)** We were obligated to pay the principal, interest and premium, if any, on the \$5 million, City of Wheat Ridge, IRB (Adolph Coors Company Project) Series 1993. The bonds were scheduled to mature in 2013 and were secured by a letter of credit. At December 30, 2001, they were variable rate securities with interest payable on the first of March, June, September and December. The interest rate on December 30, 2001, was approximately 3%. We were required to maintain a minimum tangible net worth and a certain debt-to-total capitalization ratio under the bond agreements. At December 30, 2001, we were in compliance with these requirements. In March 2002, all obligations under the terms of the IRB were prepaid and the debt was terminated.

**Line of credit** At December 30, 2001, we had an unsecured, committed credit arrangement totaling \$200 million, all of which was available as of December 30, 2001. This line of credit had a five-year term which was scheduled to expire in 2003. A facilities fee was paid on the total amount of the committed credit. Under the arrangement, we were required to maintain a certain debt-to-total capitalization ratio and were in compliance at year-end 2001. In February 2002, this credit facility was terminated and replaced by the credit agreements associated with the Carling acquisition.

**Financial guarantees** We have a 1.1 million yen financial guarantee outstanding on behalf of our subsidiary, Coors Japan. This subsidiary guarantee is primarily for two working capital lines of credit and payments of certain duties and taxes. One of these lines provides up to 500 million yen and the other provides up to 400 million yen (approximately \$6.8 million in total as of December 30, 2001) in short-term financing. As of December 30, 2001, the approximate yen equivalent of \$3.0 million was outstanding under these arrangements and is included in Accrued expenses and other liabilities in the accompanying Consolidated Balance Sheets.

**Subsequent event** Please refer to Note 17 for additional information regarding the debt obligations that have resulted from our acquisition of Coors Brewers.

### 5. Income Taxes

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

(In thousands, for the years ended)	Dec. 30, 2001	Dec. 31, 2000	Dec. 26, 1999
Current			
Federal	\$ 74,140	\$29,573	\$24,088
State	13,841	9,230	5,119
Foreign	1,878	52	1,567
Total current tax expense	89,859	38,855	30,774
Deferred			
Federal	(16,171)	6,669	19,035
State	(3,005)	283	3,460
Foreign	—	(82)	(1,860)
Total deferred tax (benefit) expense	(19,176)	6,870	20,635
Other			
Allocation to paid-in capital	4,366	14,183	6,974
Total income tax expense	\$ 75,049	\$59,908	\$58,383

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. 30, 2001	Dec. 31, 2000	Dec. 26, 1999
Expected tax rate	<b>35.0%</b>	35.0%	35.0%
State income taxes, net of federal benefit	<b>3.6</b>	3.7	3.7
Effect of foreign investments	<b>(0.5)</b>	(3.1)	1.1
Non-taxable income	<b>(0.1)</b>	(0.2)	(0.8)
Other, net	<b>(0.1)</b>	(0.1)	(0.2)
Effective tax rate	<b>37.9%</b>	35.3%	38.8%

Our deferred taxes are composed of the following:

(In thousands, as of)	Dec. 30, 2001	Dec. 31, 2000
Current deferred tax assets:		
Deferred compensation and other employee related	<b>\$14,046</b>	\$ 14,212
Balance sheet reserves and accruals	<b>11,607</b>	10,467
Write-off of foreign account receivable	<b>7,002</b>	7,002
Valuation allowance	<b>(7,002)</b>	(7,002)
Total current deferred tax assets	<b>25,653</b>	24,679
Current deferred tax liabilities:		
Balance sheet reserves and accruals	<b>2,140</b>	—
Net current deferred tax assets	<b>\$27,793</b>	\$ 24,679
Non-current deferred tax assets:		
Deferred compensation and other employee related	<b>\$19,106</b>	\$ 9,602
Balance sheet reserves and accruals	<b>1,980</b>	8,410
Retirement benefits	<b>10,507</b>	11,365
Environmental accruals	<b>2,200</b>	2,274
Deferred foreign losses	<b>1,087</b>	1,395
Partnership investments	<b>—</b>	3,297
Total non-current deferred tax assets	<b>34,880</b>	36,343
Non-current deferred tax liabilities:		
Depreciation and capitalized interest	<b>96,515</b>	110,225
Deferred tax on foreign investment	<b>—</b>	16,104
Total non-current deferred tax liabilities	<b>96,515</b>	126,329
Net non-current deferred tax liabilities	<b>\$61,635</b>	\$ 89,986

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

In 2000, we realized a tax benefit pertaining to the Spain brewery closure. We also resolved substantially all of the issues raised by the Internal Revenue Service examination of our federal income tax returns through 1998. One issue relating to the tax treatment of a Korean investment is currently being appealed to the Internal Revenue Service appeals office. The Internal Revenue Service is currently examining the federal income tax returns for 1999 through 2000. 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 30, 2001, 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, for the years ended)	Dec. 30, 2001	Dec. 31, 2000	Dec. 26, 1999
Net income			
As reported	<b>\$122,964</b>	\$109,617	\$92,284
Pro forma	<b>\$106,420</b>	\$ 96,164	\$82,222
Earnings per share – basic			
As reported	<b>\$ 3.33</b>	\$ 2.98	\$ 2.51
Pro forma	<b>\$ 2.88</b>	\$ 2.61	\$ 2.24
Earnings per share – diluted			
As reported	<b>\$ 3.31</b>	\$ 2.93	\$ 2.46
Pro forma	<b>\$ 2.86</b>	\$ 2.57	\$ 2.20



## Notes to Consolidated Financial Statements

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:

	2001	2000	1999
Risk-free interest rate	5.01%	6.72%	5.03%
Dividend yield	0.96%	1.27%	1.09%
Volatility	30.70%	31.41%	30.66%
Expected term (years)	5.40	6.20	7.80
Weighted average fair market value	\$20.65	\$20.17	\$23.28

**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. Total authorized shares of Class B common stock for issuance under the 1990 EI Plan were 10.8 million shares.

A summary of the status of our 1990 EI Plan as of December 30, 2001, December 31, 2000, and December 26, 1999, 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 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
Transferred	716,886	—	—		
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	2,870,521	2,761,597	45.91	910,548	35.21
Authorized	2,033,114	—	—		
Granted	(1,660,150)	1,660,150	67.28		
Exercised	—	(331,758)	32.38		
Forfeited	268,709	(268,709)	59.50		
<b>As of December 30, 2001</b>	<b>3,512,194</b>	<b>3,821,280</b>	<b>\$55.41</b>	<b>1,374,961</b>	<b>\$43.68</b>

The following table summarizes information about stock options outstanding at December 30, 2001:

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	239,855	4.8	\$20.12	239,855	\$20.12
\$26.88–\$33.41	325,468	6.0	\$33.35	325,468	\$33.35
\$37.22–\$59.25	1,796,429	7.8	\$53.07	792,237	\$54.51
\$63.16–\$75.22	1,459,528	9.1	\$69.00	17,401	\$68.99
\$16.75–\$75.22	3,821,280	8.0	\$55.41	1,374,961	\$43.68

We issued 10,750 shares and 4,953 shares of restricted stock in 2001 and 1999, respectively, under the 1990 EI Plan. No restricted shares were issued under this plan in 2000. For the 2001 shares, the vesting period is three years from the date of grant. For the 1999 shares, the vesting period is two years from the date of grant. The compensation cost associated with these awards is amortized over the vesting period. Compensation cost associated with these awards was immaterial in 2001, 2000 and 1999.

**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 2001, 2000 and 1999. Common stock reserved for the 1991 plan as of December 30, 2001, was 28,273 shares.

**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 2001 or 2000. Awards under the plan in 1999 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 30, 2001, 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 \$18.6 million in 2001, \$14.7 million in 2000 and \$11.6 million in 1999.

These amounts include our matching for the savings and investment (thrift) plan of \$6.4 million in 2001, \$7.3 million in 2000 and \$6.1 million in 1999. The increase in pension expense from 2000 to 2001 is primarily due to the decline in the market value of plan investments. In 2001, the funded position of the Coors Retirement Plan declined somewhat due to the combined effects of a lower discount rate and a challenging investment environment. This resulted in the recognition of an additional minimum liability, resulting from the excess of our accumulated benefit obligation over the fair value of plan assets. The amounts recognized in the consolidated statement of financial position for accrued pension liability, additional minimum liability, accumulated other comprehensive loss, prepaid benefit cost and intangible asset in 2001 are \$61.9 million, \$29.8 million, \$8.5 million (net of tax), \$21.5 million and \$48.3 million, respectively.

Note that the settlement rates shown in the table on the following page were selected for use at the end of each of the years shown. Pension expense is actuarially calculated 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. 30, 2001	Dec. 31, 2000	Dec. 26, 1999
<b>Components of net periodic pension cost</b>			
Service cost-benefits earned during the year	<b>\$ 17,913</b>	\$ 16,467	\$ 16,456
Interest cost on projected benefit obligation	<b>46,374</b>	44,192	38,673
Expected return on plan assets	<b>(58,342)</b>	(58,108)	(52,173)
Amortization of prior service cost	<b>5,945</b>	5,906	4,161
Amortization of net transition amount	<b>241</b>	(1,690)	(1,690)
Recognized net actuarial loss	<b>110</b>	590	75
Net periodic pension cost	<b>\$ 12,241</b>	\$ 7,357	\$ 5,502

## Notes to Consolidated Financial Statements

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

(In thousands, as of)	Dec. 30, 2001	Dec. 31, 2000
<b>Actuarial present value of accumulated benefit obligation</b>	<b>\$ 567,155</b>	\$537,791
<b>Change in projected benefit obligation</b>		
Projected benefit obligation at beginning of year	\$ 614,420	\$548,428
Service cost	17,913	16,467
Interest cost	46,374	44,192
Amendments	–	871
Actuarial loss	10,116	31,974
Benefits paid	(29,717)	(27,512)
Projected benefit obligation at end of year	<b>\$ 659,106</b>	\$614,420
<b>Change in plan assets</b>		
Fair value of assets at beginning of year	\$ 578,500	\$627,153
Actual return on plan assets	(25,047)	(20,376)
Employer contributions	7,306	2,561
Benefits paid	(29,717)	(27,512)
Expenses paid	(4,042)	(3,326)
Fair value of plan assets at end of year	<b>\$ 527,000</b>	\$578,500
<b>Reconciliation of funded status</b>		
Funded status – (shortfall) excess	<b>\$(132,106)</b>	\$ (35,920)
Unrecognized net actuarial loss (gain)	105,082	7,722
Unrecognized prior service cost	47,841	53,680
Unrecognized net transition amount	722	962
Net amount recognized	<b>\$ 21,539</b>	\$ 26,444
<b>Amounts recognized in the statement of financial position consist of</b>		
Non-current prepaid benefit cost	\$ 21,539	\$ 26,444
Non-current accrued benefit liability cost	(61,959)	–
Non-current intangible asset	48,291	–
Accumulated other comprehensive income	13,668	–
Net amount recognized	<b>\$ 21,539</b>	\$ 26,444

	2001	2000	1999
<b>Weighted average assumptions as of year-end</b>			
Discount rate	7.25%	7.75%	8.00%
Rate of compensation increase	4.10%	4.75%	5.25%
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 8.50% in 2001 to 5.00% in 2007. The discount rate used in determining the accumulated postretirement benefit obligation was 7.25%, 7.75% and 8.00% at December 30, 2001, December 31, 2000, and December 26, 1999, respectively.

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. 30, 2001	Dec. 31, 2000	Dec. 26, 1999
<b>Components of net periodic postretirement benefit cost</b>			
Service cost – benefits earned during the year	\$1,447	\$1,477	\$1,404
Interest cost on projected benefit obligation	6,782	5,613	5,112
Recognized net actuarial gain	(19)	(51)	(138)
Net periodic postretirement benefit cost	<b>\$8,210</b>	\$7,039	\$6,378

(In thousands, as of)	Dec. 30, 2001	Dec. 31, 2000
<b>Change in projected postretirement benefit obligation</b>		
Projected benefit obligation at beginning of year	\$ 77,750	\$ 72,400
Service cost	1,447	1,477
Interest cost	6,782	5,613
Actuarial loss	21,476	3,264
Benefits paid	(5,300)	(5,004)
Projected postretirement benefit obligation at end of year	<b>\$ 102,155</b>	\$ 77,750
<b>Change in plan assets</b>		
Employer contributions	\$ 5,300	\$ 5,004
Benefits paid	(5,300)	(5,004)
Fair value of plan assets at end of year	<b>\$ –</b>	\$ –
Funded status – shortfall	<b>\$(102,155)</b>	\$(77,750)
Unrecognized net actuarial (gain) loss	16,813	(4,662)
Unrecognized prior service cost	281	261
Accrued postretirement benefits	(85,061)	(82,151)
Less current portion	5,300	5,004
Long-term postretirement benefits	<b>\$ (79,761)</b>	\$(77,147)

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	\$ 528	\$ (470)
Effect of postretirement benefit obligation	\$4,777	\$(4,323)

## 9. Special Charges (Credits)

Our annual results for 2001, 2000 and 1999 include net pretax special charges of \$23.2 million, \$15.2 million and \$5.7 million, respectively. The following is a summary of special charges incurred during those years:

**Information technology** We entered into a contract with EDS Information Services (EDS), effective August 1, 2001, to outsource certain information technology functions. We incurred outsourcing transition costs in the year of approximately \$14.6 million. These costs were mainly related to a \$6.6 million write-down of the net book value of information technology assets that were sold to and leased back from EDS, \$5.3 million of one-time implementation costs and \$2.7 million of employee transition costs and professional fees associated with the outsourcing project. We believe this arrangement will allow us to focus on our core business while having access to the expertise and resources of a world-class information technology provider.

**Restructure charges** In 2001, we incurred total restructuring special charges of \$6.0 million. In the third quarter of 2001, we recorded \$1.6 million of severance costs for approximately 25 employees, primarily due to the restructuring of our purchasing organization. During the fourth quarter of 2001, we announced plans to restructure certain production areas. These restructurings, which began in October 2001 and have continued through April 2002, will result in the elimination of approximately 90 positions. As a result of these plans, we recorded associated employee termination costs of approximately \$4.0 million in the fourth quarter. Similar costs of approximately \$0.4 million

related to employee terminations in other functions were also recorded in the fourth quarter. We paid \$3.8 million of this severance in 2001 and expect the remaining severance to be paid by the second quarter of 2002, out of current cash balances.

In 1999, we recorded a special charge of \$5.7 million. 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 were severed under this reorganization. During 2001, 2000 and 1999, approximately \$0.2 million, \$2.3 million and \$0.9 million, respectively, of severance costs were paid and no further amounts are due.

**Can and end plant joint venture** In the third quarter of 2001, we recorded \$3.0 million of special charges related to the dissolution of our existing can and end joint venture as part of the restructuring of this part of our business.

**Property abandonment** In 2001, we recorded a \$2.3 million charge for a portion of certain production equipment that was abandoned and will no longer be used.

**Spain closure** In 2000, we incurred a total special charge of \$20.6 million triggered by our decision to close our Spain brewery and commercial operations. Of the total 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 to equity related to our Spain operations. In 2000, approximately \$9.6 million of severance and other related closure costs were paid with the remaining \$1.7 million reserve being paid during the first quarter of 2001. These payments were funded from current cash balances. In December 2001, the plant and related fixed assets were sold for approximately \$7.2 million resulting in a net gain, before tax, of approximately \$2.7 million.

**Insurance settlement** In 2000, we received an insurance claim settlement of \$5.4 million that was credited to special charges.



## Notes to Consolidated Financial Statements

### 10. Investments

**Equity method investments** We have investments in affiliates that are accounted for using the equity method of accounting. These investments aggregated \$94.8 million and \$56.3 million at December 30, 2001, and December 31, 2000, respectively.

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

(In thousands, as of)	Dec. 30, 2001	Dec. 31, 2000
Current assets	\$59,234	\$75,464
Non-current assets	\$53,307	\$87,353
Current liabilities	\$31,031	\$34,907
Non-current liabilities	\$ 231	\$ 264

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

(In thousands, for the years ended)	Dec. 30, 2001	Dec. 31, 2000	Dec. 26, 1999
Net sales	\$544,341	\$490,227	\$449,238
Gross profit	\$177,211	\$132,805	\$116,970
Net income	\$ 80,127	\$ 77,575	\$ 68,375
Company's equity in net income	\$ 43,630	\$ 42,395	\$ 36,958

**Coors Canada** Coors Canada, Inc. (CCI), one of our wholly owned subsidiaries, formed a partnership, Coors Canada, with Molson, Inc. to market and sell our 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 our 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 our brands less production, distribution, sales and overhead costs related to these sales. CCI received distributions from the partnership of a U.S. dollar equivalent of approximately \$27.9 million, \$25.8 million and \$21.0 million for 2001, 2000 and 1999, respectively. Our share of net income from this partnership, which was approximately \$29.2 million, \$25.4 million and \$21.5 million for 2001, 2000 and 1999, respectively, is included in Sales on the accompanying Consolidated Statements of Income. Also see discussion in Note 14, Segment and Geographic Information.

In December 2000, we entered into a five year 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 in 2001 was 250,000 barrels, none of which was used by us. Starting in 2002, this available capacity increases up to 500,000 barrels. Currently, we pay Molson a fee for holding this capacity aside for our future use. The annual fee, starting in 2002, is 1.5 million Canadian dollars, which results in an annual commitment of approximately \$1 million. As of December 30, 2001, we are fully accrued for all fees required under the terms of this agreement.

**Molson USA, LLC** 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, Molson USA, LLC, has been formed to import, market, sell and distribute Molson's brands of beer in the United States. Approximately, \$63.9 million of our initial investment was considered goodwill, which was being amortized on a straight-line basis over a life of 40 years. Amortization expense in 2001 was \$1.6 million. (Please refer to the Recent accounting pronouncement section of Note 1 for discussion regarding changes in accounting for Goodwill and Other Intangible Assets). During 2001, we received no distributions from the partnership and our share of the net loss was approximately \$2.2 million. This net loss is included in Other income (expense) on the accompanying Consolidated Statements of Income. As a result of the 2001 operating loss, we considered whether our investment was

impaired under Accounting Principles Board Opinion No. 18, The Equity Method of Accounting for Investments in Common Stock, and determined that it was not. Any potential decline in value during the year cannot be determined to be other than temporary based on our short experience with the joint venture and our continuing commitment to its success. The recoverability of our investment in the joint venture will be further evaluated during 2002.

**Rocky Mountain Bottle Company** We operate a 50/50 production joint venture with Owens-Brockway Glass Container, Inc. (Owens), the Rocky Mountain Bottle Company (RMBC), to produce glass bottles at our glass manufacturing facility. The initial term of the joint venture expires in 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 the majority of our bottles for our bottle requirements not met by RMBC. In 2001, we purchased all of the bottles produced by RMBC, approximately 1.1 billion bottles.

The expenditures under this agreement in 2001, 2000 and 1999 were approximately \$92 million, \$86 million and \$69 million, respectively. Cash distributions received from this joint venture were \$9.1 million and \$20.3 million in 2001 and 2000, respectively. No distributions were received in 1999. Our share of net income from this partnership was \$10.9 million, \$9.8 million and \$9.0 million in 2001, 2000 and 1999, respectively, and is included within Cost of goods sold on the accompanying Consolidated Statements of Income.

**Valley Metal Container Partnership** In 1994, we formed a 50/50 production joint venture with American National Can Company (ANC), called Valley Metal Container Partnership, to produce beverage cans and ends at our manufacturing facilities for sale to us and outside customers. ANC was subsequently acquired by Rexam LLC. We purchased Rexam's interest in the joint venture at the end of its term in August 2001. The aggregate amount paid to the joint venture for cans and ends in 2001, 2000 and 1999 was approximately \$149 million, \$230 million and \$223 million,

respectively. The 2001 amount reflects only what was paid to the joint venture prior to its expiration in August. In addition, we received cash distributions from this joint venture of \$2.5 million, \$8.5 million and \$7.5 million in 2001, 2000 and 1999, respectively. Our share of net income from this joint venture was \$5.7 million, \$7.2 million and \$6.0 million for 2001, 2000 and 1999, respectively, and is included within Cost of goods sold on the accompanying Consolidated Statements of Income.

**Rocky Mountain Metal Container** Effective January 1, 2002, we became an equal member with Ball Corporation (Ball) in a Colorado limited liability company, Rocky Mountain Metal Container, LLC (RMMC). Also effective on January 1, 2002, we entered into a can and end supply agreement with RMMC (the Supply Agreement). Under that Supply Agreement, RMMC agreed to supply us with substantially all of the can and end requirements for our Golden Brewery. RMMC will manufacture these cans and ends at our existing manufacturing facilities, which RMMC is operating under a use and license agreement. We have the right to purchase Ball's interest in RMMC under certain conditions. If we do not exercise that right, Ball may have the right to purchase our interest in RMMC. RMMC plans to reduce manufacturing costs, and has planned capital improvements to the facilities in the amount of approximately \$50 million over the first three years of its operations. RMMC will fund such improvements with third party financing. RMMC's debt will not be included on our financial statements.

**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 (GPIC). We are also a limited partner in a real estate development partnership in which a subsidiary of GPIC is the general partner. The partnership owns, develops, operates and sells certain real estate previously owned directly by us. We received cash distributions of \$0.8 million and \$1.8 million in 2000 and 1999, respectively. We did not receive income in 2001 or 2000. We received income of \$0.5 million in 1999.

## Notes to Consolidated Financial Statements

**Cost investments** In 1991, we entered into an agreement with Colorado Baseball Partnership 1993, Ltd. for an 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. We believe that the carrying amount is not in excess of fair value. 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 15, Commitments and Contingencies.

### 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 30, 2001, December 31, 2000, and December 26, 1999, is summarized below:

	Common stock	
	Class A	Class B
<b>Balances at December 27, 1998</b>	1,260,000	35,395,306
Shares issued under stock plans	—	478,390
Purchases of stock	—	(411,662)
<b>Balances at December 26, 1999</b>	1,260,000	35,462,034
Shares issued under stock plans	—	817,395
Purchases of stock	—	(408,308)
<b>Balances at December 31, 2000</b>	1,260,000	35,871,121
Shares issued under stock plans	—	324,926
Purchases of stock	—	(1,506,637)
<b>Balances at December 30, 2001</b>	1,260,000	34,689,410

At December 30, 2001, December 31, 2000, and December 26, 1999, 25 million shares of no par value preferred stock were authorized but unissued.

The board of directors authorized the repurchase during 2001, 2000 and 1999 of up to \$40 million each year of our outstanding Class B common stock on the open market. In September 2001, the board of directors increased the authorized 2001 expenditure limit for the repurchase of outstanding shares of Class B common stock to \$90 million. During 2001, 2000 and 1999, 1,500,000 shares, 308,000 shares and 232,300 shares, respectively, were repurchased for approximately \$72.3 million, \$17.6 million and \$12.2 million, respectively, under this stock repurchase program. In addition to the repurchase program, we purchased 41,845 restricted shares for \$2.4 million in 2000 and 164,117 restricted shares for \$8.5 million in 1999. Pursuant to our by-laws restricted shares must first be offered to us for repurchase. Even though in November 2001, the board of directors extended the program and authorized the repurchase during 2002 of up to \$40 million of stock, we decided to suspend our share repurchases until we reduce debt levels resulting from the acquisition of the Coors Brewers business from Interbrew. See discussion of the Carling acquisition in Note 17, Subsequent Event.

**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. 30, 2001	Dec. 31, 2000	Dec. 26, 1999
Net income available to common shareholders	<b>\$122,964</b>	\$109,617	\$92,284
Weighted-average shares for basic EPS	<b>36,902</b>	36,785	36,729
Effect of dilutive securities:			
Stock options	<b>266</b>	606	640
Contingent shares not included in shares outstanding for basic EPS	<b>9</b>	59	88
Weighted-average shares for diluted EPS	<b>37,177</b>	37,450	37,457
Basic EPS	<b>\$ 3.33</b>	\$ 2.98	\$ 2.51
Diluted EPS	<b>\$ 3.31</b>	\$ 2.93	\$ 2.46

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 options exercised. Stock options to purchase 2,199,173 and 6,555 shares of common stock were not included in the computation of 2001 and 2000 earnings per share, respectively, because the stock options' exercise prices were greater than the average market price of the common shares.

## 12. 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. To manage these exposures when practical, we have established policies and procedures that govern the management of these exposures through the use of a variety of financial instruments, as noted in detail below. 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.

At December 30, 2001, and December 31, 2000, we had certain forward 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 following table summarizes the aggregate notional principal amounts, fair values and maturities of our derivative financial instruments outstanding on December 30, 2001, and December 31, 2000 (in thousands):

	Notional principal amounts (USD)	Fair values	Maturity
<b>December 30, 2001</b>			
Foreign currency management			
Option <sup>1</sup>	1,705,000	(1,023)	02/02
Forwards	217,370	2,336	01/02–04/03
Commodity pricing management			
Swaps	132,477	(10,563)	02/02–02/04
<b>December 31, 2000</b>			
Foreign currency management			
Forwards	28,958	1,054	01/01–01/02
Commodity pricing management			
Swaps	86,621	4,574	02/01–08/02

<sup>1</sup> The foreign exchange option for \$1.7 billion notional was purchased to hedge our exposure to fluctuations in the British pound exchange rate related to acquisition of certain Coors Brewers assets.

Maturities of derivative financial instruments held on December 30, 2001, are as follows:

Fiscal Year	Amount (In thousands)
2002 <sup>1</sup>	\$(6,473)
2003	\$(3,053)
2004	\$ (123)

<sup>1</sup> Amount includes the estimated deferred net loss of \$6.1 million that is expected to be recognized over the next 12 months on certain forward exchange contracts and production and packaging materials derivative contracts, when the underlying forecasted cash flow transactions occur.

In December 2001, we entered into a foreign currency forward sale agreement to hedge our exposure to fluctuations in the British pound exchange rate related to the acquisition of certain Coors Brewers assets. Also, in anticipation of the Carling acquisition, we entered into a commitment with a lender for the financing of this transaction. Included within the commitment letter is a foreign currency written option which reduced our exposure on the U.S. dollar borrowing to fund the Coors Brewers transaction. The derivatives resulting from these agreements do not qualify for hedge accounting and, accordingly, were marked to market at year-end. The associated \$0.3 million net expense was recorded in other income in the accompanying Consolidated Statements of Income.

Subsequent to year-end, the foreign currency swap settled on January 12, 2002, and the written option included in the loan commitment expired on February 11, 2002, resulting in a combined loss and amortization expense of \$1.2 million to be realized during the first quarter of 2002.

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. We did not have any interest rate swap agreements outstanding during 2001, at December 30, 2001 or at December 31, 2000.

During 2001 and 2000, there were no significant gains or losses recognized in earnings for hedge ineffectiveness or for discontinued hedges as a result of an expectation that the forecasted transaction would no longer occur.



## Notes to Consolidated Financial Statements

Derivatives are either exchange-traded instruments that are highly liquid, or over-the-counter instruments with highly rated financial institutions. No credit loss is anticipated as the counterparties to over-the-counter instruments generally have long-term

ratings from S&P or Moody's, that are no lower than A or A2, respectively. Additionally, most counterparty fair value positions favorable to us and in excess of certain thresholds are collateralized with cash, U.S. Treasury securities or letters of credit. We have reciprocal collateralization responsibilities for fair value positions unfavorable to us and in excess of certain thresholds. At December 30, 2001, we had zero counterparty collateral and had none outstanding.

### 13. Other Comprehensive Income

(In thousands)	Foreign currency translation adjustments	Unrealized gain (loss) on avail- able-for-sale- securities and derivative instruments	Minimum Pension Liability Adjustment	Accumulated other comprehensive income
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 – available-for-sale securities and derivative instruments		(4,058)		(4,058)
Reclassification adjustment – accumulated translation adjustment – 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
Foreign currency translation adjustments	22			22
Unrealized gain on available-for-sale securities		5,997		5,997
Unrealized loss on derivative instruments		(10,000)		(10,000)
Minimum pension liability adjustment			(13,668)	(13,668)
Reclassification adjustment – available-for-sale securities		(4,042)		(4,042)
Reclassification adjustment – derivative instruments		(3,858)		(3,858)
Tax (expense) benefit	(8)	4,523	5,181	9,696
Balances, December 30, 2001	\$ (357)	\$ (3,747)	\$ (8,487)	\$(12,591)

#### 14. 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 30, 2001, December 31, 2000, and December 26, 1999, are as follows:

(In thousands)	2001	2000	1999
<b>United States and its territories</b>			
Net revenues	\$2,353,843	\$2,331,693	\$2,177,407
Operating income	\$ 133,361	\$ 163,563	\$ 148,823
Pretax income	\$ 182,317	\$ 185,082	\$ 161,281
<b>Other foreign countries</b>			
Net revenues	\$ 75,619	\$ 82,722	\$ 59,077
Operating income (loss)	\$ 18,244	\$ (12,937)	\$ (8,288)
Pretax income (loss)	\$ 15,696	\$ (15,557)	\$ (10,614)

Included in 2001, 2000 and 1999 foreign revenues are earnings from CCI, our investment accounted for using the equity method of accounting (see Note 10, Investments). Included in operating income and pretax income are net special charges of \$23.2 million, \$15.2 million and \$5.7 million, for 2001, 2000 and 1999, respectively (see Note 9, Special Charges). The 2001 net special charge included a charge of \$25.9 million related to the United States and its territories and a credit of \$2.7 million related to other foreign countries. 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 related entirely to the United States and its territories.

The net long-lived assets, including Property, Goodwill and other intangible assets, located in the United States and its territories and all other foreign countries as of December 30, 2001, December 31, 2000, and December 26, 1999, are as follows:

(In thousands)	2001	2000	1999
United States and its territories	\$955,615	\$786,966	\$758,875
Other foreign countries	384	3,622	8,939
Total	\$955,999	\$790,588	\$767,814

The total net export sales (in thousands) during 2001, 2000 and 1999 were \$205,187, \$202,832 and \$185,260, respectively.

We are currently evaluating the impact the Carling acquisition will have on our number of reporting segments for 2002. At this time, we anticipate having two reportable operating segments: the Americas and Europe. See Note 17, Subsequent Event, for discussion of the Carling acquisition.

#### 15. Commitments and Contingencies

**Insurance** It is our policy to be self-insured for certain insurable risks consisting primarily of employee health insurance programs, as well as workers' compensation, general liability and property insurance deductibles. During 2001, 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 30, 2001, we had approximately \$5.8 million outstanding in letters of credit with certain financial institutions. These letters expire in March 2003. 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 collateralize principal and interest on industrial revenue bonds issued by us.

As part of the settlement and indemnification agreement related to the Lowry landfill site with the City and County of Denver and Waste Management of Colorado, Inc., we agreed to post a letter of credit equal to the present value of our share of future estimated costs if estimated future costs exceed a certain amount and our long-term credit rating falls to a certain level. Although future estimated costs now exceed the level provided in the agreement, our credit rating remains above the level that would require this letter of credit to be obtained. Based on our preliminary evaluation, should our credit rating fall below the level stipulated by the agreement, it is reasonably possible that the letter of credit that would be issued could be for as much as \$10 million. For additional information see the Environmental section below.

## Notes to Consolidated Financial Statements

**Financial guarantees** We have a 1.1 million yen financial guarantee outstanding on behalf of our subsidiary, Coors Japan. This subsidiary guarantee is primarily for two working capital lines of credit and payments of certain duties and taxes. One of the lines provides up to 500 million yen and the other provides up to 400 million yen (approximately \$6.8 million in total as of December 30, 2001) in short-term financing. As of December 30, 2001, the approximate yen equivalent of \$3.0 million was outstanding under these arrangements and is included in Accrued expenses and other liabilities in the accompanying Consolidated Balance Sheets.

**Power supplies** Coors Energy Company (CEC), a fully owned subsidiary of ours, entered into a 10-year agreement to purchase 100% of the brewery's coal requirements from Bowie Resources Ltd. (Bowie). The coal then is sold to Trigen-Nations Energy Corporation, L.L.L.P. (Trigen).

We have an agreement to purchase the electricity and steam needed to operate the brewery's Golden facilities through 2020 from Trigen. Our financial commitment under this agreement is divided between a fixed, non-cancelable cost of approximately \$14.6 million for 2002, which adjusts annually for inflation, and a variable cost, which is generally based on fuel cost and our electricity and steam use. Total purchases, fixed and variable, under this contract in 2001, 2000 and 1999 were \$29.8 million, \$28.4 million and \$26.3 million, respectively.

**Supply contracts** We have various long-term supply contracts with unaffiliated third parties and our joint ventures 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)
2002	\$478,800
2003	195,750
2004	195,750
2005	93,500
Total	\$963,800

Our total purchases under these contracts in 2001, 2000 and 1999 were approximately \$243.3 million, \$235.0 million and \$177.9 million, respectively.

**Brewing and packaging contract** In December 2000, we entered into a five year 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 in 2001 was 250,000 barrels, none of which was used by us. Starting in 2002, this available capacity increases up to 500,000 barrels. Currently, we pay Molson a fee for holding this capacity aside for our future use. The annual fee starting in 2002 is 1.5 million Canadian dollars which results in an annual commitment of approximately \$1 million. As of December 30, 2001, we are fully accrued for all fees required under the terms of this agreement.

**Third-party logistics contract** We are consolidating our California and Colorado finished goods warehouse network and EXEL, Inc. is providing warehouse services in Ontario, California, for us under a seven-year operating agreement. The operating costs which total \$2.6 million have been agreed to for the first year of operation. We will be conducting an annual review of the scope of services with EXEL to determine pricing for the following years. Any increases are limited to 3% annually.

**Graphic Packaging International Corporation** We have a packaging supply agreement with a subsidiary of Graphic Packaging International Corporation (GPIC) under which we purchase a large portion of our paperboard requirements. We have begun negotiations to extend the term of this contract which expires in 2002. We expect it to be renewed prior to expiration. Our purchases under the packaging agreement in 2001, 2000 and 1999 totaled approximately \$125 million, \$112 million and \$107 million, respectively. We expect purchases in 2002 under the packaging agreement to be approximately \$118 million. Related accounts receivable balances included in Affiliates Accounts Receivable on the Consolidated Balance Sheets were immaterial in 2001 and 2000. Related accounts payable balances included in Affiliates Accounts Payable on the Consolidated Balance Sheets were \$0.5 million and \$1.3 million in 2001 and 2000, respectively. 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 42% of GPIC's common stock and 100% of GPIC's series B preferred stock, which is currently convertible into 48,484,848 shares of GPIC's common stock. If converted, the trusts would own approximately 78% of GPIC's common stock. Peter H. Coors is also a trustee of some of these trusts.

**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 30, 2001, the future commitments are as follows:

Fiscal Year	Amount (In thousands)
2002	\$40,909
2003	11,512
2004	10,618
2005	9,221
2006	7,933
Thereafter	11,299
Total	\$91,492

**Environmental** We were one of a number of entities named by the Environmental Protection Agency (EPA) as a potentially responsible party (PRP) at the Lowry Superfund site. This landfill is owned by the City and County of Denver (Denver), and was managed by Waste Management of Colorado, Inc. (Waste). In 1990, we recorded a special pretax charge of \$30 million, a portion of which was put into a trust in 1993 as part of an agreement with Denver and Waste to settle the outstanding litigation related to this issue.

Our settlement was based on an assumed cost of \$120 million (in 1992 adjusted dollars). It requires us to pay a portion of future costs in excess of that amount.

In January 2002, in response to the EPA's five-year review conducted in 2001, Waste provided us with updated annual cost estimates through 2032. We have reviewed these cost estimates in the assessment of our accrual related to this issue. In determining that the current accrual is adequate, we eliminated certain costs included in Waste's estimates, primarily trust management costs that will be accrued as incurred, certain remedial costs for which technology has not yet been developed and income taxes which we do not believe to be an included cost in the determination of when the \$120 million threshold is reached. We generally used a 2% inflation rate for future costs, and discounted certain operations and maintenance costs at the site that we deemed to be determinable, at a 5.46% risk-free rate of return. Based on these assumptions, the present value and gross amount of discounted costs are approximately \$1 million and \$4 million, respectively. We did not assume any future recoveries from insurance companies in the estimate of our liability.

There are a number of uncertainties at the site, including what additional remedial actions will be required by the EPA, and what costs are included in the determination of when the \$120 million threshold is reached. Because of these issues, the estimate of our liability may change as facts further develop, and we may need to increase the reserve. While we cannot predict the amount of any such increase, an additional accrual of as much as \$25 million is reasonably possible based on our preliminary evaluation, with additional cash contributions beginning as early as 2013.



## Notes to Consolidated Financial Statements

We were one of several parties named by the EPA as a PRP 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. However, we believe they would be immaterial to our operating results, cash flows and financial position.

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. A settlement reached in February 2001 with the Colorado Department of Public Health and Environment was modified based on public comment, including comments by the EPA. As a result, permit violations that occurred several years prior to the accidental spill were included in the settlement, as well as economic benefit penalties related to those prior violations. A total civil penalty of \$100,000 was assessed in the final settlement with the Department reached in August 2001. In addition, we will undertake an evaluation of our process wastewater treatment plant. On December 21, 2001, we settled with the Colorado Division of Wildlife for the loss of fish in Clear Creek. We have agreed to construct, as a pilot project, a tertiary treatment wetlands area to evaluate the ability of a wetlands to provide additional treatment to the effluent from our waste treatment facilities. We will also pay for the stocking of game fish in the Denver metropolitan area and the cost of two graduate students to assist in the research of the pilot project. The anticipated costs of the project are estimated to be approximately \$500,000. The amounts of these settlements have been fully accrued as of December 30, 2001.

From time to time, we have been notified that we are or may be a PRP 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.

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, cash flows or our financial or competitive position. We believe adequate reserves have been provided for losses that are probable and estimable.

**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, results of operations or cash flows.

**Restructuring** At December 30, 2001, 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 postretirement benefits other than pensions. For the restructuring liabilities incurred during 2001, 2000 and 1999, see discussion in Note 9, Special Charges.

**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 was negotiated in early 2001. The new contract expires in 2005.

## 16. Quarterly Financial Information (Unaudited)

The following summarizes selected quarterly financial information for each of the two years in the period ended December 30, 2001.

Income in 2001 was decreased by a net special pretax charge of \$23.2 million and income in 2000 was decreased by a net special pretax charge of \$15.2 million. Refer to Note 9 for a further discussion of special charges.

(In thousands, except per share data)

	First	Second	Third	Fourth	Year
<b>2001</b>					
Gross sales	\$ 637,828	\$ 809,729	\$ 742,654	\$ 652,541	\$ 2,842,752
Beer excise taxes	(94,128)	(117,029)	(107,991)	(94,142)	(413,290)
Net sales	543,700	692,700	634,663	558,399	2,429,462
Cost of goods sold	(351,153)	(424,880)	(402,306)	(359,284)	(1,537,623)
Gross profit	\$ 192,547	\$ 267,820	\$ 232,357	\$ 199,115	\$ 891,839
Net income	\$ 18,328	\$ 49,852	\$ 38,916	\$ 15,868	\$ 122,964
Net income per common share – basic	\$ 0.49	\$ 1.34	\$ 1.05	\$ 0.44	\$ 3.33
Net income per common share – diluted	\$ 0.49	\$ 1.33	\$ 1.05	\$ 0.44	\$ 3.31
<b>2000</b>					
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	\$ 888,586
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

## 17. Subsequent Event

On February 2, 2002, we acquired 100% of the outstanding shares of Bass Holdings Ltd. and certain other intangible assets from Interbrew S.A. as well as paying off certain intercompany loan balances with Interbrew for a total purchase price of £1.2 billion (approximately \$1.7 billion), plus associated fees and expenses and a restructuring provision. The purchase price is subject to adjustment based on the value of working capital, certain intercompany trade balances and undistributed earnings from joint ventures as of the acquisition date. This acquisition resulted in us obtaining the United Kingdom (U.K.) based Carling business. The Carling Brewers' business, subsequently renamed Coors Brewers Limited, includes the majority of the assets that previously

During the fourth quarter of 2000, we reduced our total expenses 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.

made up Bass Brewers, including the Carling, Worthington and Caffrey's brand beers; the U.K. distribution rights to Grolsch (via a joint venture with Grolsch N.V.); several other beer and flavored-alcoholic beverage brands; related brewing and malting facilities in the U.K.; and a 49.9% interest in the distribution logistics provider, Tradeteam. Coors Brewers is the second-largest brewer in the U.K. and Carling lager is the best-selling beer brand in the U.K. The brand rights for Carling, which is the largest acquired brand by volume, are mainly for territories in Europe. The addition of Coors Brewers reduces our reliance on one product in North America and also creates a broader, more diversified company in a consolidating global beer market.

## Notes to Consolidated Financial Statements

The following table summarizes the preliminary estimated fair values of the assets acquired and liabilities assumed at the date of acquisition. We are in the process of obtaining third-party valuations of certain tangible and intangible assets and of pension and other liabilities, and analyzing other market or historical information for certain estimates. We are also finalizing the tax and financing structure of the acquired business and evaluating certain restructuring plans. Accordingly, the allocation of the purchase price is subject to change. Also, as noted above, the purchase price is subject to further adjustments, which have not yet been finalized with Interbrew. These adjustments will result in further change to the purchase price allocation.

As of February 2, 2002	(In millions)
Current assets	\$ 547
Property, plant and equipment	445
Other assets	444
Intangible assets	415
Goodwill	532
Total assets acquired	2,383
Current liabilities	(428)
Non-current liabilities	(238)
Total liabilities assumed	(666)
Net assets acquired	\$1,717

Of the \$415 million of acquired intangible assets, approximately \$389 million has been assigned to brand names and distribution rights. The remaining \$26 million was assigned to patents and technology and distribution channels. The respective lives of these assets and the resulting amortization is still being evaluated.

In March 2002, we announced plans to close our Cape Hill brewery and Alloa malting facility. A majority of the production at the Cape Hill brewery relates to brands that were retained by Interbrew. The production at the Alloa malting facility will be moved to one of the other existing malting facilities. The plan to close these sites and the associated exit costs have been reflected in the purchase price allocation above.

We funded the acquisition with approximately \$150 million of cash on hand and approximately \$1.55 billion of combined debt as described below at the prevailing exchange rate:

Term	Facility Currency Denomination	Balance (In millions)
5 year Amortizing term loan	USD	\$ 478
5 year Amortizing term loan (£228 million)	GBP	322
9 month Bridge facility	USD	750
		\$1,550

In conjunction with the term loan and bridge facility, we incurred financing fees of approximately \$9 million and \$500,000, respectively. These fees will be amortized over the respective term of the borrowing. There is an additional financing fee on the bridge facility of approximately \$1.1 million if the facility is not repaid by May 15, 2002. We expect to refinance our nine month bridge facility through issuance of long-term financing prior to maturity.

Amounts outstanding under both our term loan and our bridge facility bear interest, at our option, at a rate per annum equal to either an adjusted LIBOR or an alternate rate, in each case plus an additional margin. The additional margin is set based upon our investment grade. If our investment grade changes, the additional margin is subject to adjustment. Interest is payable quarterly unless the selected LIBOR is for a time period less than 90 days, in which case the interest is payable in the time period corresponding to the selected LIBOR.

Our term loan is payable quarterly in arrears beginning March 28, 2003, pursuant to the amortization schedule below, and matures February 1, 2007.

Year of annual payments	Amortization rate of term loans
2003	15%
2004	20%
2005	25%
2006	30%
2007	10%
	100%

We and all of our existing and future, direct and indirect, domestic subsidiaries, other than immaterial domestic subsidiaries, have guaranteed our term loan.

Our term loan requires us to meet certain periodic financial tests, including maximum total leverage ratio and minimum interest coverage ratio. There are also certain restrictions on indebtedness, liens and guarantees; mergers, consolidations and some types of acquisitions and assets sales; dividends and stock repurchases; and certain types of business in which we can engage. We expect to timely repay this facility in accordance with its terms.

## Selected Financial Data

Following is selected financial data for 5 years ended December 30, 2001:

(In thousands, except per share)	2001	2000 <sup>1</sup>	1999	1998	1997
<b>Consolidated Statement of Operations Data</b>					
Gross sales	<b>\$ 2,842,752</b>	\$ 2,841,738	\$ 2,642,712	\$ 2,463,655	\$ 2,378,143
Beer excise taxes	<b>(413,290)</b>	(427,323)	(406,228)	(391,789)	(386,080)
Net sales	<b>2,429,462</b>	2,414,415	2,236,484	2,071,866	1,992,063
Cost of goods sold	<b>(1,537,623)</b>	(1,525,829)	(1,397,251)	(1,333,026)	(1,302,369)
Gross profit	<b>891,839</b>	888,586	839,233	738,840	689,694
Other operating expenses					
Marketing, general and administrative	<b>(717,060)</b>	(722,745)	(692,993)	(615,626)	(573,818)
Special (charges) credits	<b>(23,174)</b>	(15,215)	(5,705)	(19,395)	31,517
Total other operating expenses	<b>(740,234)</b>	(737,960)	(698,698)	(635,021)	(542,301)
Operating income	<b>151,605</b>	150,626	140,535	103,819	147,393
Other income (expense) – net	<b>46,408</b>	18,899	10,132	7,281	(500)
Income before income taxes	<b>198,013</b>	169,525	150,667	111,100	146,893
Income tax expense	<b>(75,049)</b>	(59,908)	(58,383)	(43,316)	(64,633)
Income from continuing operations	<b>\$ 122,964</b>	\$ 109,617	\$ 92,284	\$ 67,784	\$ 82,260
Per share of common stock					
– basic	<b>\$ 3.33</b>	\$ 2.98	\$ 2.51	\$ 1.87	\$ 2.21
– diluted	<b>\$ 3.31</b>	\$ 2.93	\$ 2.46	\$ 1.81	\$ 2.16
<b>Consolidated Balance Sheet Data</b>					
Cash and cash equivalents and short-term and long-term marketable securities	<b>\$ 309,705</b>	\$ 386,195	\$ 279,883	\$ 287,672	\$ 258,138
Working capital	<b>\$ 88,984</b>	\$ 118,415	\$ 220,117	\$ 165,079	\$ 158,048
Properties, at cost, net	<b>\$ 869,710</b>	\$ 735,793	\$ 714,001	\$ 714,441	\$ 733,117
Total assets	<b>\$ 1,739,692</b>	\$ 1,629,304	\$ 1,546,376	\$ 1,460,598	\$ 1,412,083
Long-term debt <sup>4</sup>	<b>\$ 20,000</b>	\$ 105,000	\$ 105,000	\$ 105,000	\$ 145,000
Other long-term liabilities <sup>4</sup>	<b>\$ 47,480</b>	\$ 45,446	\$ 52,579	\$ 56,640	\$ 23,242
Shareholders' equity	<b>\$ 951,312</b>	\$ 932,389	\$ 841,539	\$ 774,798	\$ 736,568
<b>Cash Flow Data</b>					
Cash provided by operations	<b>\$ 193,396</b>	\$ 280,731	\$ 211,324	\$ 198,215	\$ 273,803
Cash used in investing activities	<b>\$ (196,749)</b>	\$ (297,541)	\$ (121,043)	\$ (146,479)	\$ (141,176)
Cash used in financing activities	<b>\$ (38,844)</b>	\$ (26,870)	\$ (87,687)	\$ (60,661)	\$ (72,042)
<b>Other Information</b>					
Barrels of malt beverages sold	<b>22,713</b>	22,994	21,954	21,187	20,581
Dividends per share of common stock	<b>\$ 0.800</b>	\$ 0.720	\$ 0.645	\$ 0.600	\$ 0.550
EBITDA <sup>2</sup>	<b>\$ 300,208</b>	\$ 298,112	\$ 273,213	\$ 243,977	\$ 236,984
Capital expenditures	<b>\$ 244,548</b>	\$ 154,324	\$ 134,377	\$ 104,505	\$ 60,373
Total debt to total capitalization <sup>3</sup>	<b>9.9%</b>	10.1%	11.1%	15.8%	19.0%

<sup>1</sup> 53-week year versus 52-week year.

<sup>2</sup> EBITDA is not a measure of financial performance under generally accepted accounting principles. EBITDA is defined as earnings before interest, taxes, depreciation and amortization and excludes special (charges) credits, which are shown above, and gains on sales of distributorships in 2001 and 2000.

<sup>3</sup> Total capitalization is defined as total debt plus shareholders' equity.

<sup>4</sup> See Note 17, Subsequent Events, in the Notes to the Consolidated Financial Statements for discussion of debt incurred relative to the Carling acquisition.



## Boards of Directors

### Adolph Coors Company and Coors Brewing Company

**William K. Coors**

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.

**Franklin W. "Fritz" Hobbs**

Chief Executive Officer,  
Houlihan Lokey  
Howard & Zuckin.  
Director since 2001.

**Pamela H. Patsley**

Senior Executive Vice President,  
First Data Corporation.  
Director since 1996.

**Wayne R. Sanders**

Chairman and  
Chief Executive Officer,  
Kimberly-Clark Corporation.  
Director since 1995.

**Dr. Albert C. Yates**

President,  
Colorado State University.  
Director since 1998.

**Joseph Coors**

Director Emeritus,  
Adolph Coors Company and  
Coors Brewing Company.  
Director from 1942 to 2000.

## Officers

**Adolph Coors Company****William K. Coors**

Chairman of the Board

**Peter H. Coors**

President and  
Chief Executive Officer

**W. Leo Kiely III**

Vice President

**David G. Barnes**

Vice President and Treasurer

**Peter M.R. Kendall**

Vice President,  
United Kingdom and Europe

**Robert D. Klugman**

Vice President, International

**Katherine L. MacWilliams**

Vice President, Control  
and International Finance

**Annita Menogan**

Secretary

**Robert M. Reese**

Vice President and  
Chief Legal Officer

**Ronald A. Tryggestad**

Vice President and Controller

**Timothy V. Wolf**

Vice President and  
Chief Financial Officer

**Coors Brewing Company****Peter H. Coors**

Chairman of the Board

**William K. Coors**

Chairman, Executive Committee

**W. Leo Kiely III**

President and  
Chief Executive Officer

**Ronald G. Askew**

Senior Vice President and  
Chief Marketing Officer

**David G. Barnes**

Vice President, Finance,  
and Treasurer

**Carl L. Barnhill**

Senior Vice President, Sales

**Peter M.R. Kendall**

Chief Executive Officer,  
Coors Brewers Limited

**Robert D. Klugman**

Senior Vice President,  
Corporate Development, and  
Chief International Officer

**Katherine L. MacWilliams**

Vice President, Control  
and International Finance

**Annita Menogan**

Secretary

**Robert M. Reese**

Senior Vice President and  
Chief Legal Officer

**Mara E. Swan**

Senior Vice President and  
Chief People Officer

**Ronald A. Tryggestad**

Vice President and Controller

**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 16, 2002, 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 Kay Guthrie in Shareholder Relations, (303) 277-7759. Shareholders may obtain a copy of the Company's 2001 Annual Report on Form 10-K filed with the Securities and Exchange Commission by visiting our Web site, [www.coors.com](http://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](http://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](http://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](http://www.coors.com).

### Transfer Agent

EquiServe Trust Company, 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 15, 2002: 2,916.

Class B common shares outstanding as of March 15, 2002: 34,750,352.

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:

2001	High	Low	Dividends
First Quarter	78.25	61.375	\$0.185
Second Quarter	67.11	49.39	\$0.205
Third Quarter	52.40	43.59	\$0.205
Fourth Quarter	59.27	43.83	\$0.205

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

In February, the Company declared a quarterly dividend of 20.5 cents per share, which was paid March 15, 2002, to shareholders of record February 28, 2002.

### Equal Opportunity at Coors

Coors employs 8,650 people worldwide, which includes 3,150 employees of Coors Brewers Limited in the United Kingdom, 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](http://www.coors.com)**