Adolph Coors Company 2002 Annual Report

To be the BEST

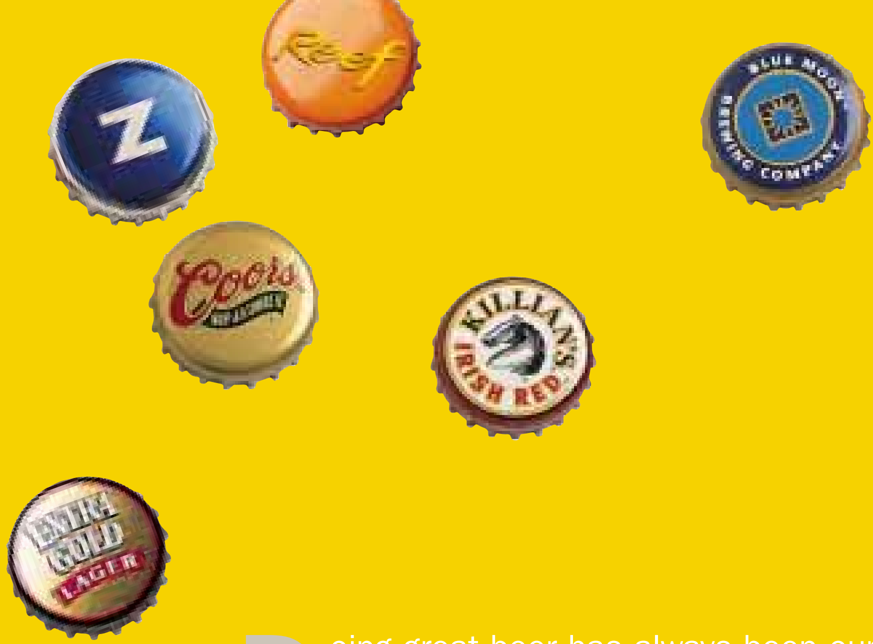
To be the BEST in the beer business.

It's like a long climb up a tall and difficult mountain. It's exhilarating, but it's hard work that requires absolute focus.

The climb accelerated as we transformed Coors in several important ways in 2002. Our acquisition of one of the U.K.'s largest beer businesses dramatically increased our scale, breadth and potential. A completely new U.S. advertising approach launched a renewed drive to strengthen Coors Light and other brands. And throughout the organization, we made dramatic strides in productivity improvement and cost reduction.

Even with our transformation, we still have a long way to go in our climb to be the best. But look how far we've come, just in 2002.

Base camp in the climb to be the best: brewing great beers. It all starts with what goes in the can, bottle and keg.

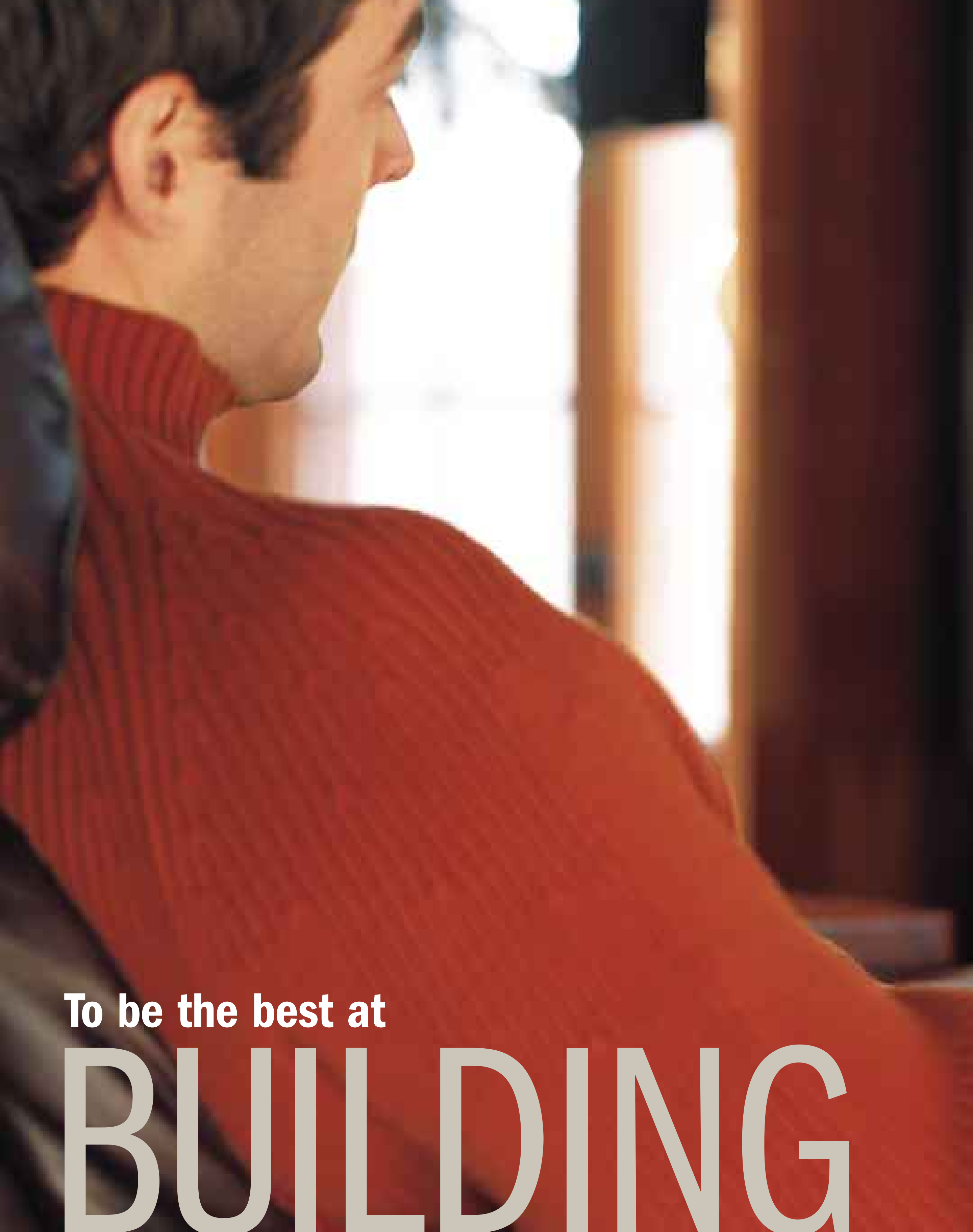


Doing great beer has always been our passion. Coors Light, one of America's favorite light beers, Coors Original, George Killian's Irish Red, Zima, Keystone, Blue Moon, Extra Gold and Coors NA all represent a great brewing tradition born in the Rockies – cold, crisp refreshment for every taste.

The Coors Brewers Limited (CBL) acquisition brought us market leadership across the Atlantic with Carling, the U.K.'s best-selling beer; Grolsch, the U.K.'s fastest-growing major premium lager; Worthington's, a traditional ale served in more than 17,000 pubs; Caffrey's, the U.K.'s number-one premium ale; and Reef, a flavored alcohol beverage.

But great beer is just the start. To be the best, you need innovative marketing, disciplined operations and, most of all, talented, engaged people. That's what Coors is all about.

Our relationship with Canada's oldest brewer, Molson, brings a great Canadian taste to our U.S. portfolio and has helped make Coors Light Canada's best-selling light beer.


To be the best at
BUILDING

In 2002 we strengthened our focus on young, legal-drinking-age males – on being relevant to them at a time in their lives when they're forming many of their brand preferences, including beer.

BRANDS

A Coors Light sponsorship deal signed with Miramax will associate us with our target market's favorite movies.

What do young adult beer drinkers love? They love hangin' with their friends, burritos at 4 a.m.; playin' two-hand touch, eatin' way too much; watching their team win… and twins.

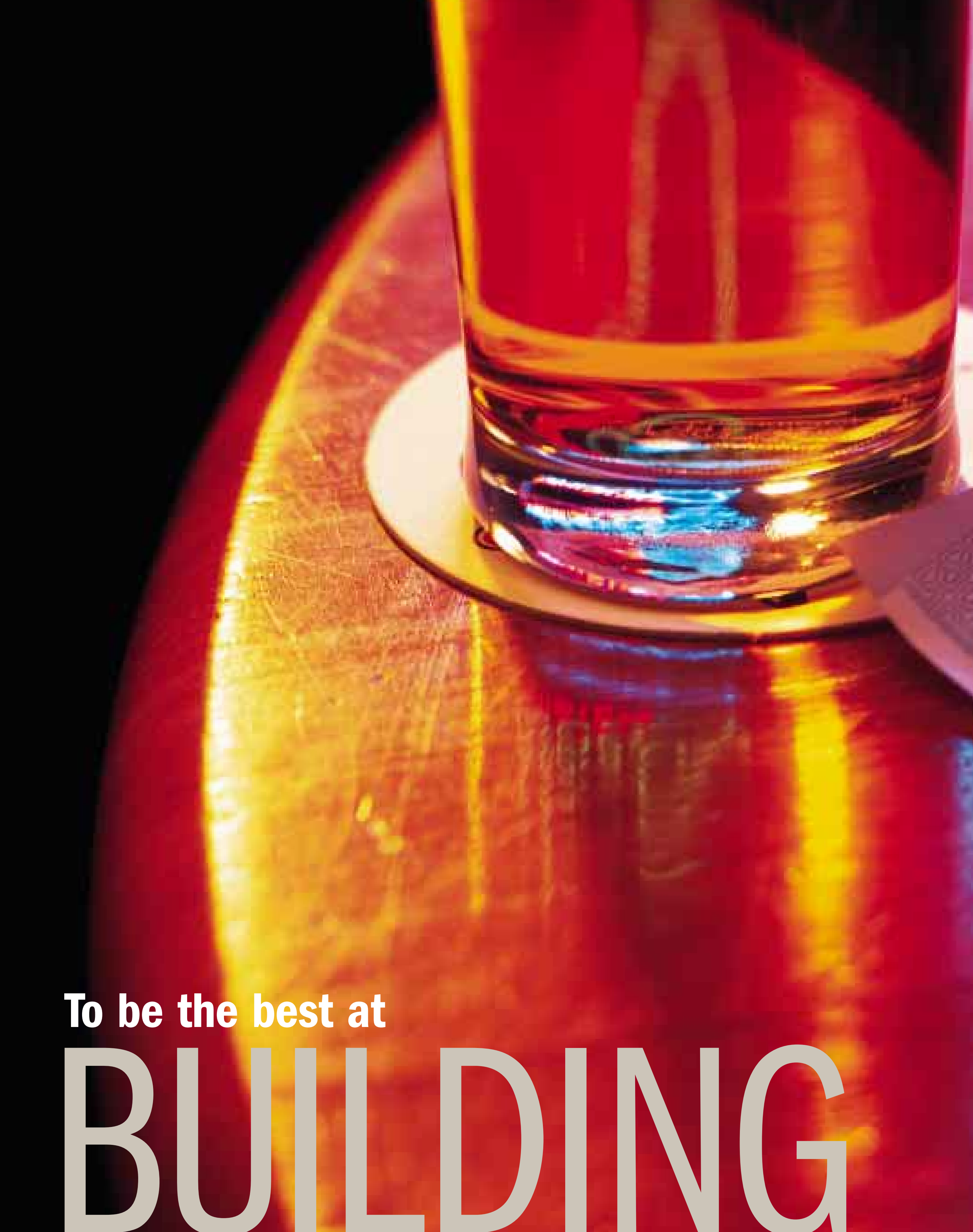
Coors traditionally has done a good job of reaching the majority of beer consumers, but in 2002 we sharpened the focus of our national marketing and advertising on the 21–25-year-old market in a way that beer drinkers of all ages could relate to. The twins were an immediate hit – the "Love Songs" spot was rated number one of all ads – not just beer ads – by Internet and other surveys. Rock on.

Meanwhile, CBL invested heavily in innovative packaging, clever advertising and relevant sponsorships to build core brands Carling, Grolsch, Worthington's and Reef in the U.K.

With draught dispensed at 2 degrees centigrade – 4 degrees colder than traditional English draught lagers – the launch of Carling Extra Cold capitalized on young U.K. adults' growing taste for cold lager.

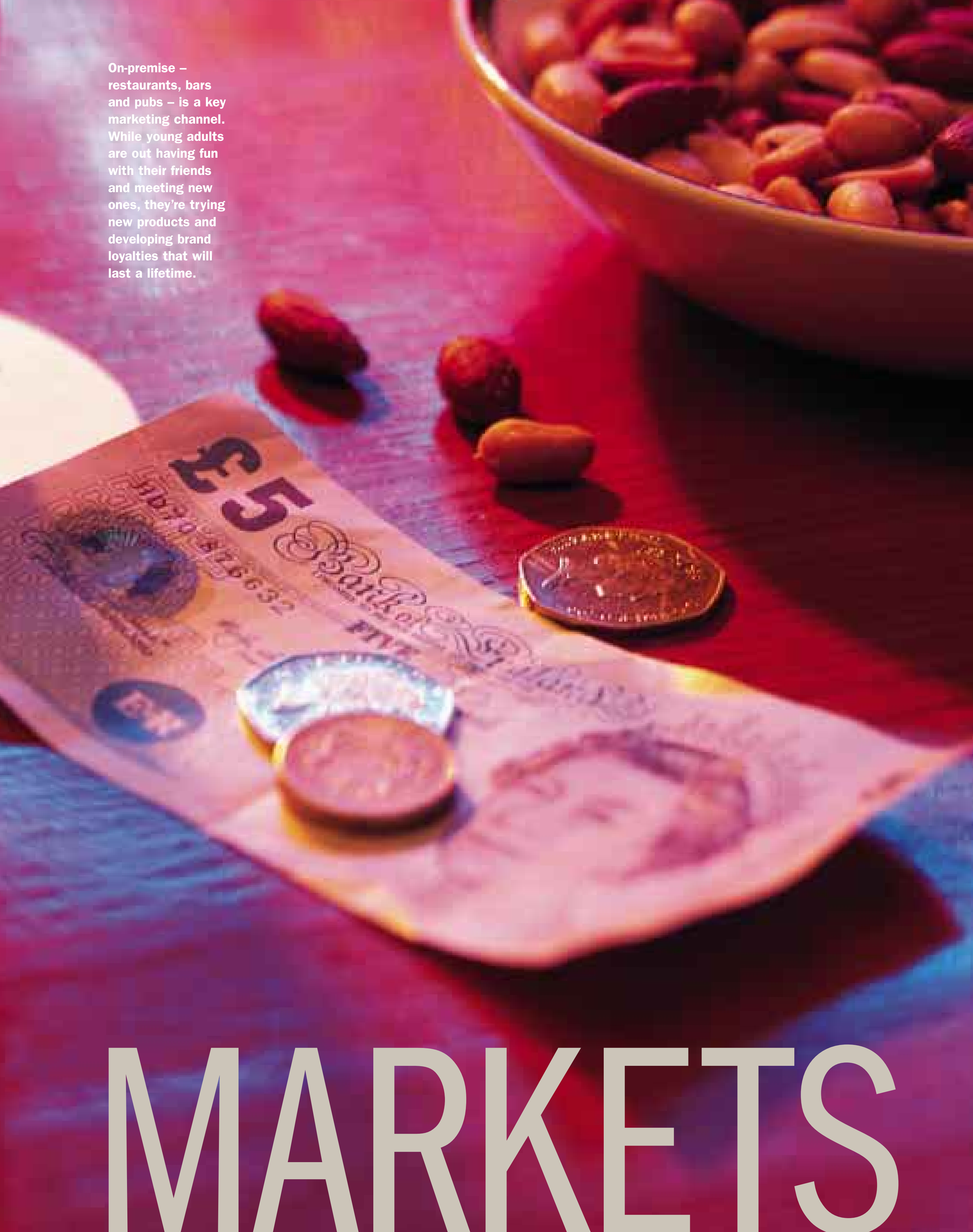
Coors' U.S. advertising transformed: young, exciting, memorable – and relevant.

In 2002 Coors Light became the official beer sponsor of the NFL. As part of the sponsorship, the NFL is allowing the use of its footage and logo in Coors advertising. Here's to football!



To be the best at

BUILDING

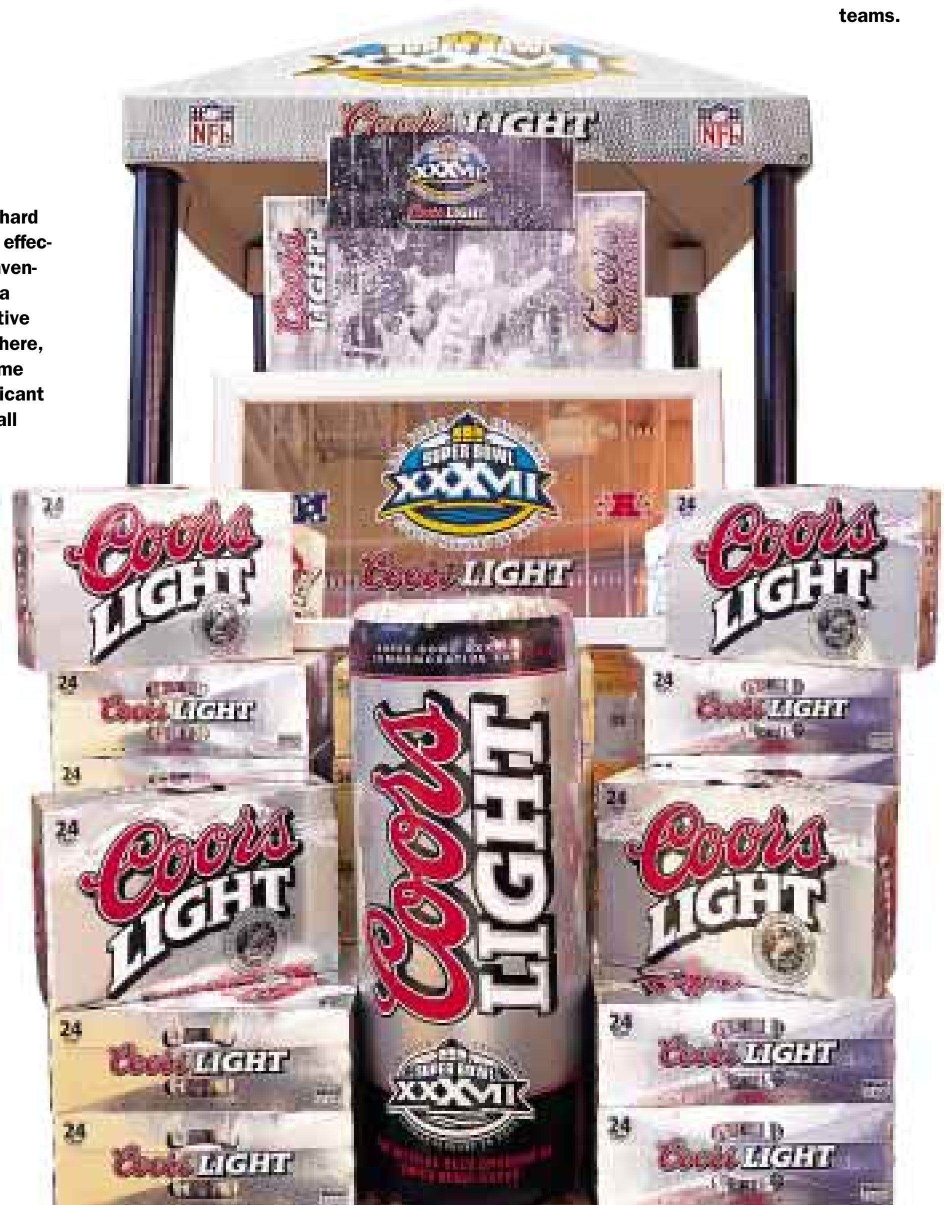


On-premise – restaurants, bars and pubs – is a key marketing channel. While young adults are out having fun with their friends and meeting new ones, they're trying new products and developing brand loyalties that will last a lifetime.

MARKETS

A focused approach that plays to Coors' strengths: building presence, one market at a time.

Carling is rapidly building presence in Scotland through advertising investments and sponsorship of the Rangers and Celtic, the nation's two most successful soccer teams.



We're working hard to increase our effectiveness in convenience stores – a highly competitive trial channel where, in our key volume states, a significant percentage of all beer is sold.

Drinkers of Coors products are a diverse group. To reach them effectively, our strategy is a mix of focused tactics, each aimed at highly specific geographic markets, demographic groups and key channels – often in combination – where we have the ingredients to win.

Super Bowl promotions leverage our NFL relationship and expose our brands to the right people, while giving us increased visibility in a great market like San Diego. A longtime relationship with NASCAR, and in 2002 a major sponsorship of the Daytona 500, gain us presence with more 21–35-year-old men nationally than any other sport while developing key geographic markets. In the U.K., focused advertising, relationships with major music venues and sports team sponsorships expand reach and visibility to markets with tremendous potential.

Coors Light's sponsorship of the Grammy-winning Latino band *Maná* is just one aspect of our comprehensive and multifaceted commitment to the Hispanic market.

London is the U.K.'s largest beer market. Through TV, billboard and print advertising, and distribution to the city's most popular pubs, restaurants and music venues, Carling is now No. 4 on-trade and Grolsch grew 20 percent in 2002.

We made excellent progress in reducing costs in 2002 – the goal is to save money so we can reinvest it in growth. Our new partnership with Ball Corporation was a big driver of improved quality and efficiencies in the manufacturing of cans and ends, as well as significant raw material cost savings.

To be the best at REDUCING

COSTS

In 2002, Coors established significant momentum in its company-wide drive to improve productivity and reduce costs. Initiatives focused on packaging materials, manufacturing processes, waste reduction and distribution chain efficiency all contributed to our results. Asset Care, a scheduled maintenance program for our manufacturing equipment, delivered higher line productivity. Our new "segmentation" approach enabled us to select the best mode, route and transportation supplier for each beer shipment at the lowest cost. Distribution network improvements included outsourced logistics management and new warehouses in Golden and southern California.

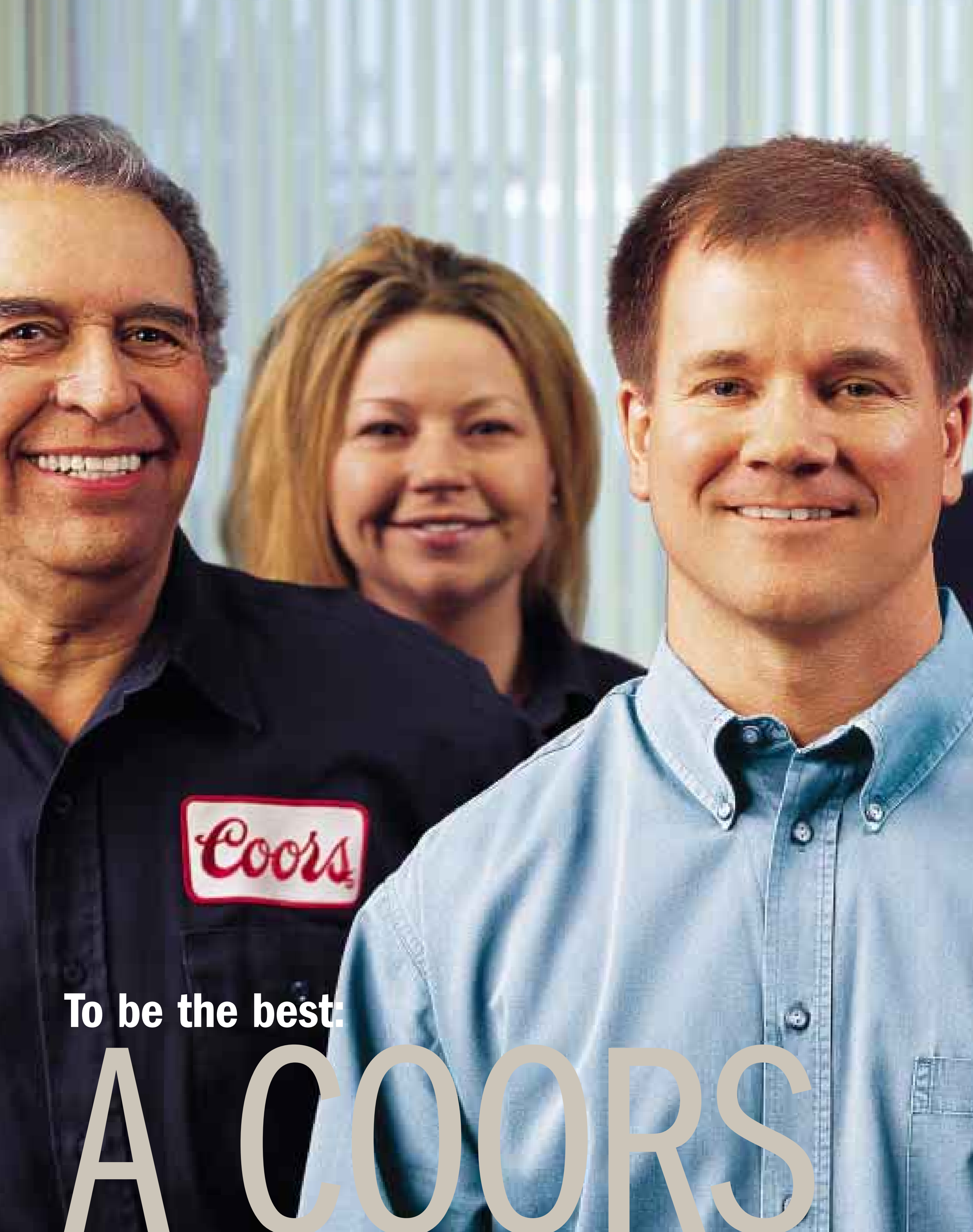
Meanwhile, CBL closed a malting facility and the Cape Hill brewery as part of a comprehensive program in the U.K. to consolidate operations, reduce costs and better balance capacity with demand.

A new state-of-the-art system enables bulk shipping of bottles from the glass plant to the brewery – resulting in reduced costs and significant productivity improvements.

Teams led by Robb Caseria, Dennis Puffer and Lynn Utter made tremendous strides in improving U.S. efficiency and quality.

Cost per barrel declined and productivity increased in 2002, thanks to breakthrough improvements across our entire operation, from breweries to bottling lines to logistics.

We improved productivity throughout the entire organization in 2002 – and we see opportunities to do even better.



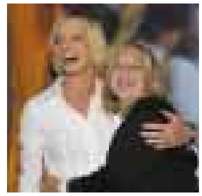
To be the best:

A COORS

Here at Coors, we build a winning culture by living our enduring values every single day – integrity, quality, excelling, creativity and passion. Coors people are talented, honest, dedicated and diverse team players. A key management priority is to continue to develop, engage and inspire them.

CULTURE

Doing things right, and doing the right thing: keys to excelling at Coors.



In 1994, Coors became the national sponsor of the St. Jude Halloween Pin-Up Program. Since then we have raised more than $15 million to benefit St. Jude Children's Research Hospital.

We like to describe our acquisition of the second-largest brewer in the United Kingdom as "talent accretive." The people of CBL, with their love for brewing great beer and passion for winning, are a perfect fit.

Tony Gibbons,
Director of Sales,
Specialists and
Convenience Channel
(Take Home Division),
Coors Brewers Ltd.

We don't want underage drinkers. In addition to community involvement, we provide a variety of services and programs to help our customers strongly address this critical issue.

Excelling. It's a uniquely Coors value. Different from excellence, which is a destination, excelling is an action. It's a habit, an everyday approach that requires a certain restlessness, a certain inability to be satisfied with the state of things. It's a desire to be the best. Folks here at Coors have had it for a while now. The people who joined us at CBL have it, too. It's a major force behind our transformation.

Excelling at Coors goes far beyond brewing and selling beer. It extends to everything we do – being committed to making our communities stronger, taking very seriously our responsibilities as makers and marketers of alcohol beverages, making sure we, every single one of us, uphold the highest standards of ethical behavior in every single thing we do.

Excelling extends to ethics. We at Coors are committed to complying with all rules, regulations and guidelines to ensure sound financial reporting and governance. Even more important are our efforts to build the right behaviors into the fabric of how we go about our day-to-day business.

Financial Highlights

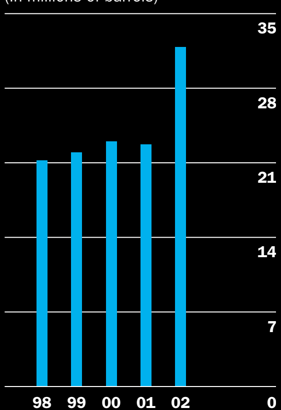
(Dollars in thousands, except per share data, fiscal year ended)	December 29, 2002	December 30, 2001	Change
Barrels of beer and other malt beverages sold	31,841,000	22,713,000	40.2%
Net sales	$3,776,322	$2,429,462	55.4%
Net income	$ 161,653	$ 122,964	31.5%
Properties – net	$1,380,239	$ 869,710	58.7%
Total assets	$4,297,411	$1,739,692	147.0%
Shareholders' equity	$ 981,851	$ 951,312	3.2%
Dividends	$ 29,669	$ 29,510	0.5%
Number of employees	8,700	5,500	58.2%
Number of shareholders of record	2,963	2,916	1.6%
Number of Class A common shares outstanding	1,260,000	1,260,000	–
Number of Class B common shares outstanding	35,080,603	34,689,410	1.1%
Per share of common stock			
Net income – basic	$ 4.47	$ 3.33	34.2%
Net income – diluted	$ 4.42	$ 3.31	33.5%
Net book value	$ 27.17	$ 25.78	5.4%
Dividends	$ 0.82	$ 0.80	2.5%

Results prior to February 2, 2002, do not include Coors Brewers Limited.

Profile Adolph Coors Company, traded on the New York Stock Exchange under the ticker symbol "RKY," is ranked among the 500 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.

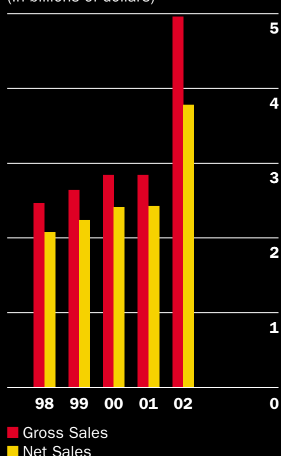
Sales Volume[1]

(In millions of barrels)



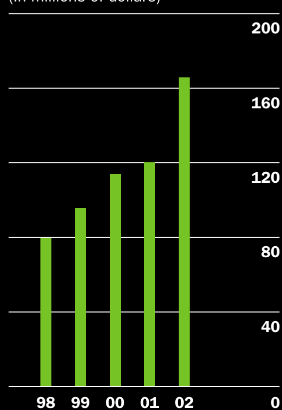
Sales[1,2]

(In billions of dollars)



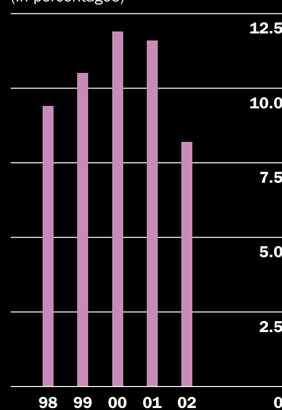
After-tax Income[1,3]

(In millions of dollars)



Return on Invested Capital[1,3,4]

(In percentages)



[1] *Results for periods prior to February 2, 2002, exclude Coors Brewers Limited.*

[2] *The difference between gross sales and net sales represents beer excise taxes.*

[3] *Excluding net special charges (in all years presented) and gains on sale of distributorships (in 2001 and 2000). See the company's consolidated Income Statement for the specific amounts of these exclusions from results calculated using generally accepted accounting principles (GAAP), and go to our Web site, www.coors.com, for a reconciliation of these non-GAAP measures to GAAP results, along with an explanation of why these non-GAAP measures may be useful to investors and why they are used by company management.*

[4] *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. The calculation of Return on Invested Capital for 2002 is based on average invested capital balance from the date of our CBL acquisition to the end of the year in order to properly reflect the year's return inclusive of Coors Brewers Limited.*

To Our Shareholders

Transformational. This is a word you'll hear around here when we talk about 2002. Without question, it was a year of dramatic progress for Coors.

We successfully completed the acquisition and transition of the U.K.'s number-two brewer, giving us a very strong team and a portfolio of leading brands in that market, while significantly increasing the size and breadth of our overall business. We revitalized our U.S. advertising with an exciting new campaign and important new sales and marketing partnerships. Our ongoing efforts to improve our cost structure and productivity gained momentum and delivered significant results.

One thing hasn't been transformed: our vision. In fact, the major accomplishments of the year were a logical extension of what we've been striving to do for some time now. Our focus on the fundamentals of the beer business. Our vision and values. The commitment of our people to successfully execute these fundamentals and strategic planks is what made our progress in 2002 possible.

That said, we didn't grow the way we wanted to in 2002 in our Americas segment. We operated in a continued difficult economic and industry environment, with challenges in both our business segments. Americas volume was up only slightly, and some of our brands declined, particularly Zima and Killian's. In Puerto Rico, Coors Light suffered a one-two punch with a tough economy and an even tougher 50 percent excise tax increase.

Nonetheless, we achieved many of our goals in 2002:

- A year later, it was clear that in Coors Brewers Limited (CBL) we had acquired a great and growing business at an attractive price. The transaction added to our talent and, even after financing costs, to our profitability.
- U.S. operations made significant progress toward our goal of reducing costs and improving our capabilities, while our U.K. business continued to bring its capacity in line with demand.
- Across the business, we were able to invest heavily in our big brands and still deliver significant profit growth.
- We launched exciting new advertising in the United States, and we became the official beer sponsor of the National Football League.
- Our relationship with Molson stepped up another level. Our Canadian Coors Light business delivered double-digit growth both in volume and pretax profit, and we grew Molson USA volume after years of declines.

Carling Lager is Britain's largest beer brand and growing.

Leo Kiely and
Pete Coors in the new
Golden warehouse.

2002 Financial Results

For the total company, 2002 unit volume was 31.8 million U.S. barrels, 22.7 million of which was from the Americas, and 9.2 million from Europe. Gross sales totaled nearly $5 billion for the year, with net sales of $3.8 billion. Thanks primarily to the attractive purchase price of our U.K. acquisition, we delivered substantial profit growth in 2002. Operating income grew 97 percent to $298 million, net income grew 32 percent, and diluted earnings per share increased 34 percent compared with 2001. Results for all periods prior to February 2, 2002, exclude CBL.

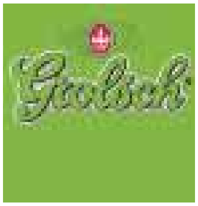
In the Americas, sales volume increased 0.1 percent in 2002 versus the previous year, negatively impacted by declines in Zima, Killian's and Coors Light export to Puerto Rico. Excluding Zima and Coors Light export, our U.S. domestic beer volume was up approximately 1.7 percent. Coors Original declined only slightly during 2002, which was encouraging in a tough year.

Young adults are responding to Coors Light, thanks to impactful, relevant advertising.

Even in a weak economy, the U.S. pricing environment remained steady during the year. In Canada, Coors Light continued to achieve strong growth. Our Molson USA joint venture halted a seven-year double-digit decline, delivering double-digit growth in its flagship Molson Canadian brand. Meanwhile, U.S. operations succeeded in reducing costs per barrel substantially. These and other factors contributed to our increasing gross margins by 1.6 percentage points and pretax income by 3.6 percent in the Americas segment.

Our Europe segment delivered low-single-digit volume growth in 2002, compared with pro forma 2001. In a highly competitive environment, our U.K. brands together gained another 0.4 percentage points of market share for the year. Volume for Carling grew at mid-single-digit rates in both the on-trade and off-trade channels during 2002, while Grolsch and Reef both grew more than 20 percent during the year. Although Worthington's volume fell about 3 percent, it gained market share in the declining mainstream ale segment.

As part of our program to reduce operations costs and better align capacity with demand, our U.K. team closed the Alloa malting facility and the Cape Hill brewery during the year. At the same time, we invested aggressively in marketing our core brands both in established and in high-opportunity markets. Early results from our growth initiatives in Scotland and London are very encouraging.



Grolsch is the U.K.'s fastest-growing major premium lager.

A Pause in the Climb, a Look Ahead

Sometimes events in the business world serve as a wake-up call, causing companies to pause and evaluate how they do business. The misconduct of a number of large publicly held U.S. corporations uncovered in early 2002 was just such a wake-up call. We are proud of our tradition of sound financial and governance practices. Rest assured that it will continue.

We could not be more optimistic as we look to the future. We are implementing dynamic U.S. marketing and advertising strategies that we are convinced will drive positive results over time. We believe the new processes and systems put in place across our operations will continue to reduce our costs and increase productivity, and we see a number of additional areas for substantial improvement in the future.

Our CBL business is very strong, with excellent prospects for both short- and long-term volume and share growth. Equally important, the people who joined us through the acquisition are skilled and committed, with a passion for the beer business that we are proud and pleased to have at Coors. There is no doubt in our minds that we are building the best team in the beer business.

To be the best. That's the goal. Not the biggest… the best… at building our brands, our markets, our business and our talent. It's like climbing a mountain, with varying slopes and unexpected challenges to overcome. As far as we've climbed, we really feel that we are only just beginning to achieve our potential. That's what's so exciting about being a part of Coors.

Thanks for the part you've all played in our success thus far.

Peter Coors
Chairman
Adolph Coors Company and
Coors Brewing Company

Leo Kiely
President and Chief Executive Officer
Adolph Coors Company and
Coors Brewing Company

Getting stronger and more global. In 2002, the CBL acquisition proved to be a very good fit. It added to our talent and contributed immediately to Coors' revenues and profit, creating a stronger, more solid business by broadening the sources of those revenues and profit. Further, the United Kingdom shows significant potential for volume and market share growth.

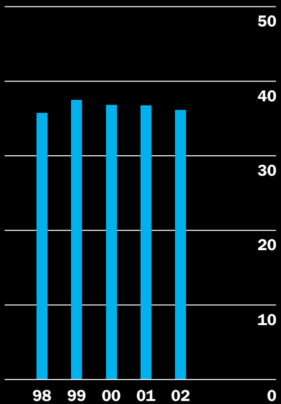
Cost reduction and productivity momentum. The Americas segment built considerable momentum in its ongoing and far-reaching efforts to reduce costs and improve productivity. There remains ample room for improvement on a number of fronts, and we have initiatives in progress to achieve it.

Continued discipline to generate cash and reduce debt. We plan to continue to emphasize debt reduction in our short-term financial strategy as we work to generate cash, control expenses and capital spending, and grow volume.

Financial Contents

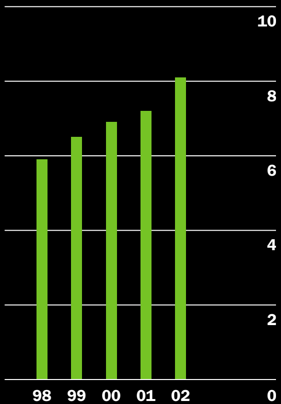
Gross Margin[1]

(In percentages of net sales)



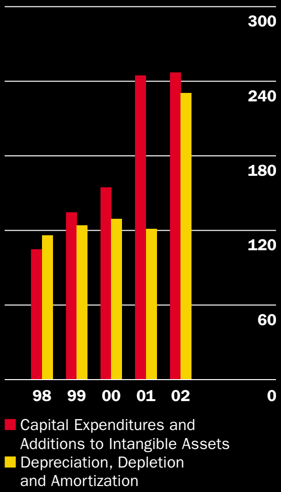
Operating Margin[1,2]

(In percentages of net sales)



Capital Expenditures/ Depreciation, Depletion and Amortization[1]

(In millions of dollars)



[1] *Results for periods prior to February 2, 2002, exclude Coors Brewers Limited.*

[2] *Excluding special items and gains on the sale of distributorships. See the company's consolidated Income Statement for the specific amounts of these exclusions from results calculated using generally accepted accounting principles (GAAP), and go to our Web site, www.coors.com, for a reconciliation of these non-GAAP measures to GAAP results, along with an explanation of why these non-GAAP measures may be useful to investors and why they are used by company management.*

Financial Performance Summary

Despite challenges, we transformed Coors and delivered strong financial performance in 2002.

Tim Wolf

During 2002, a new Coors emerged: stronger, larger, with a broader set of markets that give us more diverse sources of sales, profit and cash flow; a new advertising strategy and new marketing alliances, especially with the NFL; all groups in our company focused and committed to reducing our costs per barrel; and a different capital structure, challenging us to generate cash to reduce debt.

These changes reflect our goal to be a stronger, more global brewer. They also brought new challenges: operating a much larger business; translating great advertising into volume growth; maintaining cost-reduction momentum; reducing debt in a difficult industry and economic environment, particularly in the Americas.

While we are not satisfied with our U.S. volume – and won't be until we regain above-industry growth – we performed well in other important areas. We repaid nearly $210 million in debt in 2002, well ahead of our $190 million goal. The CBL acquisition increased earnings by 27 percent on a book basis and 37 percent on a cash basis. We retained virtually all of CBL's top management team, we grew share significantly in nearly all our key U.K. brands and markets, and we made significant progress in reducing costs and improving efficiency.

Despite the tough Americas market, we grew pretax profits by 3.6 percent, driven largely by our success in reducing costs of goods per barrel – the result of an ongoing and far-reaching focus on productivity and cost reduction that began in 2001 and developed momentum in 2002. In the United States, our advertising began to show traction, as reflected in significant increases in unaided awareness and purchase intent – improvements we believe bode well for volume growth in 2003.

To be sure, there are new challenges that we face in 2003, particularly in the first half of the year: a traditionally slow January in the U.K., increased pension plan costs and significant interest expense.

We face challenges every year, yet we have delivered profit growth for the past seven years, operating in headwinds at least as strong as what we see today. We will continue to make meaningful cost reductions in 2003, including an estimated $15 million from closing the Cape Hill brewery, consolidating production in the U.K., and $8 million from our recent restructuring in the United States. Other initiatives designed to improve line rates, reduce waste and lower transportation costs are under way in our U.S. operations.

We will continue to focus on disciplined debt reduction. We will work to generate incremental cash by selling non-core assets and tightly managing working capital, while holding capital spending at or slightly below 2002 levels. Most importantly, we will continue our intense focus on restoring volume growth in the Americas – clearly the best way to increase profit and generate cash.

We are prepared to attack challenges in 2003. In 2002, we met the challenge of acquiring CBL, making it a key contributor to Coors' success. We will be no less focused and energetic in 2003 in building our volume, reducing costs, generating cash and, above all, continuing to build the best team in the beer world.

Timothy V. Wolf
Chief Financial Officer

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

Introduction

We acquired the Carling business (subsequently renamed CBL) in England and Wales from Interbrew S.A. on February 2, 2002. Since the acquisition was finalized in 2002, the operating results and financial position of CBL are not included in our results discussed below for any period prior to the acquisition. This acquisition had a significant impact on our operating results and financial condition. CBL generated sales volume of approximately 9.2 million barrels in 2002. This acquisition was funded through cash and third-party debt as reflected in our consolidated balance sheet. The borrowings will have a significant impact on our capitalization, interest coverage and cash flow trends. See further discussion of this impact in the Liquidity and Capital Resources section below.

Critical Accounting Policies

Management's discussion and analysis of our 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 of America, or GAAP. We review the accounting policies we use in reporting our financial results on an on-going basis. The preparation of our consolidated 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. In many cases, the accounting treatment of a particular transaction is specifically dictated by GAAP and does not require our judgment in an application. There are also areas in which our judgment in selecting among reasonable alternatives would not produce a materially different result. We base our estimates on historical experience and on various other assumptions we believe 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. By their nature, estimates are subject to an inherent degree of uncertainty. Actual results may differ materially from these estimates under different assumptions or conditions. We have identified the policies below as critical to our financial condition and results of operations:

Allowance for doubtful accounts In the Americas segment, our allowance for doubtful accounts and credit risk is insignificant as the majority of the Americas accounts receivable balance is generated from sales to independent distributors with whom we have a predetermined collection date arranged through electronic funds transfer. Also, in the Americas, we secure substantially all of our credit risk with purchase money security interests in inventory and proceeds, personal guarantees and other letters of credit.

Because the majority of CBL sales are directly to retail customers and, because of the policy of making trade loans to customers, our ability to manage our credit risk in this business is critical. At CBL, we provide allowances for trade receivables and trade loans associated with the ability to collect outstanding receivables from our customers. Generally, provisions are recorded to cover the full exposure to a specific customer (total amount of all trade accounts and loans from a specific customer less the amount of security and insurance coverage) at the point the account is considered uncollectible. We record the provision as a bad debt in general and administrative expenses. Provisions are reversed upon recoverability of the account or relieved at the point an account is written off.

We are not able to predict changes in financial condition of our customers and, if circumstances related to our customers deteriorate, our estimates of the recoverability of our trade receivables could be materially affected, and we may be required to record additional allowances.

Pension and postretirement benefits CBC and its subsidiaries have defined benefit plans that cover the majority of employees. As a result of the acquisition of CBL, we have assumed responsibility for a portion of the assets and liabilities of what was the Bass Brewers Pension Plan, renamed the Coors Brewers Pension Plan. CBC also has postretirement plans that provide medical benefits and life insurance for retirees and eligible dependents. The accounting for these plans is subject to the guidance provided in Statement of Financial Accounting Standards No. 87, *Employers Accounting for Pensions* (SFAS No. 87), and Statement of Financial Accounting Standards No. 106, *Employers' Accounting for Postretirement Benefits Other than Pensions* (SFAS No. 106). Both of these statements require that management make certain assumptions relating to the long-term rate of return on plan assets, discount rates used to measure future obligations and expenses, salary scale inflation rates, health care cost trend rates and other assumptions. We believe that the accounting estimates related to our pension and postretirement plans is a critical accounting estimate because it is highly susceptible to change from period to period based on the performance of plan assets, actuarial valuations, and market conditions (for further explanation of our assumptions and year-end financial results for these plans, see Note 7, "Employee Retirement Plans," and Note 8, "Postretirement Benefits").

Contingencies, environmental and litigation reserves We estimate the range of liability related to environmental matters or other legal actions where the amount and range of loss can be estimated. We record our best estimate of a loss when the loss is considered probable. As additional information becomes available, we assess the potential liability related to our pending matter and revise our estimates. 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. The most significant estimates that could impact our financial statements relate to the Lowry Superfund site.

Goodwill and other intangible asset valuation We adopted the provisions of Statements of Financial Standards No. 141, *Business Combinations* (SFAS No. 141), on July 1, 2001, and No. 142, *Goodwill and Other Intangible Assets* (SFAS No. 142), on December 31, 2001. We evaluate the carrying value of our goodwill and other indefinite-lived intangible assets annually, and we evaluate our other intangible assets whenever there is evidence that certain events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable. Significant judgments and assumptions are required in the evaluation of intangible assets for impairment, most significantly the estimated future cash flows to be generated by these assets. Changes in these estimates could have a material adverse effect on the assessment of our goodwill and other intangible assets, thereby requiring us to write down the assets. As an example, our valuation model for the goodwill associated with our Molson USA joint venture assumes certain volume growth and pricing assumptions that, if not ultimately achieved, could result in impairment charges.

Trade loans CBL extends loans to retail outlets that sell our brands. Some of these loans provide for no interest to be payable, others provide for payments at below market interest rate. In return, the retail outlets receive smaller discounts on beer and other beverage products purchased from us, with the net result being CBL attaining a market return on the outstanding loan balance.

Consistent with GAAP, we have reclassified a portion of the beer revenue into interest income to reflect a market rate of interest on these notes. For the fiscal year ended December 29, 2002, this amount was $16.4 million. We have included this interest income in the European segment since it is so closely related to the European business, even though all other interest income and expense is reflected in the Corporate segment.

Derivatives We use derivatives in the normal course of business to manage our exposure to fluctuations in production and packaging material prices, interest rates and foreign currency exchange rates. By policy, we do not enter into such contracts for trading purposes or for the purpose of speculation. All derivatives held by us are designated as hedges with the expectation that they will be highly effective in offsetting underlying exposures. We account for our derivatives on the Consolidated Balance Sheet as assets or liabilities at fair value in accordance with Statement of Financial Accounting Standards No. 133, "*Accounting for Derivative Instruments and Hedging Activities*" (SFAS No. 133), which we early adopted on January 1, 1999. Such accounting is complex, as evidenced by significant interpretations of the primary accounting standard, which continues to evolve, as well as the significant judgments and estimates involved in the estimation of fair value in the absence of quoted market values. These estimates are based upon valuation methodologies deemed appropriate in the circumstances; however, the use of different assumptions may have a material effect on the estimated fair value amounts.

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

Equity method accounting We generally apply the equity method of accounting to 20%–50% owned investments where we exercise significant influence. As described below, we have an equity ownership in, and conduct business with various joint ventures, which directly relate to our core activities. There are no related parties that own interests in our equity method investments.

Coors Canada is a general partnership that was formed to market CBC products in Canada. We own a 50.1% interest in this non-consolidated joint venture that we account for using the equity method of accounting due to the effective control of the partnership being shared equally by the partners under the operating agreement. All manufacture, distribution and sale of CBC branded beers are contracted to Molson Inc. (Molson) by the partnership. The partnership never takes title to the beer. It is paid an amount equal to the sales proceeds Molson receives from third-party customers, less the costs incurred by Molson for its manufacture, distribution and sale of the CBC branded products. We reflect this amount in revenue in our Consolidated Statements of Income (see Note 10, "Investments").

Rocky Mountain Metal Container and Rocky Mountain Bottle Co., along with CBL's Tradeteam joint venture, are dedicated predominantly to our packaging and distribution activities and were formed with companies which have core competencies sought by us to reduce costs. The CBL joint venture with Grolsch was formed to provide a long-term relationship with that brand's owner in a key segment of the U.K. beer market. In 2002, our share of the pre-tax joint venture profits for each of these investments has been offset against Cost of Goods Sold in our Consolidated Statements of Income (see Note 10, "Investments").

Effective with the first quarter of 2003, we will include our entire share of Tradeteam results in the Other income, net line of our Consolidated Statements of Income and reflect the results on a separate line if and when they become material. This prospective change in presentation is attributable to Tradeteam no longer being a captive provider of distribution and logistics services to CBL. In November 2002, Tradeteam entered into an agreement to provide distribution services to Interbrew U.K. Limited, another large brewer in the United Kingdom.

Other income, net line includes the equity method income for the Molson USA joint venture. This joint venture was formed to import, market, sell and distribute Molson products in the United States. We have recorded our share of the venture's results in the Other income, net line in our Consolidated Statements of Income given the immateriality of its results.

A qualitative analysis of our results would be impacted if the results of these joint ventures were included in different lines of our Consolidated Statements of Income.

Income taxes We account for income taxes in accordance with SFAS No. 109, *Accounting for Income Taxes*. Judgment is required in determining our worldwide provision for income taxes. In the ordinary course of our global business, there are many transactions for which the ultimate tax outcome is uncertain. Additionally, our income tax provision is based on calculations and assumptions that are subject to examination by many different tax authorities. We adjust our income tax provision in the period it is probable that actual results will differ from our estimates. Tax law and rate changes are reflected in the income tax provision in the period in which such changes are enacted.

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 a 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. Reductions to the valuation allowance related to the acquisition of CBL that relate to deferred taxes arising from that acquisition would reduce goodwill.

Consolidated Results of Operations – 2002 vs. 2001 and 2001 vs. 2000

This discussion summarizes the significant factors affecting our consolidated results of operations, liquidity and capital resources for the three-year period ended December 29, 2002, and should be read in conjunction with the financial statements and notes thereto included elsewhere in this report. Results for 2000, 2001 and the first five weeks of 2002 exclude CBL, the business acquired from Interbrew in February 2002. Our fiscal year is the 52- or 53-weeks that end on the last Sunday in December. Our 2002 and 2001 fiscal years each consisted of 52-weeks whereas our 2000 fiscal year consisted of 53-weeks.

(In thousands, except percentages, fiscal year ended)	Dec. 29, 2002	% of net sales	Dec. 30, 2001	% of net sales	Dec. 31, 2000	% of net sales
Net sales	$ 3,776,322	100%	$ 2,429,462	100%	$ 2,414,415	100%
Cost of goods sold	(2,414,530)	64%	(1,537,623)	63%	(1,525,829)	63%
Gross profit	1,361,792	36%	891,839	37%	888,586	37%
Other operating expenses						
Marketing, general and administrative	(1,057,240)	28%	(717,060)	30%	(722,745)	30%
Special charges	(6,267)	–	(23,174)	1%	(15,215)	1%
Total other operating expenses	(1,063,507)	28%	(740,234)	30%	(737,960)	31%
Operating income	298,285	8%	151,605	6%	150,626	6%
Other (expense) income						
Gain on sale of distributorships	–	–	27,667	1%	1,000	–
Interest income	21,187	1%	16,409	1%	21,325	1%
Interest expense	(70,919)	2%	(2,006)	–	(6,414)	–
Other income, net	8,047	–	4,338	–	2,988	–
Total other (expense) income	(41,685)	1%	46,408	2%	18,899	1%
Income before income taxes	256,600	7%	198,013	8%	169,525	7%
Income tax expense	(94,947)	3%	(75,049)	3%	(59,908)	2%
Net income	$ 161,653	4%	$ 122,964	5%	$ 109,617	5%

2002 vs. 2001

Net sales and volume Our net sales were $3,776.3 million and $2,429.5 million for fiscal years 2002 and 2001, respectively. The increase of $1,346.8 million, or 55.4%, was due primarily to the acquisition of CBL. We sold 31.8 million barrels of beverages in 2002 versus 22.7 million barrels in 2001, an increase of 40.2%. Comparable sales volumes for our Americas business were basically flat in 2002 vs. 2001.

Cost of goods sold and gross profit Cost of goods sold in 2002 was $2,414.5 million, a $876.9 or 57% increase from $1,537.6 million in 2001. Cost of goods sold as a percentage of net sales was 63.9% in 2002 compared to 63.3% in 2001. On a per barrel basis, cost of goods sold increased 12% over 2001. The increase was due mainly to the acquisition of CBL. Other factors contributing to the increase in cost of goods sold include higher capacity costs associated with adding capacity to our Golden and Memphis manufacturing facilities and bottle packaging capacity in Elkton, Virginia. We also incurred higher pension and other labor-related costs. These higher costs were offset by the sale of three company-owned distributorships during 2001, lower domestic packaging costs and continued improvement in operations efficiencies, including lower transportation costs and improved operating line efficiencies in our domestic operations. Cost of goods sold for our Americas business declined by approximately 3.4% from 2001 to 2002.

Gross profit as a percentage of net sales was 36.1% in 2002 compared to 36.7% last year.

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

Marketing, general and administrative expenses Marketing, general and administrative expenses were $1,057.2 million, compared to $717.1 million during the same period last year. The increase was due to the acquisition of CBL and investing more in our domestic advertising and sales promotion efforts, especially activity related to our exclusive beer sponsorship with the NFL. As a percentage of net sales, marketing, general and administrative expenses were 28.1% and 29.5% in 2002 and 2001, respectively. Comparable marketing, general and administrative costs for our Americas business increased by approximately 2.6% from 2001 to 2002.

Special charges In 2002, we recorded special charges of $6.3 million. A net $6.4 million charge was recorded in the fourth quarter related primarily to restructuring initiatives in our Golden brewery business operations. We also recorded charges for acquisition costs for CBL, including accounting, appraisal and legal fees. These special charges were offset by a credit related to the cash payment on a debt due to us from our former partner in a brewing business in South Korea (see Note 9, "Special Charges"). During 2001, we recorded special charges of $23.2 million primarily related to incremental consulting, legal and other costs incurred in preparation to restructure and outsource our information technology infrastructure. Also included in the 2001 charges were termination and severance costs related to the restructuring of our purchasing and production organizations, impairment charges on certain fixed assets and charges related to the dissolution of our former can and end joint venture. These charges were partially offset by a gain related to the sale of our former Spain brewery and related fixed assets.

Operating income Operating income was $298.3 million for the year ended December 29, 2002, an increase of $146.7 million or 96.8% over operating income of $151.6 million for the year ended December 30, 2001, mainly due to the acquisition of CBL and the other factors noted above. Comparable operating income for our Americas business grew by approximately 19.3% from 2001 to 2002.

Interest income Interest income of $21.2 million increased $4.8 million over the prior year, due to interest in the current year on loans to customers in the acquired CBL business, partially offset by a decrease in interest income on previously held interest bearing securities, which we sold in January 2002 to help fund the acquisition of CBL.

Interest expense Total year interest expense of $70.9 million increased $68.9 million over the same period last year due to the significant increase in debt incurred to purchase CBL.

Other income, net Net other income was $8.0 million in 2002 compared to income of $4.3 million in 2001. The increase is primarily the result of a $1.8 million gain from the sale of non-core water rights in 2002.

Consolidated effective tax rate Our fiscal year ended 2002 effective tax rate was 37.0%, down from 37.9% for 2001 mainly due to the effects of purchase price accounting and tax planning associated with the acquisition of CBL.

Net income Net income for 2002 was $161.7 million, or $4.47 per basic share ($4.42 per diluted share), compared to $123.0 million, or $3.33 per basic share ($3.31 per diluted share), in 2001.

2001 vs. 2000

Net sales and volume Our net sales were $2,429.5 million for the 52-week fiscal year ended December 30, 2001, resulting in a $15.1 million or 0.6% increase over our 2000 Net sales of $2,414.4 million. Sales volume totaled 22.7 million 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 primarily from the following factors:

- Competitors' introduction of new flavored malt-based beverages (FABs) supported by heavy advertising which took market share from more traditional beers and diverted some attention from distributors and retailers and from core beer brands;
- Unseasonably cold weather early in the year in most parts of the United States; and,
- Weak economic conditions and sales results 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.

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 to 63.2% in 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 was 36.7% in 2001 compared to 36.8% in 2000.

Marketing, general and administrative expenses Marketing, general and administrative expenses were $717.1 million in 2001 compared to $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. In addition, overhead expenses declined due to 52 weeks in 2001 versus 53 weeks in the prior year. These favorable variances were offset partially 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, effective August 1, 2001, to outsource certain information technology functions. We incurred start-up and transition costs during the year of approximately $14.6 million.

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. 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.

Can and end plant joint venture In the third quarter of 2001, we recorded a $3.0 million charge 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 with Ball Corporation 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. In December 2001, the plant and related fixed assets were sold, resulting in a net gain before tax of approximately $2.7 million, which was credited to special charges.

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.

Other income (expense), net Net other income was $46.4 million in 2001 compared with income of $18.9 million in 2000. The $27.5 million increase was due mainly 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-core 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.

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

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.

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.

The Americas Segment Results of Operations

The Americas malt beverage segment primarily consists of our production, marketing and sales of the Coors family of brands in the United States and its territories. This segment also includes the Coors Light business in Canada that is conducted through a partnership with Molson (Coors Canada) and the sale of Molson products in the United States that is conducted through a joint venture with Molson (Molson USA). The Americas segment also includes the small amount of CBC products that are exported and sold outside of the United States and its possessions, excluding Europe.

Prior to our acquisition of CBL, we reported results of operations in one segment. In 2002, we began categorizing our operations into two geographic segments: the Americas and Europe. Accordingly, the historical Americas segment results primarily relate to our historical consolidated results of operations excluding only our pre-acquisition Europe operation, which generated minimal volume and revenue. For a comparison of our one operating segment from 2000 to 2001, see "Consolidated Results of Operations – 2000 vs. 2001."

(In thousands, except percentages, fiscal year ended)	Dec. 29, 2002	% of net sales	Dec. 30, 2001	% of net sales	Dec. 31, 2000	% of net sales
Net sales	$ 2,400,849	100%	$ 2,422,282	100%	$ 2,403,720	100%
Cost of goods sold	(1,481,630)	62%	(1,532,471)	63%	(1,513,051)	63%
Gross profit	919,219	38%	889,811	37%	890,669	37%
Other operating expenses						
Marketing, general and administrative	(724,943)	30%	(706,872)	29%	(710,224)	29%
Special (charges) credit	(3,625)	–	(23,174)	1%	5,583	–
Total other operating expenses	(728,568)	30%	(730,046)	30%	(704,641)	29%
Operating income	190,651	8%	159,765	7%	186,028	8%
Other income						
Gain on sale of distributorships	–	–	27,667	1%	1,000	–
Other income, net	4,864	–	1,319	–	3,017	–
Total other income	4,864	–	28,986	1%	4,017	–
Income before income taxes	$ 195,515	8%	$ 188,751	8%	$ 190,045	8%

Net sales and volume In 2002, net sales of $2,400.8 million decreased 0.9% compared to net sales of $2,422.3 million during the same period last year. Net revenue per barrel declined 1% over 2001. The declines were mostly due to the sale of company-owned distributorships in 2001 (whose volumes were included in 2001 results until the date of sale); a decline in volume in Puerto Rico, where sales were negatively impacted by a 50% increase in a beer excise tax that took effect during the summer; and negative sales mix, primarily in the United States, which moved away from our higher-revenue-per-barrel brands, geographies and packages. Partially offsetting these declines were higher domestic pricing and reduced price promotions.

Sales volume totaled approximately 22.7 million barrels in 2002, virtually unchanged from a year ago. Growth in domestic Coors Light and Keystone Light brands were partially offset by declines in Zima, Killian's and exported Coors Light to Puerto Rico. Zima was impacted disproportionately by the recent influx of new FABs in the United States. Additionally, exported Coors Light incurred a significant decline in the latter half of the year due to the 50% increase in Puerto Rico's beer excise tax.

Cost of goods sold and gross profit Cost of goods sold was $1,481.6 million in 2002 compared to $1,532.5 million for the same period last year. As a percentage of net sales, cost of goods sold was approximately 61.7% in 2002 compared to 63.3% in 2001. On a per barrel basis, cost of goods sold decreased 3.4% from 2001. The decrease in cost of goods sold during 2002 was attributable primarily to the sale of company-owned distributorships in 2001, and lower transportation and packaging costs, as well as the result of continued operations efficiency initiatives. The decreases were partially offset by higher capacity costs associated with adding capacity to our Golden and Memphis manufacturing facilities and bottle packaging capacity to our facility in Elkton, Virginia. Also, we incurred higher pension and other labor-related costs.

Gross profit increased 3.3% to $919.2 million in 2002 compared to the same period last year as a result of the factors noted above. Gross profit as a percentage of net sales was 38.3% in 2002 compared to 36.7% last year.

Marketing, general and administrative expenses Marketing, general and administrative expenses increased 2.6% to $724.9 million in 2002 from $706.9 million in 2001, mostly due to higher marketing expense as a result of investing more behind our brands in advertising and sales promotion, including additional headcount in certain markets. General and administrative expenses were down slightly in 2002 primarily due to the sale of company-owned distributorships last year, somewhat offset by higher systems investments and labor related expenses.

Special (charges) credit Our special charges of $3.6 million in 2002 were mainly due to a $7.0 million charge in the fourth quarter related to restructuring initiatives in our Golden brewery business operations and charges related to the dissolution of our former can and end joint venture. These charges were partially offset by a credit related to a cash payment on a debt from our former partner in a brewing business in South Korea.

During 2001, we recorded special charges of $23.2 million primarily related to incremental consulting, legal and other costs incurred in preparation to restructure and outsource our information technology infrastructure. Also included in the 2001 charges were termination and severance costs related to the restructuring of our purchasing and production organizations, impairment charges on certain fixed assets and charges related to the dissolution of our former can and end joint venture.

Operating income Due to the factors noted above, operating income increased 19.3% to $190.7 million compared to $159.8 million for the same period last year.

Other income, net Other income, net was $4.9 million in 2002, representing a $24.1 million decrease from 2001. The decrease resulted from the sale of company-owned distributorships in 2001, coupled with the equity loss from the Molson USA joint venture, partially offset by a gain on the sale of non-core water rights.

The Europe Segment Results of Operations

We acquired the CBL business on February 2, 2002, and began reporting these results in a new Europe reporting segment. The Europe segment consists of our production and sale of the CBL brands, principally in the United Kingdom, but also in other parts of the world, our joint venture arrangement relating to the production and distribution of Grolsch in the United Kingdom and Republic of Ireland, and our joint venture arrangement with Tradeteam for the physical distribution of products throughout Great Britain. It also includes the sale of Coors Light in the United Kingdom and the Republic of Ireland. The CBL business represents nearly all of our new Europe segment. Since we did not own CBL prior to February 2002, we do not report historical financial results for this business. Accordingly, the historical Europe segment results include only our pre-acquisition Europe operation, which generated very small volume and revenue. Our discussion on the results of operations for the Europe segment has been condensed for these purposes, as comparative results are generally not meaningful.

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

The Europe Segment Results of Operations (continued)

(In thousands, except percentages, fiscal year ended)	Dec. 29, 2002	% of net sales	Dec. 30, 2001	% of net sales	Dec. 31, 2000	% of net sales
Net sales	$1,375,473	100%	$ 7,180	100%	$ 10,695	100%
Cost of goods sold	(932,900)	68%	(5,152)	72%	(12,778)	119%
Gross profit	442,573	32%	2,028	28%	(2,083)	19%
Other operating expenses						
Marketing, general and administrative	(332,297)	24%	(10,188)	142%	(12,521)	117%
Special charges	–	–	–	–	(20,798)	194%
Total other operating expenses	(332,297)	24%	(10,188)	142%	(33,319)	312%
Operating income (loss)	110,276	8%	(8,160)	114%	(35,402)	331%
Other income (expense)						
Interest income	16,390	1%	–	–	–	–
Other income (expense), net	1,766	–	–	–	(29)	–
Total other income (expense)	18,156	1%	–	–	(29)	–
Income before income taxes	$ 128,432	9%	$ (8,160)	114%	$(35,431)	331%

Net sales and volume The Europe segment achieved net sales of $1,375.5 million in 2002 reflecting unit volume sales of 9.2 million barrels. Carling, the largest beer brand in the United Kingdom, grew at mid-single digit rates in both the On-Trade and Off-Trade channels, with sales of approximately 6 million barrels during 2002. Although our Worthington brand declined at a low single-digit rate, it gained market share in the declining mainstream ale market. Grolsch and Reef both grew more than 20% during the year. Driven by solid on- and off-premise performance, our U.K. brands gained approximately 0.4% of market share in 2002.

Recent years have seen a shift in the overall consumption of beer in the United Kingdom, with volumes shifting from the On-Trade channel, where drinks are sold for consumption on-premise, to the Off-Trade channel, also described as the "take-home" or off-premise market. Unlike the United States, where manufacturers are generally not permitted to distribute beer directly to retail customers, manufacturers in the United Kingdom sell their products directly to retail.

The On-Trade channel accounted for approximately 66% of our U.K. volumes in 2002. CBL's major brands have consistently gained market share in On-Trade over the past five years through the success of the brand advertising program and through our focus on customer service and sales force development. The Off-Trade channel is growing and accounted for approximately 34% of our U.K. sales volume in 2002.

Our growth has been a result of our success in building customer relationships, driving distribution and ensuring the consistent high-quality display of CBL's key brands.

Cost of goods sold and gross profit Cost of goods sold was $932.9 million in 2002. As a percentage of net sales, cost of goods sold was 67.8%. During 2002, we closed our Cape Hill brewery and Alloa malting facility as we continue to focus on reducing operating costs and balance capacity with demand.

Gross profit was $442.6 million in 2002. As a percentage of net sales, gross profit was 32.2%.

Marketing, general and administrative expenses Total year marketing, general and administrative expenses were $332.3 million, or 24.2% of net sales.

Operating income As a result of the factors noted above, operating income was $110.3 million for 2002.

Interest income During 2002, the Europe segment recognized $16.4 million of interest income associated with trade loans to retail outlets.

Other income (expense), net For the fiscal year ended December 29, 2002, other income was $1.8 million primarily related to favorable non-recurring gains on the sale of assets.

Income before income taxes The Europe segment contributed $128.4 million, or approximately 50%, in 2002 to consolidated income before income taxes.

The Corporate Segment Results of Operations

The Corporate segment includes interest and certain corporate costs that are not attributable to the Americas or Europe operating segments. The majority of these corporate costs relate to interest expense, certain legal and finance costs and other miscellaneous expenses.

(In thousands, fiscal year ended)	Dec. 29, 2002	Dec. 30, 2001	Dec. 31, 2000
Net sales	$ –	$ –	$ –
Cost of goods sold	–	–	–
Gross profit	–	–	–
Other operating expenses			
Marketing, general and administrative	–	–	–
Special charges	(2,642)	–	–
Total other operating expenses	(2,642)	–	–
Operating income	(2,642)	–	–
Other (expense) income			
Interest income	4,797	16,409	14,911
Interest expense	(70,919)	(2,006)	–
Other income, net	1,417	3,019	–
Total other (expense) income	(64,705)	17,422	14,911
Income before income taxes	$(67,347)	$17,422	$14,911

Special charges Special charges of $2.6 million were recognized during the fiscal year ended 2002 for transition expenses related to the acquisition of CBL, including accounting, appraisal and legal fees.

Interest income In 2002, interest income decreased $11.6 million versus 2001 because we sold the majority of our marketable securities to fund a portion of the acquisition of CBL.

Interest expense Interest expense was $70.9 million in 2002 compared to $2.0 million during 2001. The increase in 2002 was the result of increased debt to fund the acquisition of CBL.

Other income, net In 2002, other income decreased $1.6 million from 2001 to $1.4 million. The decrease is due primarily to foreign exchange losses recognized during the first half of 2002 related to the CBL acquisition.

Liquidity and Capital Resources

Liquidity Our primary sources of liquidity are cash provided by operating activities and external borrowings. As of December 29, 2002, including cash and short-term borrowings, we had negative working capital of $94.0 million compared to working capital of $89.0 million at December 30, 2001. At December 29, 2002, cash and short-term marketable securities totaled $59.2 million, compared to $309.7 million at December 30, 2001. Our cash and short-term marketable securities balances decreased primarily due to the sale of marketable securities totaling $232.6 million during the first quarter of 2002, the majority of which was used to fund a portion of our acquisition of CBL.

Other factors that contribute to our change in cash balances include repayments of long-term debt, increases in accounts receivable and increased capital expenditures. Our working capital change was due primarily to lower cash and short-term marketable securities, increase in current portion of long-term debt, partially offset by the increase in working capital resulting from the CBL acquisition. 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 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.

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

We believe that cash flows from operations and cash provided by short-term borrowings, 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 impacted significantly by a decrease in demand for our products, which could arise from competitive circumstances, a decline in the acceptability 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 credit facilities which contain financial and operating covenants, and provide for scheduled repayments, that could impact our liquidity on an ongoing basis. During the fiscal year ended December 29, 2002, we repaid $208 million of long- and short-term debt, net of short-term borrowings.

Operating activities Net cash provided by operating activities of $258.5 million for the fiscal year ended December 29, 2002, increased $65.1 million from the prior fiscal year. The change was attributable primarily to an increase in net income and the absence of the non-cash gain on the sale of the company-owned distributorships, partially offset by a net decrease resulting from changes in operating assets and liabilities. 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. Also in 2001, we realized significant non-cash gains on the sale of properties and securities, and our net deferred tax liability decreased from year-end 2000 due mainly to the realization of certain tax benefits. The gains from the sale of properties were due mainly to the sale in 2001 of three company-owned distributorships for $27.7 million.

Investing activities During the fiscal year ended December 29, 2002, net cash used in investing activities was $1.6 billion compared to $196.7 million in the same period last year. The increase is due to the $1.6 billion payment, net of cash acquired, made to purchase CBL. Also, in 2001, we made a payment of $65.0 million for our 49.9% interest in Molson USA. However, excluding our $1.6 billion payment to acquire CBL and our $65.0 million payment for our interest in Molson USA, total cash provided by investing activities increased approximately $134.5 million compared to the same period last year, mostly due to a substantial decrease in purchases of securities. We did not purchase any new marketable securities in 2002 compared to purchases of $228.2 million during 2001.

During 2001, we used $196.7 million in investing activities compared to a use of $297.5 million in 2000. The $100.8 million decrease from 2000 to 2001 was due primarily 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. Cash used in 2001 for investing activities consisted of the $65.0 million payment made to acquire our interest in the Molson USA joint venture and increased capital expenditures and additions to intangible assets of $244.5 million compared to $154.3 million 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.

Financing activities Net cash provided by financing activities was $1.3 billion in 2002. Activity in the current year included debt proceeds of $2.7 billion partially offset by debt repayments and capital lease obligations of $1.4 billion, and changes in cash overdraft balances of $27.8 million. 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.

Debt Obligations

Senior private placement notes At December 29, 2002, we had $20 million in unsecured Senior notes at a fixed interest rate of 6.95% per annum. Interest on the notes is due semi-annually in January and July. At December 29, 2002, $20 million was classified as long-term debt as this balance is due in July of 2005. In July 2002, we made an $80 million principal payment on the "A" series of notes due in July 2002. Our private placement notes require that we conduct our business with certain restrictions on indebtedness, liens, mergers, consolidations, asset sales and certain other types of business activities in which we can engage. We were in compliance with these requirements at December 29, 2002.

6⅜% Senior notes due 2012 On May 7, 2002, CBC completed a private placement of $850 million principal amount of 6⅜% Senior notes, due 2012, with interest payable semiannually. The notes were priced at 99.596% of par for a yield to maturity of 6.43%, were unsecured, were not subject to any sinking fund provision and included a redemption provision (make-whole provision) which allowed us to retire the notes at whole or any time at a redemption price. The notes were issued with registration rights and were guaranteed by Adolph Coors Company and certain domestic subsidiaries. Net proceeds from the sale of the notes were approximately $841 million. The net proceeds were used to (1) repay the $750 million of loans outstanding under our senior unsecured bridge facility which we entered into in connection with our acquisition of CBL and (2) to repay approximately $91 million of outstanding term borrowings under our senior unsecured credit facilities.

Simultaneously with the private placement, we entered into a registration rights agreement pursuant to which we exchanged the unregistered notes for substantially identical notes registered with the SEC. The exchange of all the notes was completed on September 16, 2002.

Under the terms of the notes, we must comply with certain restrictions. These restrictions include restrictions on debt secured by certain types of mortgages, above certain threshold percentages of consolidated net tangible assets and restrictions on certain types of sale-leaseback transactions. As of December 29, 2002, we were in compliance with all of these restrictions.

Senior credit facility At December 29, 2002, we had $533.7 million outstanding in unsecured Senior credit facilities consisting of a U.S. dollar denominated amortizing term loan in an aggregate principal amount of $168 million and a 228 million GBP denominated amortizing term loan. Based on foreign exchange rates at December 29, 2002, aggregate principal amounts outstanding related to the 228 million GBP amortizing term loan were $365.7 million.

Our term loan is payable quarterly in arrears beginning June 27, 2003, and matures February 1, 2007. During the year ended December 29, 2002, we repaid approximately $310 million on our five-year amortizing term loan. This has reduced the scheduled required future amortization amounts based upon application of payments already made against future payments due as per the terms of our loan agreement.

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

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; and certain types of business in which we can engage. As of December 29, 2002, we were in compliance with all of these restrictions.

Revolving line of credit At December 29, 2002, we had an unsecured committed credit arrangement totaling $300 million, of which $241 million was available. On December 24, 2002, we borrowed approximately $59 million on this line of credit and used the borrowings to pay down our U.S. dollar denominated amortizing term loan on the same date. This action was undertaken to facilitate the movement of funds from CBL to the United States.

This line of credit has a five-year term expiring 2007. On a quarterly basis, we pay a facilities fee based on the total amount of available committed credit. Under the terms of this credit facility, we are required to maintain the same leverage ratio and interest coverage ratio as those defined in our term loan, as well as operate our business with the same restrictions as defined in the term loan. We were in compliance with these requirements at December 29, 2002.

Uncommitted lines of credit At December 29, 2002, we had two USD uncommitted lines of credit totaling $40 million. The lines of credit are with two different lenders. We had $22 million outstanding under these lines of credit as of December 29, 2002.

In addition, CBL had two uncommitted lines of credit totaling GBP 20 million, or approximately $32 million based on foreign exchange rates at December 29, 2002. Approximately 10 million GBP, or $16 million based on prevailing exchange rates, was outstanding under these lines of credit at December 29, 2002.

See Note 4, "Debt," for additional discussion of our long-term borrowings.

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

On July 1, 2002, Rocky Mountain Metal Container (RMMC), our limited liability company with Ball Corporation ("Ball"), increased its debt obligations under the terms of a private placement, from $20 million to $50 million. The debt obligation at December 29, 2002, is the maximum contemplated under the private placement facility. The debt proceeds have been used to finance planned capital improvements. RMMC's debt is secured by its various supply and access agreements with no recourse to CBC or to Ball. This debt is not included in our financial statements because the limited liability company is accounted for under the equity method.

Tradeteam, the joint venture between CBL and Exel Logistics, had one uncommitted line of credit totaling 15 million GBP, or approximately $24 million based on foreign exchange rates at December 29, 2002. No amount was outstanding on this line of credit at December 29, 2002; however, Tradeteam is required to pay a 0.5% commitment fee on any undrawn amount. This line of credit bears interest at a rate of 1% over GBP LIBOR.

Contractual obligations and commercial commitments
Contractual cash obligations as of December 29, 2002:

	Payments due by period				
(in thousands)	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Long term debt	$1,527,441	$144,049	$ 270,090	$ 256,296	$ 857,006
Capital lease obligations	5,079	4,688	391	–	–
Operating leases	92,638	17,757	28,361	17,239	29,281
Other long term obligations[1]	4,539,747	804,353	1,328,837	921,401	1,485,156
Total obligations	$6,164,905	$970,847	$1,627,679	$1,194,936	$2,371,443

1 *These amounts consist largely of long-term supply contracts with our joint ventures and unaffiliated third parties to purchase material used in production and packaging, such as cans and bottles, in addition to various long-term commitments for advertising and promotions.*

Other commercial commitments:

	Amount of commitment expiration per period				
(in thousands)	Total amounts committed	Less than 1 year	1-3 years	4-5 years	After 5 years
Standby letters of credit	$ 776	$ 776	$ –	$ –	$ –

Advertising and promotions As of December 29, 2002, our aggregate commitments for advertising and promotions, including marketing at sports arenas, stadiums and other venues and events, total approximately $259.0 million over the next nine years.

Capital expenditures In 2002, we spent $246.8 million on capital improvement projects worldwide. Of this, 60% was in support of the Americas business segment and the remainder was for the Europe segment. We currently plan capital expenditures in the same range, or slightly lower, for 2003.

In 2002, we completed major capacity investments within the Americas segment in all three of our plants. These investments will allow us to continue to meet growing demand cost efficiently. Capital expenditures in 2003 will focus on continuing to reduce costs.

In the Europe segment, a significant portion of our capital investment is to support our business in the On-Trade channel where investment is required in dispense equipment and kegs. The major focus of our capital investment program in 2003 is on investment in our brewery in Burton-on-Trent to increase packaging capacity and efficiency following the closure of the brewery at Cape Hill. The majority of our spending on this effort will be in 2003.

Pension plan assets Recent declines in global equity markets have resulted in a reduction of the fair value of the assets of the pension plans sponsored by us. This asset value reduction, coupled with an increase in the present value of the obligations of the pension plans due to lower interest rates, has resulted in accumulated pension benefit obligations exceeding the fair value of the plan assets on a consolidated U.S. dollar basis of $393.6 million. Accordingly, we have taken a charge to equity of $212.1 million, net of tax, representing the recording of the appropriate liability and the related deferred tax effects. For pension plans with accumulated obligations in excess of plan assets, the projected benefit obligation was $2,199.0 million and the accumulated benefit obligation was $2,011.1 million.

The amounts reflected in the Consolidated Balance Sheets for accrued pension liability, accumulated other comprehensive loss, prepaid benefit cost and intangible asset in 2002 are $431.4 million, $359.0 million ($220.6 million, net of tax), $37.7 million and $42.2 million, respectively. In 2002, an additional minimum pension liability of $339.3 million was recorded and is included in the accrued pension liability amount. It is our practice to fund amounts for pensions at least sufficient to meet the minimum requirements set forth in applicable employee benefits laws and local tax laws. For further information regarding pension plan assets, refer to Note 7, “Employee Retirement Plans,” and Note 13, “Other Comprehensive Income.”

In 2002, our actuarially assumed long-term rates of return on plan asset investments was 9.5% for the CBC Retirement Plan and 7.25% for the Coors Brewers Pension Plan. In selecting those assumptions, we considered investment returns by asset class as represented by our independent pension investment consultants, and applied the relevant asset allocation percentages. The discount rates used were based on prevailing yields of high-quality corporate fixed income investments in the United States and the United Kingdom.

In 2002, consolidated pension expense was $18.6 million, which represented less than 1% of consolidated Cost of goods sold and other operating expenses. Pension contributions on a consolidated basis were $31.5 million in the current year.

From a cash flow standpoint, on a consolidated basis we increased our voluntary pension contributions from $2.6 million per month to $3.6 million per month in October, 2002, and we are continuing to contribute at that higher level in 2003. We expect that the funded positions of the two primary pension plans will improve through a combination of higher contributions and investment returns more in line with long-term historical averages.

We are still evaluating lowering our 2003 actuarial assumption relative to the rate of return on plan asset investments for the CBC Retirement Plan. If we lowered our rate of return by 50 basis points, pension expense in 2003 would increase by approximately $2.7 million. Any change in this assumption would have no effect on our cash flows.

On a consolidated basis, we had unrecognized net actuarial losses of $547.0 million and $105.0 million at December 29, 2002 and December 30, 2001, respectively. Actuarial losses are primarily comprised of short-term investment losses which are lower than actuarially assumed investment returns and liability losses due to increased pension liabilities and falling interest rates. Pension expense includes amortization of these actuarial losses after they exceed certain thresholds and, as a result, we recorded actuarial loss amortization of $0.1 million in 2001 and $1.0 million in 2002. It is expected that actuarial loss amortization in 2003 will increase to approximately $8.0 million. We anticipate consolidated pension expense will increase from the $18.6 million in 2002 to approximately $35.0 million in 2003. The expected increase in consolidated pension cost is due to the combined impacts of higher actuarial loss amortization and other factors associated with the decrease in the pension plan’s funded position.

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 2003” including, but not limited to, statements relating to our overall volume trends, consumer preferences, pricing trends and industry forces, cost reduction strategies and anticipated results, our expectations for funding our 2003 capital expenditures and operations, debt service capabilities, shipment levels 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. In particular, our future results could be affected by our acquisition of the CBL business in the United Kingdom 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. 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.

Risk Factors

The reader should carefully consider the following factors and the other information contained within this document. The most important factors that could influence the achievement of our goals, and cause actual results to differ materially from those expressed in the forward-looking statements, include, but are not limited to, the following:

We have a substantial amount of debt. As of December 29, 2002, we hold approximately $1.5 billion in debt primarily associated with the acquisition of CBL.

Because of the acquisition of the CBL business, we have indebtedness that is substantial in relation to our stockholders' equity. Our consolidated indebtedness could have the effect of restricting our flexibility in responding to changing market conditions and could make us more vulnerable in the event of a general downturn in economic conditions or our business, than if we had no or lower debt.

Our substantial indebtedness could have important consequences to us, including:

- A substantial portion of our cash flow from operations must be dedicated to the payment of principal and interest on our debt, reducing the funds available to us for other purposes including expansion through acquisitions, marketing spending and introduction of new brands; and
- We may be more leveraged than some of our competitors, which may place us at a competitive disadvantage should competition require us to devote even more care to the "front end" of our business.

Our ability to make scheduled payments or to refinance our obligations under our indebtedness will depend on our financial and operating performance, which, in turn, is subject to prevailing economic conditions and to financial, business and some other factors beyond our control.

Our primary production facilities in the United States and in the United Kingdom are each located at a single site, so we could be more vulnerable than our competitors to transportation disruptions, fuel increases and natural disasters.

Our primary U.S. production facilities are located in Golden, Colorado, where we brew more than 90%, and package approximately 60% of our products sold in the Americas business. Our primary production facilities in the United Kingdom are located in Burton-on-Trent, England, where we brew approximately 70% of our products sold in the Europe business.

Our centralized operations in the United States require us to ship our products greater distances than our competitors. If one of our plants was unable to continue production, or if there was disruption to our transportation system, our business and financial results could be impacted negatively.

We are significantly smaller than our two primary competitors in the United States, and may consequently be more vulnerable than our competitors to cost and price fluctuations.

The beer industry is highly competitive. At retail, our brands compete on the basis of quality, taste, advertising, price, packaging innovation and retail execution by our distributors. Competition in our various markets could cause us to reduce pricing, increase capital and other expenditures or lose market share, any of which could have a material adverse effect on our business and financial results.

In the United States, we compete primarily with Anheuser-Busch and SAB Miller PLC (Miller), the top two brewers in the United States. Both of these competitors have substantially greater financial, marketing, production and distribution resources than CBC has. Consequently, we are somewhat disadvantaged versus their greater economies of scale.

To remain competitive, we must spend substantially more per barrel on advertising than our competitors. The concentration of our operations at fewer locations contributes to higher costs per barrel than our competitors due to a number of factors. These factors include, but are not limited to, higher transportation costs and the need to maintain satellite redistribution centers. Our competitors have multiple geographically dispersed breweries and packaging facilities.

As a result of our higher costs per barrel and resulting lower margins, we can be more vulnerable to fluctuations in costs such as fuel or packaging costs.

If any of our suppliers, including our joint ventures, are unable to meet our requirements, we may be unable to promptly obtain the materials we need to operate our business.
We purchase most of our paperboard and label packaging for our U.S. products from GPIC. GPIC supplies unique packaging to us that is not currently produced by any other supplier. Our supply agreement expired in 2002. GPIC has recently encountered labor issues at some of its manufacturing locations. We have almost completed a new agreement with GPIC, but the unavailability of packaging materials from GPIC for any reason, without sufficient time to develop an alternative source for our packaging requirements, could have a material adverse effect on our business.

We are dependent on our suppliers for all of the raw materials used in our products as well as for all packaging materials. We currently purchase the majority of our aluminum cans in the United States from RMMC (with Ball Corporation) and more than half of our glass bottles from RMBC (with Owens-Brockway Glass Container, Inc.). We also have agreements to purchase substantially all of our remaining can and bottle needs from these partners. CBL has only a single source for their can supply. The inability of these suppliers to meet our production requirements without sufficient time to develop an alternative source could have a material adverse effect on our business.

As with most agricultural products, the supply and price of raw materials, including water, used to produce our products can be affected by a number of factors beyond our control, including frosts, droughts, other weather conditions, economic factors affecting growth decisions, various plant diseases and pests. In fact, Colorado and other western states currently have some issues with drought conditions. To the extent that any of the foregoing affects the ingredients we use to produce our products, our results of operations could be materially and adversely affected.

Government regulatory authorities in the markets in which we operate may adopt regulations that could increase our costs or our liabilities or could limit our business activities.
Our business is highly regulated by national and local government entities. These regulations govern many parts of our operations, including brewing, marketing and advertising, transportation, distributor relationships, sales and environmental issues. We do not know that we have been or will at all times be in compliance with all regulatory requirements or that we will not incur material costs or liabilities in connection with regulatory requirements. The regulations impacting the beer industry are subject to change at any time, and it is most likely that new rules would not be beneficial to our business.

Governmental entities also levy taxes and often require bonds to ensure compliance with applicable laws and regulations. Various legislative authorities in both the United States and the United Kingdom from time to time consider various proposals to impose additional excise taxes on the production and sale of alcohol beverages, including beer. In the United States, the last significant increase in federal excise taxes on beer was in 1991 when Congress doubled the federal excise taxes on beer. In June 2002, excise taxes on most beer in Puerto Rico increased 50%. Our products could become subject to increased taxation by federal, state or local authorities. Any significant increases could have a materially adverse impact on our financial results.

Due to the scope and complexity of the income tax laws in the many jurisdictions in which we operate, we are required to make judgments based on our interpretation of how these tax laws apply to our global business. While we exercise care in making these interpretations and always seek to comply with the tax laws, a tax authority could disagree with our views, or changes to the tax laws could have a material negative impact on our results.

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.
In recent years, there has been increased social and political attention directed to the alcohol beverage industry. We believe that this attention is the result of public concern over alcohol-related problems, including drunk driving, underage drinking and health consequences from the misuse of alcohol. If the social acceptability of beer were to decline significantly, sales of our products could materially decrease. Similarly, recent litigation against the tobacco industry has directed increased attention to the alcohol beverage industry. If our industry were to become involved in litigation similar to that of the tobacco industry, our business could be materially adversely affected.

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

A failure to successfully implement our redesigned supply chain processes and systems in the United States in 2003 could adversely affect our ability to take distributor orders, plan and schedule production, ship our products and bill distributors for shipments.

During 2003, we plan to implement our redesigned supply chain processes, including the SAP Sales and Distribution module and other systems our customers will use to order beer, and we will use to schedule production, track inventories and bill our customers. Some companies have experienced startup difficulties with similar projects. If our contingency plans fail, we face certain risks when the system is implemented, including the ability to operate cost-effectively, deliver on customer orders, collect cash from sales and report the results of operations. Additionally, we may not achieve the benefits we expect from these re-engineered processes.

Any significant shift in packaging preferences in the beer industry could disproportionately increase our costs and could limit our ability to meet consumer demand.

Reconfiguring our packaging facilities to produce different types or amounts of packaging than we currently produce would likely increase our costs. In addition, we may not be able to complete any necessary changes quickly enough to keep pace with shifting consumer preferences. Our primary competitors are larger and may be better able to accommodate a packaging preference shift. If we are not able to respond quickly to a packaging preference shift, our sales and market share could decline.

We depend on independent distributors in the United States to sell our products, with no assurance that these distributors will effectively sell our products.

We sell all of our products in the United States to wholesale distributors for resale to retail outlets. We are highly dependent on independently-owned distributors. Some of our distributors are at a competitive disadvantage because they are significantly smaller than the largest distributors in their markets. Our distributors also sell products that compete with our products. We cannot control or provide any assurance that these distributors will not give our competitors' products higher priority, thereby reducing sales of our products. In addition, the regulatory environment of many states makes it very difficult to change distributors. Consequently, if we are not allowed or are unable to replace unproductive or inefficient distributors, our business, financial position, and results of operation may be adversely affected.

CBL wholesales its products directly to retail outlets and, other than for servicing independent outlets in the off-trade, is not dependent upon wholesalers. In the United Kingdom, CBL distributes its products through Tradeteam, its joint venture with Excel Logistics. Tradeteam operates a system of satellite warehouses and a transportation fleet for delivery. CBL has an exclusive arrangement with Tradeteam for these services, and the inability of Tradeteam to provide these services could have a materially negative impact on our business if we were unable to timely substitute alternate distribution arrangements.

Since our sales volume is more concentrated in a few geographic areas in the United States, a loss of market share in these particular markets would have a material adverse effect on our results of operations.

Although we sell beer in the United States, the United Kingdom and in select international markets, only a few states, California, Texas, Pennsylvania, New York and New Jersey, together represented 44% of our total U.S. volume in 2002. We have relatively low market share in the Midwest and Southeast regions of the United States. Any loss of market share in our core states could have a material adverse effect on our results of operations.

Our success depends largely on the success of two primary products, one in the United States and one in the United Kingdom; the failure or weakening of either could materially adversely affect our financial results.

Although we currently have 11 products in our U.S. portfolio, Coors Light represented more than 70% of our Americas sales volume for 2002. A key factor in our growth is based on consumer taste preferences that are beyond our control. Our primary competitors' portfolios are more evenly diversified than ours. As a consequence, if consumer tastes shift to another style of beer, the loss of sales from Coors Light would have a disproportionately negative impact on our business compared to the business of our principal competitors.

We cannot provide assurance that our acquisition of CBL will mitigate our reliance on Coors Light. Moreover, Carling lager is the best-selling brand in the United Kingdom and represented approximately 66% of CBL sales volume in the United Kingdom. Consequently, any material shift in consumer preferences in the United Kingdom away from Carling would have a disproportionately negative impact on that business.

Consolidation of pubs and growth in the size of pub chains in the United Kingdom could result in less ability to achieve pricing.

The trend toward consolidation of pubs, away from independent pub and club operations, is continuing in the United Kingdom. These larger entities could have stronger price negotiating power, which could impact CBL's ability to obtain favorable pricing both On-Trade and Off-Trade (due to spillover effect of reduced negotiating leverage) and could reduce revenues and profit margins for us and industry wide for brewers. In addition, these larger customers are beginning to purchase directly more of the products that, in the past, we have provided as part of our factored business. This consolidation could impact us negatively.

We are subject to environmental regulation by federal, state and local agencies, including laws that impose liability without regard to fault.

Our operations are subject to federal, state, local, and foreign environmental laws and regulations regarding, among other things, the generation, use, storage, disposal, emission, release and remediation of hazardous and non-hazardous substances, materials or wastes as well as the health and safety of our employees. Under certain of these laws, namely the Comprehensive Environmental Response, Compensation and Liability Act and its state counterparts, we could be held liable for investigation and remediation of hazardous substance contamination at our currently or formerly owned or operated facilities or at third-party waste disposal sites, as well as for any personal or property damage arising out of such contamination regardless of fault. From time to time, we have been notified that we are or may be a potentially responsible party under the Comprehensive Environmental Response, Compensation and Liability Act. Although we believe that none of the sites where we are currently involved will materially affect our business, financial condition or results of operations, we cannot predict with certainty the total costs of cleanup, our share of the total costs, the extent to which contributions will be available from other parties, the amount of time needed to complete cleanups or insurance coverage. In addition, we could be named a potentially responsible party at sites in the future and the costs associated with such future sites could be material.

Environmental laws and regulations are complex and change frequently. While we have budgeted for future capital and operating expenditures to maintain compliance with these environmental laws and regulations, we cannot be sure that we will not incur any environmental liability, or that these environmental laws and regulations will not change or become more stringent in the future in a manner that could have a material adverse effect on our business, financial condition or results of operations.

We may experience labor disruptions in the United Kingdom.

Approximately 26% of CBL's 3,000 employees are unionized compared to approximately 8% of CBC's 5,700 employees in the United States. Although we believe relations with our employees are very good both in the United States and in the United Kingdom, the CBL operations could be affected to a somewhat greater degree by labor strikes, work stoppages or other similar employee-related issues.

Outlook for 2003

2002 was a challenging year for our Company, the U.S. beer industry and the U.S. economy. There were many new product offerings within the malt beverage business in 2002, including many flavored alcoholic beverages. We believe that these new entrants caused distraction within the industry and negatively impacted consumer demand for beer. Also, as discussed under "Competitive Conditions," the total U.S. beer industry volume growth was approximately 1.3% in 2002. These industry trends as well as a weak U.S. economy contributed to a challenging year for our Company. Our outlook for 2003 is cautiously optimistic, as we believe our advertising and sales efforts, including our NFL sponsorship, will move us closer to our long-standing goal of growing our annual unit volume 1% to 2% faster than the U.S. beer industry. However, we have significant challenges, including higher pension and health care expenses and higher interest expense and principal payments on our debt, along with the inclusion of the money-losing month of January in 2003 CBL results.

Our acquisition of CBL in February 2002 has transformed us into a more global, diversified organization. In 2002, we benefited significantly from the additional unit volume of our Europe business, and we expect that this acquisition will continue to be a significant contributor to our consolidated results.

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

Net sales and volume In 2002, net sales benefited from strong U.S. pricing as well as reductions in price promotions versus the prior year. This strong pricing was offset by the effect of selling company-owned distributorships during 2001 and by a mix shift away from some of our higher net-revenue products and geographic areas. We expect the good pricing environment to continue into 2003. However, an increase in promotional discounting or the degree of value-pack activity could have an unfavorable impact on sales and margins. Further, sales and margins could be impacted adversely if this "negative mix shift" continues in 2003.

America's sales volume was disappointing in 2002. We finished the year with soft sales-to-retail trends, though our distributors ended the year with inventory levels above those of the prior year, ensuring that they had sufficient beer inventories to meet demand for the NFL playoffs and the Superbowl. We expect distributor inventories at the end of the first quarter of 2003 to be in line with the prior year, so our sales volume in the first quarter of 2003 is likely to lag sales to retail. This could limit our ability to leverage fixed costs. We anticipate that distributor inventories at the end of 2003 will be similar to those at the end of 2002, resulting in minimal impact of inventory changes on annual volume. Also, our sales in Puerto Rico are likely to continue to be under pressure through the first half of 2003, after which we will begin lapping the impact of the very significant increase in local beer excise tax that took effect in 2002.

In 2002, our Europe business net sales were affected substantially by competitive off-premise price discounting and an ongoing mix shift from On- to Off-Trade channels, resulting in fairly flat gross margins.

Our Europe segment volume outlook is positive for 2003, although we expect significant volume shifts between quarters compared to a year ago. For instance, the Easter holiday will shift to the second quarter this year from first quarter last year. This shift will benefit second quarter, but will be offset by the lack of a World Cup soccer contest and the Queen's 50th Jubilee celebration, that occurred in the second quarter last year. The third quarter should benefit from the lack of high, prior year, post-World Cup Soccer retail inventories, as well as the introduction of our Carling brand in Scotland supported by a major soccer sponsorship.

Cost of goods sold Americas cost of goods sold per barrel was significantly lower in 2002 as a result of the impact of selling company-owned distributorships during 2001, as well as lower packaging materials costs and lower costs resulting from operating efficiency initiatives within our distribution and supply chain. We anticipate challenging cost of goods sold per barrel comparisons in 2003, but we will continue our efforts to reduce annual costs per barrel. We believe the following factors will be most important going forward:

- First, input costs are expected to be slightly unfavorable. Our outlook for 2003 is for modestly higher paper and agricultural commodities costs, while aluminum can costs are expected to be lower. Diesel fuel spot prices have been significantly higher in recent months. If these high costs are sustained during the year, our outlook will be adversely affected. This could become more concerning in our current political environment.
- Second, operating efficiency initiatives resulted in significant savings in 2002, particularly within our transportation costs and related supply-chain work. Beginning in the fourth quarter of 2002, we began to lap the first significant savings from these efforts started over a year earlier, which made our cost of goods per barrel comparisons more challenging than the first three quarters of 2002. Our 2003 comparisons will continue to be challenging, but we continue to strive for our long-term goal of cutting at least $5–$6 per barrel from our controllable production costs over the next several years.
- Third, labor-related costs are expected to increase in 2003, primarily due to higher pension and health care costs.

Europe segment 2002 cost of goods sold achieved modest savings from operating and purchasing efficiencies. We anticipate these savings to continue in 2003, if not accelerate, as we achieve benefits from closing our Cape Hill brewery in the fourth quarter of 2002.

Marketing, general and administrative expenses Marketing and sales spending in both the Americas and Europe segments is expected to increase modestly in 2003 as we plan to continue investing behind our brands and sales efforts, as is our philosophy and past practice. Additional sales and marketing spending will be committed on an opportunity-by-opportunity basis, if incremental funding becomes available.

General and administrative expense will be higher in 2003 in both the Americas and Europe due to higher labor benefit costs, due in part to higher pension expense, as well as spending on systems and other investments to support our larger, global business. Beginning in 2003, we will begin allocating certain general and administrative expenses to the Corporate segment. These expenses will include corporate office costs that are not attributable to either the Americas or Europe operating segments and include more "corporate center" functions like legal, finance, tax, insurance and other corporate expenses.

Interest income and expense Consolidated 2003 interest income is expected to be fairly consistent with 2002, and will consist primarily of U.K. trade-loan interest income.

Interest expense will increase in 2003 vs. 2002, because we will incur a full year of interest on the debt associated with our CBL acquisition in February 2002. Our interest expense will also be impacted by the higher-rate, long-term debt structure that was not in place until the second quarter of 2002. Prior to finalizing the long-term structure, we had higher short-term borrowings at lower interest rates.

Taxes We expect our consolidated effective tax rate to be at 36% or slightly lower. The effective tax rate could differ materially from 36%, depending upon the outcome of the 1999 and 2000 Internal Revenue Service (IRS) audits scheduled to be completed by June 2003 and the impact of further tax planning.

Other In 2003, we have planned capital expenditures (excluding capital improvements for our container joint ventures, which will be recorded on the books of the respective joint ventures) in the range of, or slightly lower than, the $240.0 million we spent in 2002. In the Americas segment, these investments will continue to reduce costs and improve productivity. In the Europe segment, the major focus in 2003 is on our Burton-on-Trent brewery where we are increasing packaging capability and efficiency following the closure of the brewery at Cape Hill.

Quantitative and Qualitative Disclosures About Market Risk

In the normal course of business, we are exposed to fluctuations in interest rates, foreign currencies and the prices of production and packaging materials. We have established policies and procedures to govern the strategic management of these exposures through a variety of financial instruments. By policy, we do not enter into any contracts for the purpose of trading or 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 our earnings and cash flows affected by potential changes in underlying rates and prices. To achieve this objective, we enter into foreign currency forward contracts, commodity swaps, interest rate swaps and cross currency swaps, the values of which change in the opposite direction of the anticipated cash flows. We do not hedge the value of net investments in foreign-currency-denominated operations or translated earnings of foreign subsidiaries. Our primary foreign currency exposures are British pound sterling (GBP), Canadian dollar (CAD) and Japanese yen (YEN).

Derivatives are either exchange-traded instruments, or over-the-counter agreements entered into with highly rated financial institutions. No losses on over-the-counter agreements due to counterparty credit issues are anticipated. All over-the-counter agreements are entered into with counterparties rated no lower than A (S&P) or A2 (Moody's). In some instances we and our counterparties have reciprocal collateralization agreements regarding fair value positions in excess of certain thresholds. These agreements call for the posting of collateral in the form of cash, treasury securities or letters of credit if a fair value loss position to us or our counterparties exceeds a certain amount. At December 29, 2002, no collateral was posted by us or our counterparties.

On February 2, 2002, we acquired 100% of the outstanding shares of Bass Holdings Ltd. and certain other intangible assets from Interbrew. We also paid off certain intercompany loan balances with Interbrew for a total purchase price of 1.2 billion GBP (approximately $1.7 billion at prevailing exchange rates then in existence), plus associated fees, expenses and a restructuring provision. This business was subsequently renamed CBL. As part of our strategy to limit the possible effects of foreign exchange on our acquisition of CBL and the subsequent financial structure implemented for the acquisition, we evaluated and entered into a number of derivative instruments.

In December 2001, we entered into a commitment with lenders for the financing of the acquisition of CBL assets. Embedded in the commitment letter was a foreign currency option, purchased by us, which limited our maximum amount of U.S. dollars required to fund the acquisition. At the time our acquisition bid was accepted we entered into a foreign currency forward sale agreement to fix the GBP value of some of our cash on hand that was used to fund the acquisition. The option in the loan commitment expired on February 11, 2002, and the foreign currency forward sale settled on January 12, 2002. These two transactions resulted in a combined loss and amortization expense of $1.2 million realized during the first quarter of 2002.

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

In connection with our acquisition of the CBL business, we entered into new senior unsecured credit facilities, borrowing $800 million of 5-year term debt and $750 million of bridge financing. These funds were subsequently exchanged for GBP and used to close the transaction. In order to better match our assets and liabilities the $750 million of bridge financing was recorded as an intercompany loan of 530 million GBP.

Upon establishing the intercompany loan, we entered into a forward sale agreement for 530 million GBP. The forward sale agreement was made in order to hedge the effect of fluctuations in the GBP exchange rates on the re-measurement of the intercompany loan. The forward sale agreement expired on May 7, 2002. The change in fair value of the forward sale was offset largely by increases or decreases in the value of the intercompany loan. (See "Derivative Instruments," Note 12 to the consolidated financial statements.)

Since the underlying financing associated with the intercompany loan was short-term in nature (the bridge loan), and because our forward sale agreements established as hedges of the intercompany loan expired on May 7, 2002, we were exposed to fluctuations of the GBP exchange rate on our cash requirement to settle the forwards and repay the bridge loan. Therefore, on February 2, 2002, we paid approximately $1.7 billion for a 530 million GBP call option with a strike rate of 1.48 U.S. dollars to GBP. This option expired May 7, 2002. This option limited the maximum amount of U.S. dollars required to settle our forward sale agreement and repay our bridge loan obligations. The cash needed to settle our forward sale of 530 GBP, and subsequently, the $750 million bridge loan was satisfied by our private placement of $850 million principal amount of 6⅜% Senior notes, due 2012 (See "Derivative Instruments," Note 12 to the consolidated financial statements) and cash on hand. Amortization expense of approximately $1.7 million related to the call option was recognized in the first quarter of 2002.

On May 7, 2002, we entered into certain cross currency swaps totaling 530 million GBP (approximately $774 million). The swaps included an initial exchange of principal on the date of the private placement and will require final principal exchange 10 years later. The swaps also call for an exchange of fixed GBP interest payments for fixed U.S. dollar interest receipts. At the initial principal exchange, we paid U.S. dollars to a counterparty and received GBP. Upon final exchange, we will provide GBP to the counterparty and receive U.S. dollars. The cross currency swaps have been designated as cash flow hedges of the changes in value of the future GBP interest and principal receipts that resulted from changes in the U.S. dollar to GBP exchange rates on an intercompany loan between CBC and our Europe subsidiary.

On May 28, 2002, we entered into an interest rate swap agreement related to $76.2 million of our 6⅜% Senior notes due 2012. The interest rate swap converted $76.2 million notional amount from fixed rates to floating rates and matures in 2012. We will receive fixed U.S. dollar interest payments semi-annually at a rate of 6⅜% per annum and pay a rate to our counterparty based on a credit spread of 0.789% plus the three-month LIBOR rate, thereby exchanging a fixed interest obligation for a floating interest rate obligation. There was no exchange of principal at the inception of the swap. We designated the interest rate swap as a fair value hedge of the changes in the fair value of $76.2 million of our 6⅜% Senior notes due 2012 attributable to changes in the LIBOR swap rates.

We monitor foreign exchange risk, interest rate risk and related derivatives using two techniques-sensitivity analysis and Value-at-Risk. Our market-sensitive derivative and other financial instruments, as defined by the SEC, are foreign currency forward contracts, commodity swaps, interest rate swaps, and cross currency swaps.

We use Value-at-Risk to monitor the foreign exchange and interest rate risk of our cross-currency swaps. The Value-at-Risk provides an estimate of the level of a one-day loss that may be equaled or exceeded due to changes in the fair value of these foreign exchange rate and interest rate-sensitive financial instruments. The type of Value-at-Risk model used to estimate the maximum potential one-day loss in the fair value is a variance/covariance method. The Value-at-Risk model assumes normal market conditions and a 95% confidence level. There are various modeling techniques that can be used to compute value at risk. The computations used to derive our values take into account various correlations between currency rates and interest rates. The correlations have been determined by observing foreign exchange currency market changes and interest rate changes over the most recent one-year period. We have excluded anticipated transactions, firm commitments, cash balances, and accounts receivable and payable denominated in foreign currencies from the Value-at-Risk calculation, some of which these instruments are intended to hedge.

The Value-at-Risk calculation is a statistical measure of risk exposure based on probabilities and is not intended to represent actual losses in fair value that we may incur. The calculated Value-at-Risk result does not represent the full extent of the possible loss that may occur. It attempts to represent the most likely measure of potential loss that may be experienced 95 times out of 100 due to adverse market events that may occur. Actual future gains and losses will differ from those estimated by Value-at-Risk because of changes or differences in market rates and interrelationships, hedging instruments, hedge percentages, timing and other factors.

The estimated maximum one-day loss in fair value on our cross-currency swaps, derived using the Value-at-Risk model, was $8.6 million at December 29, 2002. As we did not enter into the cross currency swaps until the second quarter of 2002, there is no comparable one-day loss in fair value at December 30, 2001. Such a hypothetical loss in fair value is a combination of the foreign exchange and interest rate components of the cross currency swap. Value changes due to the foreign exchange component would be offset completely by increases in the value of our inter-company loan, the underlying transaction being hedged. The hypothetical loss in fair value attributable to the interest rate component would be deferred until termination or maturity.

Details of all other market-sensitive derivative and other financial instruments, including their fair values, are included in the table below. These instruments include foreign currencies, commodity swaps, interest rate swap and cross-currency swaps.

(In thousands)	Notional principal amounts (USD)	Fair values	Maturity
December 29, 2002			
Foreign currency management			
Forwards	$ 19,655	$ 106	01/03–12/03
Cross currency swap	$ 773,800	$(43,621)	05/12
Commodity pricing management			
Swaps	$ 112,573	$ (4,630)	03/03–09/04
Interest rate pricing management			
Interest rate swap	$ 76,200	$ 8,493	05/12
December 30, 2001			
Foreign currency management			
Option[1]	$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

[1] *The foreign exchange option for $1.7 billion notional was purchased to hedge our exposure to fluctuations in the GBP exchange rate related to acquisition of certain CBL assets. This option was settled in May 2002.*

Maturities of derivative financial instruments held on December 29, 2002, are as follows:

(In thousands)	2003[1]	2004 and thereafter
	$(3,747)	$(35,905)

[1] *Amount includes the estimated deferred net loss of $4.0 million that is expected to be recognized over the next 12 months, on certain forward foreign exchange contracts and production and packaging materials derivative contracts, when the underlying forecasted cash flow transactions occur.*

Inter-company loans are generally hedged against foreign exchange risk through the use of cross-currency swaps with third parties.

A sensitivity analysis has been prepared to estimate our exposure to market risk of interest rates, foreign exchange rates and commodity prices. The sensitivity analysis reflects the impact of a hypothetical 10% adverse change in the applicable market interest rates, foreign 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.

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

(In millions, as of)	Dec. 29, 2002	Dec. 30, 2001
Estimated fair value volatility		
Foreign currency risk: forwards, option	$ (2.1)	$(22.2)
Interest rate risk: debt, swaps	$(42.1)	$ (0.4)
Commodity price risk: swaps	$(10.8)	$(12.2)

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.

W. Leo Kiely III
President and Chief Executive Officer,
Adolph Coors Company and
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, comprehensive income, shareholders' equity and cash flows present fairly, in all material respects, the financial position of Adolph Coors Company and its subsidiaries at December 29, 2002, and December 30, 2001, and the results of their operations and their cash flows for each of the three years in the period ended December 29, 2002, 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, 2003

Consolidated Statements of Income and Comprehensive Income

(In thousands, except per share data, fiscal year ended)	December 29, 2002	December 30, 2001	December 31, 2000
Sales – domestic and international (Note 10)	$ 4,956,947	$ 2,842,752	$ 2,841,738
Beer excise taxes	(1,180,625)	(413,290)	(427,323)
Net sales	3,776,322	2,429,462	2,414,415
Cost of goods sold (Note 10)	(2,414,530)	(1,537,623)	(1,525,829)
Gross profit	1,361,792	891,839	888,586
Other operating expenses			
Marketing, general and administrative	(1,057,240)	(717,060)	(722,745)
Special charges (Note 9)	(6,267)	(23,174)	(15,215)
Total other operating expenses	(1,063,507)	(740,234)	(737,960)
Operating income	298,285	151,605	150,626
Other (expense) income			
Gain on sales of distributorships	–	27,667	1,000
Interest income	21,187	16,409	21,325
Interest expense	(70,919)	(2,006)	(6,414)
Other income, net (Note 10)	8,047	4,338	2,988
Total other (expense) income	(41,685)	46,408	18,899
Income before income taxes	256,600	198,013	169,525
Income tax expense (Note 5)	(94,947)	(75,049)	(59,908)
Net income	$ 161,653	$ 122,964	$ 109,617
Other comprehensive income, net of tax (Note 13)			
Foreign currency translation adjustments	70,884	14	2,632
Unrealized gain (loss) on derivative instruments	15,358	(6,200)	(1,997)
Unrealized gain on available-for-sale securities	–	3,718	1,268
Minimum pension liability adjustment	(212,092)	(8,487)	–
Reclassification adjustments	4,993	(4,898)	366
Comprehensive income	$ 40,796	$ 107,111	$ 111,886
Net income per share – basic	$ 4.47	$ 3.33	$ 2.98
Net income per share – diluted	$ 4.42	$ 3.31	$ 2.93
Weighted-average shares – basic	36,140	36,902	36,785
Weighted-average shares – diluted	36,566	37,177	37,450

See notes to consolidated financial statements.

Consolidated Balance Sheets

(In thousands)	December 29, 2002	December 30, 2001
Assets		
Current assets		
Cash and cash equivalents	$ 59,167	$ 77,133
Short-term marketable securities	–	232,572
Accounts and notes receivable		
Trade, less allowance for doubtful accounts of $14,334 and $91, respectively	621,046	94,985
Affiliates	20,646	223
Other, less allowance for doubtful accounts of $6,693 and $111, respectively	63,734	13,524
Inventories		
Finished	86,372	32,438
In process	31,850	23,363
Raw materials	56,239	41,534
Packaging materials, less allowance for obsolete inventories of $2,069 and $2,188, respectively	10,210	17,788
Total inventories	184,671	115,123
Maintenance and operating supplies, less allowance for obsolete supplies of $12,032 and $2,182, respectively	30,488	23,454
Deferred tax asset (Note 5)	20,976	27,793
Other current assets	53,168	21,722
Total current assets	1,053,896	606,529
Properties, net (Note 2)	1,380,239	869,710
Goodwill (Note 18)	727,069	6,955
Other intangibles, less accumulated amortization of $25,622 and $9,049, respectively (Note 18)	529,076	79,334
Investments in joint ventures, less accumulated amortization of $7,816 and $1,625, respectively (Note 10)	191,184	94,785
Long-term deferred tax asset (Note 5)	206,400	–
Long-term notes receivable, less allowance for doubtful accounts of $17,794	109,082	–
Other non-current assets	100,465	82,379
Total assets	$4,297,411	$1,739,692

See notes to consolidated financial statements.

Consolidated Balance Sheets

(In thousands, except share data)	December 29, 2002	December 30, 2001
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable		
Trade	$ 305,297	$ 219,381
Affiliates	29,350	3,112
Accrued salaries and vacations	79,001	56,767
Taxes, other than income taxes	178,044	31,271
Accrued expenses and other liabilities (Notes 3 and 8)	412,150	118,976
Current portion of long-term debt (Note 4)	144,049	88,038
Total current liabilities	1,147,891	517,545
Long-term debt (Note 4)	1,383,392	20,000
Deferred tax liability (Note 5)	156,437	61,635
Deferred pension and postretirement benefits (Notes 7 and 8)	511,869	141,720
Other long-term liabilities (Note 3)	115,971	47,480
Total liabilities	3,315,560	788,380
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)	1,260	1,260
Class B common stock, non-voting, no par value, $0.24 stated value (authorized: 200,000,000 shares; issued and outstanding: 35,080,603 and 34,689,410, respectively)	8,352	8,259
Total capital stock	9,612	9,519
Paid-in capital	19,731	–
Unvested restricted stock	(1,009)	(597)
Retained earnings	1,086,965	954,981
Accumulated other comprehensive loss	(133,448)	(12,591)
Total shareholders' equity	981,851	951,312
Total liabilities and shareholders' equity	$4,297,411	$1,739,692

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

(In thousands, fiscal year ended)	December 29, 2002	December 30, 2001	December 31, 2000
Cash flows from operating activities			
Net income	$ 161,653	$ 122,964	$ 109,617
Adjustments to reconcile net income to net cash provided by operating activities			
Equity in net earnings of joint ventures	(54,958)	(43,630)	(42,395)
Distributions from joint ventures	66,616	39,453	55,379
Impairment charge and non-cash portion of special charges	–	6,591	11,068
Depreciation, depletion and amortization	230,299	121,091	129,283
Gains on sales of securities	(4,003)	(4,042)	–
Gain on sale or loss on abandonment of properties and intangibles, net	(9,816)	(30,467)	(4,729)
Deferred income taxes	(2,819)	(19,176)	6,870
Gain/loss of FX fluctuations and derivative instruments	2,576	294	–
Changes in current assets and liabilities (net of assets acquired and liabilities assumed in a business combination accounted for under the purchase method			
Trade receivables	(254,425)	9,499	19,377
Trade payables	83,493	(27,544)	13,638
Inventory	39,210	(5,199)	(3,087)
Other changes in working capital	719	23,562	(14,290)
Net cash provided by operating activities	258,545	193,396	280,731
Cash flows from investing activities			
Purchases of investments	–	(228,237)	(356,741)
Sales and maturities of investments	232,758	268,093	208,176
Capital expenditures	(239,547)	(243,003)	(150,896)
Additions to intangible assets	(7,295)	(1,545)	(3,428)
Proceeds from sales of properties and intangible assets	27,357	63,529	6,427
Acquisition of CBL, net of cash acquired	(1,587,300)	–	–
Investment in Molson USA, LLC	(2,750)	(65,000)	–
Other	(7,561)	9,414	(1,079)
Net cash used in investing activities	(1,584,338)	(196,749)	(297,541)
Cash flows from financing activities			
Issuances of stock under stock plans	15,645	10,701	17,232
Purchases of treasury stock	–	(72,345)	(19,989)
Dividends paid	(29,669)	(29,510)	(26,564)
Proceeds from issuance of debt	2,391,934	–	–
Proceeds from short-term borrowings	331,333	–	–
Payments on debt and capital lease obligations	(1,379,718)	–	–
Debt issuance costs	(10,074)	–	–
Change in overdraft balances	(27,783)	51,551	4,686
Other	–	759	(2,235)
Net cash provided by (used in) financing activities	1,291,668	(38,844)	(26,870)
Cash and cash equivalents			
Net decrease in cash and cash equivalents	(34,125)	(42,197)	(43,680)
Effect of exchange rate changes on cash and cash equivalents	16,159	(431)	(367)
Balance at beginning of year	77,133	119,761	163,808
Balance at end of year	**$ 59,167**	$ 77,133	$ 119,761

See notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

(In thousands, except per share data)	Common stock issued Class A	Class B	Paid-in capital	Unvested restricted stock	Retained earnings	Accumulated other comprehensive income	Total
Balances, December 26, 1999	$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)
Balances, December 31, 2000	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)
Balances, December 30, 2001	1,260	8,259	–	(597)	954,981	(12,591)	951,312
Shares issued under stock plans, including related tax benefit		93	20,089	(770)			19,412
Amortization of restricted stock			(358)	358			–
Other comprehensive income						(120,857)	(120,857)
Net income					161,653		161,653
Cash dividends – $0.82 per share					(29,669)		(29,669)
Balances, December 29, 2002	**$1,260**	**$8,352**	**$ 19,731**	**$(1,009)**	**$1,086,965**	**$(133,448)**	**$ 981,851**

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

1. Summary of Significant Accounting Policies

Fiscal year Our fiscal year is a 52- or 53-week period ending on the last Sunday in December. Fiscal years ended December 29, 2002, and December 30, 2001, were both 52-week periods. Fiscal year ended December 31, 2000, was a 53-week period.

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 and our investment in the Colorado Rockies Baseball Partnership is accounted for under the cost method (see Note 10, "Investments").

Use of estimates Our consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States (GAAP). These accounting principles require us to make certain estimates, judgments and assumptions. We believe that the estimates, judgments and assumptions are reasonable, based on information available at the time they are made. These estimates, judgments and assumptions can affect the reported amounts of assets and liabilities as of the date of the financial statements, as well as the reported amounts of revenue and expenses during the periods presented. We also assess potential losses in relation to various business activities and, if a loss is considered probable and the amount can be reasonably estimated, we recognize an expense for the estimated loss. As additional information becomes available, the potential liability is reassessed and the estimate may be revised. To the extent there are material differences between these estimates and actual results, our consolidated financial statements are affected. In many cases, the accounting treatment of a particular transaction is specifically dictated by GAAP and does not require our judgment in its application. There are also areas in which our judgment in selecting any available alternative would not produce a materially different result.

Reclassifications Certain reclassifications have been made to the 2001 and 2000 financial statements to conform to the 2002 presentation.

Revenue recognition Revenue is recognized when product is shipped and the risk of loss transfers to our unrelated customers, which are principally independent retailers in the United Kingdom and independent distributors or wholesalers in the United States. In the United Kingdom, excise taxes are included in the purchase price from the vendor on beverages purchased from third parties for resale (factored brands business) and are included in our Cost of goods sold when ultimately sold. We pass those costs onto our customers and include the related amounts in our Net sales. The cost of various programs, such as price promotions, rebates and coupon programs are treated as a reduction of sales. Sales of products are for cash or credit terms agreed to by us based on a customer's credit worthiness. Outside of unusual circumstances, if product is retrieved, it is generally for failure to meet our quality standards, not caused by distributor actions. Products that do not meet our high quality standards are retrieved and destroyed. We do not have standard terms that permit return of product. We estimate the costs for product retrievals and record those costs in Cost of Goods Sold in the Consolidated Statements of Income each period. We reduce revenue at the value of the original sales price in the period that the product is returned.

Cost of goods sold The types of costs included in Cost of goods sold are beer raw materials, packaging materials (including promotional packaging), manufacturing costs, plant administrative support and overheads, and freight and warehouse costs (including distribution network costs). Distribution network costs include inbound and outbound freight charges, purchasing and receiving costs, inspection costs, warehousing and internal transfer costs.

Equity method accounting We generally apply the equity method of accounting to 20%–50% owned investments where we exercise significant influence. These investments primarily involve equity ownership in captive suppliers of goods and services for our business. These investments involve operations that manufacture bottles and cans for our Americas business and transportation services in Europe. They also include ventures that manufacture, distribute and sell Coors Light in Canada, Molson branded beers in the U.S. and Grolsch in the United Kingdom.

We own a 50.1% interest in a non-consolidated joint venture (Coors Canada) that we account for using the equity method of accounting due to the effective control of the partnership being shared equally by the partners under the operating agreement.

There are no related parties that own interests in our equity method investments.

Marketing, general and administrative The types of costs included in our Marketing, general and administrative expenses consist predominately of advertising and non-manufacturing administrative and overhead costs. Distribution network costs are not included in our Marketing, general and administrative expenses, but are included in Cost of goods sold as described above. The creative portion of our advertising activities are expensed as incurred. The costs to procure our advertising and promotional material are generally expensed when the advertising is first run. Cooperative advertising expenses are included in Marketing, general and administrative costs. Advertising expense was $586.2 million, $465.2 million and $477.3 million for years 2002, 2001 and 2000, respectively. Prepaid advertising costs of $34.0 million ($12.5 in current and $21.5 million in long-term) and $30.4 million ($5.6 million in current and $24.8 million in long term) were included in Other current and Other non-current assets in the Consolidated Balance Sheets at December 29, 2002, and December 30, 2001, respectively.

Income taxes The provision for income taxes is based on income and expense amounts as reported in the Consolidated Statements of Income. Deferred income taxes are recognized for the effect of temporary differences between financial reporting and tax filing in accordance with the requirements of Statement of Financial Accounting Standards No. 109, *Accounting for Income Taxes* (SFAS No. 109). We record a valuation allowance to reduce our deferred tax assets to the amount that is more likely than not to be realized. We do not provide deferred taxes on the outside basis differences in our acquired foreign subsidiary's stock. This outside basis difference is permanent in nature under Accounting Principles Board No. 23, *Accounting for Income Taxes, Special Areas* (APB No. 23), because we do not intend to take any action that would trigger the gain inherent in the book over tax basis difference (see Note 5, "Income Taxes," for additional information).

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.

Trade loans CBL extends loans to retail outlets that sell our brands. Some of these loans provide for no interest to be payable, others provide for payment of a below market interest rate. In return, the retail outlets receive smaller discounts on beer and other beverage products purchased from us, with the net result being CBL attaining a market return on the outstanding loan balance.

Consistent with GAAP, we have reclassified a portion of the beer revenue into interest income to reflect a market rate of interest on these notes. In 2002, this amount was $16.4 million. We have included this interest income in the Europe segment since it is related solely to the Europe business, even though all other interest income and expense is reflected in the Corporate segment.

Allowance for doubtful accounts In the Americas segment, our allowance for doubtful accounts and credit risk is insignificant as the majority of the Americas accounts receivable balance is generated from sales to independent distributors with whom we have a predetermined collection date arranged through electronic funds transfer. Also, in the Americas, we secure substantially all of our product sale credit risk with purchase money security interests in inventory and proceeds, personal guarantees and other letters of credit.

Because the majority of CBL sales are directly to retail customers, and because of the policy of making trade loans to customers, our ability to manage credit risk in this business is critical. At CBL, we provide allowances for trade receivables and trade loans associated with the ability to collect outstanding receivables from our customers. Generally, provisions are recorded to cover the full exposure to a specific customer (total amount of trade accounts and loans from a specific customer less the amount of security and insurance coverage) at the point the account is considered uncollectible. At this time, we record the provision as a bad debt in Marketing, general and administrative expenses. Provisions are reversed upon recoverability of the account or relieved at the point an account is written off.

Notes to Consolidated Financial Statements

We are not able to predict changes in financial condition of our customers and, if circumstances related to our customers deteriorate, our estimates of the recoverability of our trade receivables and trade loans could be materially affected and we may be required to record additional allowances.

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 in the United States and on the first-in, first-out (FIFO) method in the United Kingdom. Current cost in the United States, determined on the FIFO method, exceeded LIFO cost by $39.3 million and $41.5 million at December 29, 2002 and December 30, 2001, respectively.

Allowance for obsolete inventory We regularly assess the valuation of our inventories and write down those inventories which are obsolete or in excess of our forecasted usage to their estimated realizable value (difference between the cost of the inventory and the estimated market value). Our estimates of realizable value are based upon our analyses and assumptions including, but not limited to, historical usage, future demand and market requirements. If market conditions are less favorable than our forecasts, or actual demand from our customers is lower than our estimates, we may be required to record additional inventory write-downs.

Properties Land, buildings and machinery and equipment are stated at cost. Depreciation is calculated 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.

Dispense assets CBL owns and maintains the dispense equipment in On-Trade retail outlets. Dispense equipment, which moves the beer from the keg in the cellar to the glass, is capitalized at cost upon installation and depreciated on a straight-line basis over an average life of 7 years. Labor costs incurred and materials used in the dispense installations are capitalized and depreciated over 2 years. Dispense equipment awaiting installation is held in inventory and valued at the lower of cost or market. Ordinary repairs and maintenance are expensed as incurred.

System development costs We capitalize certain system development costs that meet established criteria, in accordance with Statement of Position 98-1, *Accounting for the Costs of Computer Systems Developed or Obtained for Internal Use* (SOP 98-1). Amounts capitalized as machinery and equipment are amortized on a straight-line basis over three to five years. At December 29, 2002 and December 30, 2001, amounts capitalized were $3.9 million and $8.4 million, respectively. Related amortization expense was $0.6 million, $1.2 million and $0.8 million for fiscal years 2002, 2001 and 2000, respectively. We also capitalized $26.8 million and $4.7 million related to our system implementation in 2002 and 2001, respectively. These amounts are included in our construction in progress balance as of December 29, 2002 and December 30, 2001, respectively, due to the fact that the related asset had not yet been put into use. System development costs not meeting the criteria in SOP 98-1, including system reengineering, are expensed as incurred.

Goodwill and intangible asset valuation In June 2001, the Financial Accounting Standards Board (FASB) issued Statements of Financial Accounting Standards No. 141, *Business Combinations* (SFAS No. 141), and No. 142, *Goodwill and Other Intangible Assets* (SFAS No. 142). SFAS No. 141 requires that all business combinations be accounted for using the purchase method of accounting and that certain intangible assets acquired in a business combination be recognized as assets apart from goodwill. SFAS No. 141 was effective for all business combinations initiated after June 30, 2001. SFAS No. 142 requires goodwill and indefinite lived assets to be tested for impairment under certain circumstances, and written down when impaired, rather than being amortized as previously required. Furthermore, SFAS No. 142 requires purchased intangible assets other than goodwill to be amortized over their useful lives unless those lives are determined to be indefinite. Purchased intangible assets are carried at cost less accumulated amortization.

Impairment policy When events or changes in circumstances indicate that the carrying amount of long-lived assets, including definite lived intangible assets may not be recoverable and at least annually, 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 an impairment exists in accordance with Statement of Financial Accounting Standards No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets* (SFAS No. 144).

Contingencies, environmental and litigation reserves
When we determine that it is probable that a liability for environmental matters or other legal actions exists and the amount of the loss is reasonably estimable, an estimate of the future costs are 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.

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 the values of which 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 SFAS No. 133, are considered cash flows hedges. Any gains or losses associated with the effective portion of these hedges are included in Accumulated other comprehensive income until earnings are affected by the variability of cash flows. Any remaining gain or loss, relating to the ineffective portion of the hedge, is recognized in current earnings. In calculating effectiveness for SFAS No. 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.

Fair value of financial instruments The carrying amounts of our financial instruments, including cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, approximate fair value due to the short-term maturity of these instruments. The fair value of long-term obligations for derivatives was estimated by discounting the future cash flows using market interest rates and does not differ significantly from the amounts reflected in the consolidated financial statements. The fair value of long-term debt exceeds the carrying value by approximately $62 million.

Foreign currency translation Assets and liabilities recorded in foreign currencies that are the functional currencies for the respective operations are translated at the prevailing exchange rate at the balance sheet date. Revenue and expenses are translated at the average exchange rates during the period. Translation adjustments resulting from this process are reported as a separate component of Other comprehensive income.

Notes to Consolidated Financial Statements

Stock-based compensation We account for employee stock options in accordance with Accounting Principles Board No. 25, *Accounting for Stock Issued to Employees* (APB No. 25), and will continue to do so going forward. Accordingly, the Company does not recognize compensation expense related to employee stock options, since options are always granted at a price equal to the market price on the day of grant. See Note 6, "Stock Option, Restricted Stock Award and Employee Award Plans," for additional information on the Company's stock options.

We use the intrinsic value method allowed under APB No. 25 when accounting for our stock-based compensation. The following table illustrates the effect on net income and earnings per share if we had applied the fair value recognition provisions of SFAS No. 123 to stock-based compensation:

(In thousands, except per share data, fiscal year ended)	Dec. 29, 2002	Dec. 30, 2001	Dec. 31, 2000
Net income, as reported	$161,653	$122,964	$109,617
Stock-based compensation expense included in reported net income, net of related tax effects	–	–	–
Total stock-based compensation expense determined under fair value based methods for all awards, net of related tax effects	(12,059)	(16,544)	(13,453)
Pro forma net income	$149,594	$106,420	$ 96,164
Earnings per share			
Basic – as reported	$ 4.47	$ 3.33	$ 2.98
Basic – pro forma	$ 4.14	$ 2.88	$ 2.61
Diluted – as reported	$ 4.42	$ 3.31	$ 2.93
Diluted – pro forma	$ 4.09	$ 2.86	$ 2.57

Statement of cash flows data The following presents our supplemental cash flow information (in millions):

(In millions, fiscal year ended)	Dec. 29, 2002	Dec. 30, 2001	Dec. 31, 2000
Cash paid for interest	$64.6	$ 7.6	$ 7.7
Cash paid for income taxes	$44.6	$83.2	$49.6
Issuance of restricted and common stock, net of forfeitures	$ 0.8	$ 1.2	$ (5.8)
Exercise of stock options	$ 3.4	$ 4.4	$14.2

Recent accounting pronouncements In June 2001, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 143, *Accounting for Asset Retirement Obligations* (SFAS No. 143), which is applicable to financial statements issued for fiscal years beginning after June 15, 2002. Under SFAS No. 143, the fair value of a liability for an asset retirement obligation would be recognized in the period in which the liability is incurred, with an offsetting increase in the carrying amount of the related long-lived asset. Over time, the liability would be accreted to its present value, and the capitalized cost would be depreciated over the useful life of the related asset. Upon settlement of the liability, an entity would either settle the obligation for its recorded amount or incur a gain or loss upon settlement. We adopted this standard effective December 30, 2002, the beginning of our 2003 fiscal year. We are still evaluating the impact SFAS No. 143 could have on our financial statements.

In August 2001, the FASB issued Statement of Financial Accounting Standards No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets* (SFAS No. 144), which is applicable to financial statements issued for fiscal years beginning after December 15, 2001. This standard provides a single accounting model for long-lived assets to be disposed of by sale and establishes additional criteria that would have to be met to classify an asset as held-for-sale. Classification as held-for-sale is an important distinction since such assets are not depreciated and are stated at the lower of fair value or carrying amount. This standard also requires expected future operating losses from discontinued operations to be recorded in the period(s) in which the losses are incurred, rather than as of the measurement date, as previously required. Our adoption of SFAS No. 144 on December 31, 2001 did not have a material effect on our operating results or financial position.

In April 2002, the FASB issued Statement of Financial Accounting Standards No. 145, *Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13, and Technical Corrections as of April 2002* (SFAS No. 145), which is applicable for fiscal years beginning after May 15, 2002. This statement eliminates the automatic classification of gain or loss on extinguishment of debt as an extraordinary item, and requires that such gain or loss be evaluated for extraordinary classification under the criteria of Accounting Principles Board No. 30, *Reporting Results* *of Operations.* This statement also requires sales-leaseback accounting for certain lease modifications that have economic effects that are similar to sales-leaseback transactions and makes various other technical corrections to existing pronouncements. Our adoption of SFAS No. 145 on December 30, 2002, the beginning of our 2003 fiscal year, did not have a material effect on our operating results or financial position.

In June 2002, the FASB issued Statement of Financial Accounting Standards No. 146, *Accounting for Costs Associated with Exit or Disposal Activities* (SFAS No. 146), which is applicable for exit or disposal activities initiated after December 31, 2002. This statement requires that a liability for a cost that is associated with an exit or disposal activity be recognized when the liability is incurred. It nullifies the guidance of the Emerging Issues Task Force (EITF) in EITF Issue No. 94-3, *Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring).* Under EITF Issue No. 94-3, an entity recognized a liability for an exit cost on the date that the entity committed itself to an exit plan. SFAS No. 146 acknowledges that an entity's commitment to a plan does not, by itself, create a present obligation to other parties that meets the definition of a liability. SFAS No. 146 also establishes that fair value is the objective for the initial measurement of the liability. Our adoption of SFAS No. 146 on December 30, 2002, the beginning of our 2003 fiscal year, did not have a material effect on our operating results or financial position.

In December 2002, the FASB issued Statement of Financial Accounting Standards No. 148, *Accounting for Stock-Based Compensation – Transition and Disclosure – an amendment of FASB Statement No. 123* (SFAS No. 148), which is effective for financial statements related to periods ending after December 15, 2002. SFAS No. 148 requires expanded disclosure regarding stock-based compensation in the Summary of Significant Accounting Policies in the Notes to the Consolidated Financial Statements, yet does not have a financial impact on our financial statements. We have adopted this standard as of December 30, 2002, the beginning of our 2003 fiscal year, and have included the expanded disclosures in this filing.

In November 2002, the FASB issued Interpretation No. 45 (FIN No. 45), *Guarantor's Accounting and Disclosure Requirements for Guarantees of Indebtedness of Others,* which is effective for guarantees issued after December 31, 2002. We will apply the initial recognition and measurement provisions prospectively for all guarantees issued after December 31, 2002. FIN No. 45 requires the recording of the fair value of the guarantee as a liability, with the offsetting entry recorded based on the circumstances in which the guarantee is issued. FIN No. 45 will have no impact on our historical results, as existing guarantees are not subject to the measurement provisions of FIN No. 45. The impact on future financial statements depends on the size, nature and extent of issued guarantees but is not expected to have a material impact on our financial statements. We had no significant warranties requiring disclosure as of December 29, 2002. See Note 15, "Commitments and Contingencies."

In January 2003, the FASB issued Interpretation No. 46, *Consolidation of Variable Interest Entities* (FIN No. 46), which is effective immediately for all enterprises with variable interests in variable interest entities created after January 31, 2003. FIN No. 46 must be applied to variable interests in variable interest entities created before February 1, 2003 beginning in the first interim period beginning after June 15, 2003, or the third quarter 2003 for us. After initial measurement of all enterprises that we have a relationship with for status as a variable interest entity, a further assessment must be made to determine if we are the primary beneficiary. A primary beneficiary absorbs the majority of the entity's expected losses if they occur, receives a majority of the entity's expected residual returns if they occur, or both. A primary beneficiary relationship requires consolidation treatment. Where it is reasonably possible that the information about our variable interest entity relationships must be disclosed or consolidated, we must disclose the nature, purpose, size and activity of the variable interest entity and the maximum exposure to loss as a result of our involvement with the variable interest entity in all financial statements issued after January 31, 2003.

We are still assessing our relationships with variable interest entities to determine if the adoption of FIN No. 46 will require consolidation of certain previously unconsolidated entities because we are deemed the primary beneficiaries. The adoption of FIN No. 46 will result in additional disclosure about our joint venture relationships currently accounted for under the equity method of accounting. See Note 10, "Investments," for related disclosures.

Notes to Consolidated Financial Statements

2. Properties

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

(In thousands, as of)	Dec. 29, 2002	Dec. 30, 2001
Land and improvements	$ 137,054	$ 94,321
Buildings	681,584	506,537
Machinery and equipment	2,378,346	1,783,527
Natural resource properties	6,774	6,798
Construction in progress	69,916	141,663
	3,273,674	2,532,846
Less accumulated depreciation, depletion and amortization	(1,893,435)	(1,663,136)
Net properties	$ 1,380,239	$ 869,710

We completed and occupied a new warehouse facility at our distributor operation in Denver, CO, in 2002. We are in the process of selling the land and buildings which previously housed that operation. In 2001, we sold our distribution operations in Anaheim, CA, and Oklahoma City, OK, but retained ownership of the facilities. In 2002, we sold the land and buildings associated with the Oklahoma City operations. We are in the process of selling the land and building associated with the previously owned Anaheim operation and are presently leasing that facility to the buyer.

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 capital lease agreement with EDS Information Services, LLC. Capital lease amortization of $3.9 million and $1.8 million was included in accumulated amortization in 2002 and 2001, respectively. 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)	Capital Leases	Operating Leases
2003	$ 4,688	$17,757
2004	391	15,445
2005	–	12,916
2006	–	10,562
2007	–	6,677
Thereafter	–	29,281
Total	5,079	$92,638
Amounts representing interest	(309)	
Obligations under capital lease	4,770	
Obligations due within one year	(4,383)	
Long-term obligations under capital leases	$ 387	

Total rent expense was $22.5 million, $11.8 million and $11.5 million in 2002, 2001 and 2000, respectively.

4. Debt

Our total long-term borrowings as of December 29, 2002, were composed of the following:

(In thousands, as of)	Dec. 29, 2002	Dec. 30, 2001
Senior private placement notes	$ 20,000	$100,000
6⅜% Senior notes due 2012	846,795	–
Senior Credit Facility:		
USD amortizing term loan	168,000	–
GBP amortizing term loan	365,689	–
Lines of credit and other	126,957	8,038
Total debt	1,527,441	108,038
Less current portion of long-term debt	(144,049)	(88,038)
Total long-term debt	$1,383,392	$ 20,000

The aggregate principal debt maturities of long-term debt for the next five fiscal years are as follows:

(In thousands, fiscal year)	Amount
2003	$ 144,049
2004	96,640
2005	173,450
2006	192,394
2007	63,902
Thereafter	857,006
Total	$1,527,441

Net repayments on debt during 2002 totaled $208 million.

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

(In thousands, fiscal year ended)	Dec. 29, 2002	Dec. 30, 2001	Dec. 31, 2000
Interest incurred	$75,071	$ 8,653	$ 9,567
Interest capitalized	(4,152)	(6,647)	(3,153)
Interest expensed	$70,919	$ 2,006	$ 6,414

Senior private placement notes At December 29, 2002, we had $20 million in unsecured Senior notes at a fixed interest rate of 6.95% per annum. Interest on the notes is due semi-annually in January and July. At December 29, 2002, $20 million was classified as long-term debt as this balance is due in July 2005. In July 2002, we made an $80 million principal payment on these notes. Our private placement notes require that we conduct our business with certain restrictions on indebtedness, liens, mergers, consolidations, asset sales and certain other types of business activities in which we can engage. We were in compliance with these requirements at December 29, 2002.

6⅜% Senior notes due 2012 On May 7, 2002, CBC completed a private placement of $850 million principal amount of 6⅜% Senior notes, due 2012, with interest payable semi-annually. The notes were priced at 99.596% of par for a yield to maturity of 6.43%, were unsecured, were not subject to any sinking fund provision and included a redemption provision (make-whole provision) which allowed us to retire the notes at whole or any time at a redemption price. The redemption price was equal to the greater of (1) 100% of the principal amount of the notes plus accrued and unpaid interest and (2) the make whole amount of the notes being redeemed, which was equal to the present value of the principal amount of the notes and interest to be redeemed. The notes were issued with registration rights and were guaranteed by Adolph Coors Company and certain domestic subsidiaries. Net proceeds from the sale of the notes, after deducting estimated expenses and underwriting fees, were approximately $841 million. The net proceeds were used to (1) repay the $750 million of loans outstanding under our senior unsecured bridge facility which we entered into in connection with our acquisition of CBL and (2) to repay approximately $91 million of outstanding term borrowings under our senior unsecured credit facilities.

Simultaneously with the private placement, we entered into a registration rights agreement pursuant to which we exchanged the unregistered notes for substantially identical notes registered with the SEC. The exchange of all the notes was completed on September 16, 2002.

Under the terms of the notes, we must comply with certain restrictions. These restrictions include restrictions on debt secured by certain types of mortgages, secured certain threshold percentages of consolidated net tangible assets, and restrictions on certain types of sale-leaseback transactions. As of December 29, 2002, we were in compliance with all of these restrictions.

Senior credit facility At December 29, 2002, we had $533.7 million outstanding in unsecured Senior Credit facilities consisting of a U.S. dollar denominated amortizing term loan in an aggregate principal amount of $168 million and a 228 million British Pound Sterling (GBP) denominated amortizing term loan. Based on foreign exchange rates at December 29, 2002, aggregate principal amounts outstanding related to the 228 million GBP amortizing term loan were $365.7 million.

Amounts outstanding under our term loan bear interest, at our option, at a rate per annum equal to either an adjusted LIBOR or an alternate base rate, in each case plus an additional margin. The additional margin is established based on our investment grade debt rating which is BBB+ (S&P) and Baa2 (Moody's). If our debt rating 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 at the end of the time period corresponding to the selected LIBOR. The interest rates on our U.S. and U.K. term loans were 2.3% and 4.86%, respectively, at December 29, 2002.

Our term loan is payable quarterly in arrears beginning June 27, 2003, and matures February 1, 2007. During the year ended December 29, 2002, we repaid approximately $310 million on our five-year amortizing term loan. This has reduced the scheduled required future amortization amounts based upon application of payments already made against future payments due as per the terms of our loan agreement.

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

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; and certain types of business in which we can engage. As of December 29, 2002, we were in compliance with all of these restrictions.

Revolving line of credit At December 29, 2002, we had an unsecured committed credit arrangement totaling $300 million, of which $241 million was available. On December 24, 2002, we borrowed approximately $59 million against our CBL operation on this line of credit and used the borrowings to pay down our U.S. dollar denominated amortizing term loan on the same date. This action was undertaken to facilitate the movement of funds from CBL to the United States.

This line of credit has a five-year term expiring 2007. On a quarterly basis, we pay a facilities fee based on the total amount of available committed credit. Under the terms of this credit facility, we are required to maintain the same leverage ratio and interest coverage ratio as those defined in our term loan, as well as operate our business with the same restrictions as defined in the term loan. We were in compliance with these requirements at December 29, 2002. Amounts outstanding under our revolving line of credit bear interest, at our option, at a rate per annum equal to either an adjusted LIBOR plus margin or an alternate base rate. The additional margin is set based upon our investment grade debt rating which is BBB+ (S&P) and Baa2 (Moody's). If our debt rating changes, the additional margin is subject to adjustment. Interest is payable when principal payments are made or, if principal amounts are outstanding for more than 90 days, at the end of each 90-day period and upon final repayment of principal amounts. The interest rate on our U.K. outstanding line of credit was 4.91% at December 29, 2002. There was no U.S. line of credit outstanding at December 29, 2002.

Uncommitted lines of credit At December 29, 2002, we had two USD uncommitted lines of credit totaling $40 million. The lines of credit are with two different lenders. We had $22 million outstanding under these lines of credit as of December 29, 2002. Amounts outstanding under the lines of credit bear interest at a rate stated by the lender. At December 29, 2002, the interest rate was 1.86%.

In addition, CBL had two uncommitted lines of credit totaling 20 million GBP, or approximately $32 million based on foreign exchange rates at December 29, 2002. Approximately 10 million GBP, or $16 million based on prevailing exchange rates, was outstanding under these lines of credit at December 29, 2002. These lines of credit bear interest at a floating rate determined by the lender. At December 29, 2002, the interest rate was 4.97%.

Tradeteam, the joint venture between CBL and Exel Logistics, had one uncommitted line of credit totaling 15 million GBP, or approximately $24 million based on foreign exchange rates at December 29, 2002. No amount was outstanding on this line of credit at December 29, 2002; however, Tradeteam is required to pay a 0.5% commitment fee on any undrawn amount. This line of credit bears interest at a rate of 1% over GBP LIBOR.

5. Income Taxes

The pretax income (loss) on which the provision for income taxes was computed is as follows:

(In thousands, fiscal year ended)	Dec. 29, 2002	Dec. 30, 2001	Dec. 31, 2000
Domestic	$134,207	$196,516	$212,502
Foreign	122,393	1,497	(42,977)
Total	$256,600	$198,013	$169,525

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

(In thousands, fiscal year ended)	Dec. 29, 2002	Dec. 30, 2001	Dec. 31, 2000
Current			
Federal	$53,205	$ 78,244	$42,905
State	10,139	14,103	10,081
Foreign	19,924	1,878	52
Total current tax expense	83,268	94,225	53,038
Deferred			
Federal	4,132	(16,171)	6,669
State	1,255	(3,005)	283
Foreign	6,292	–	(82)
Total deferred tax expense (benefit)	11,679	(19,176)	6,870
Total income tax expense	$94,947	$ 75,049	$59,908

Our income tax expense varies from the amount expected by applying the statutory federal corporate tax rate to income as follows:

(Fiscal year ended)	Dec. 29, 2002	Dec. 30, 2001	Dec. 31, 2000
Expected tax rate	35.0%	35.0%	35.0%
State income taxes, net of federal benefit	2.9	3.6	3.7
Effect of foreign tax rates	(1.7)	(0.5)	(3.1)
Non-taxable income	0.0	(0.1)	(0.2)
Other, net	0.8	(0.1)	(0.1)
Effective tax rate	37.0%	37.9%	35.3%

Our deferred taxes are composed of the following:

(In thousands, as of)	Dec. 29, 2002	Dec. 30, 2001
Current deferred tax assets		
Deferred compensation and other employee related	$ 15,857	$12,019
Retirement reserves	2,664	2,027
Balance sheet reserves and accruals	12,110	11,607
Write-off of foreign account receivable	–	7,002
Hedging	–	2,140
Valuation allowance	–	(7,002)
Total current deferred tax assets	30,631	27,793
Current deferred tax liabilities		
Hedging	(9,655)	–
Net current deferred tax assets	$ 20,976	$27,793
Non-current deferred tax assets		
Deferred compensation and other employee related	$ 27,635	$11,425
Retirement reserves	138,432	7,681
Partnership investments	9,341	1,980
Retirement benefits	–	10,507
Environmental accruals	3,043	2,200
Deferred foreign losses	1,598	1,087
Deferred foreign tax credits	185,069	–
Valuation allowance	(40,000)	–
Total non-current deferred tax assets	$325,118	$34,880

(In thousands, as of)	Dec. 29, 2002	Dec. 30, 2001
Non-current deferred tax liabilities		
Balance sheet reserves and accruals	1,121	–
Retirement benefits	4,027	–
Foreign intangibles	105,323	–
Foreign depreciation	50,595	–
Foreign other	519	–
Depreciation and capitalized interest	113,570	96,515
Total non-current deferred tax liabilities	275,155	96,515
Net non-current deferred tax asset	$206,400	–
Net non-current deferred tax liability	$156,437	$61,635

In connection with the purchase of CBL, we recorded a deferred tax liability on the books of CBL and a corresponding deferred tax asset on the books of the acquiring company for the difference between the purchase price and historical basis of the CBL assets. Concurrently, we recorded a $40.0 million valuation allowance to reduce our deferred tax asset to the amount that is more likely than not to be realized.

We do not provide deferred taxes on certain outside basis differences in our acquired foreign subsidiary's stock, Coors Brewers Limited (CBL). This outside basis difference is permanent in duration under APB No. 23 because we do not intend to take any action that would result in recognizing the gain inherent in certain book-over-tax basis differences.

We have provided what we believe to be an appropriate amount of tax for items that involve interpretation of the tax law. However, there are events that are likely to occur in 2003 that will cause us to reevaluate our current reserves for taxes and may cause us to adjust or reallocate the reserve for tax items. These events include, but are not limited to, the expected completion of the IRS audit for 1999 and 2000, the expected completion of the current IRS appeals case dealing with the tax deduction for a loss on a Korean investment and the advancement of the audit by Revenue Canada of our Canadian company and cross-border business arrangements.

We have resolved substantially all of the issues raised by the IRS 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 IRS. The IRS is currently examining the federal income tax returns for 1999 and 2000 and is expecting to complete their work by June 2003. 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 29, 2002, 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.

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:

(Fiscal year ended)	Dec. 29, 2002	Dec. 30, 2001	Dec. 31, 2000
Risk-free interest rate	4.38%	5.01%	6.72%
Dividend yield	1.23%	0.96%	1.27%
Volatility	27.99%	30.70%	31.41%
Expected term (years)	5.40	5.40	6.20
Weighted-average fair market value	$16.97	$20.65	$20.17

The 1990 Plan The 1990 Equity Incentive Plan (1990 EI Plan) provides for two types of grants: stock options and restricted stock awards for CBC employees. The stock options have a term of 10 years 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 29, 2002, December 30, 2001, and December 31, 2000, and changes during the years ending on those dates is presented below:

				Options exercisable at year-end	
	Options available for grant	Outstanding options	Weighted-average exercise price	Shares	Weighted-average exercise price
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		
As of December 30, 2001	3,512,194	3,821,280	55.41	1,374,961	43.68
Granted	(1,869,700)	1,869,700	56.54		
Exercised	–	(358,522)	40.17		
Forfeited	273,868	(273,868)	60.82		
As of December 29, 2002	**1,916,362**	**5,058,590**	**$56.62**	**2,084,056**	**$52.82**

The following table summarizes information about stock options outstanding at December 29, 2002:

	Options outstanding			Options exercisable	
Range of exercise prices	Shares	Weighted-average remaining contractual life (years)	Weighted-average exercise price	Shares	Weighted-average exercise price
$16.75–$22.00	139,874	3.66	$20.56	139,874	$20.56
$26.88–$33.41	264,905	4.56	33.34	264,905	33.34
$37.22–$59.25	3,161,279	7.85	54.58	1,176,662	54.14
$59.42–$75.22	1,492,532	7.97	68.44	502,615	68.98
	5,058,590	7.60	$56.62	2,084,056	$52.82

We issued 13,000 and 10,750 shares of restricted stock in 2002 and 2001, respectively, under the 1990 EI Plan. No restricted shares were issued under this plan in 2000. The term is 10 years and the shares vest in full at the end of three successive 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 2002, 2001, and 2000.

In May 2002, the Company approved a stock award to be issued contingent upon certain financial milestones as of December 31, 2004. As of December 29, 2002, it remains unlikely that these milestones will be met. When we believe it is likely that the shares will be issued, we will recognize an expense in that and future periods.

Equity Compensation Plan for Non-Employee Directors The Equity Compensation Plan for Non-Employee Directors (EC Plan) provides for awards of the Company's Class B shares of restricted stock or options for Class B shares. Awards 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 2002, 2001, and 2000. Common stock authorized for the EC Plan as of December 29, 2002, was 50,000 shares.

1995 Supplemental Compensation Plan Our 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 equal to the fair market value of our Class B common stock. CSUs have a one-year vesting 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. There are 84,000 shares of Class B common stock authorized to be issued under the plan. There are 4,562 CSUs currently outstanding of which 1,770 are redeemable for shares at exercise prices aggregating $35,122.

7. Employee Retirement Plans

Defined Benefit Plans CBC and its subsidiaries have defined benefit plans that cover the majority of employees (U.S. Plans). As a result of the acquisition of CBL, we assumed responsibility for a portion of the assets and liabilities of what was the Bass Brewers Pension Plan which has since been renamed the Coors Brewers Pension Plan (CBL Plan). Assets and liabilities, as well as pension costs, for the CBL Plan and the U.S. Plans are as disclosed below. Benefits are based on years of service and average base compensation. While the U.S. Plans are non-contributory, the CBL Plan includes a provision for employee contributions. The CBL Plan also includes a provision for retiree pension increases in line with inflation. Plan assets consist primarily of equity, interest-bearing investments and real estate. It is our practice to fund amounts for pensions at least sufficient to meet the minimum requirements set forth in applicable employee benefits laws and local tax laws. Total defined benefit pension plan expense was $18.6 million, $12.2 million and $7.4 million in 2002, 2001 and 2000, respectively. The increase in pension expense from 2001 to 2002 is primarily due to the decline in the market value of plan investments.

In 2002, the funded position of both the CBC Retirement Plan and the CBL Plan declined 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 the accumulated benefit obligation over the fair value of the assets of the plans. In 2002 and 2001, an additional minimum pension liability of $339.3 million and $29.8 million was recorded, respectively, and is included in the accrued pension liability amount.

Defined Contribution Plan U.S. employees are eligible to participate in the Coors Savings and Investment Plan, a qualified voluntary defined contribution plan. CBC matches 50% of the employees contributions up to 6% of employee compensation. Both employee and employer contributions are made in cash in accordance with participant investment elections. There are no minimum amounts that are required to be invested in CBC stock. CBC's contributions in 2002, 2001 and 2000 were $6.4 million, $6.4 million and $7.3 million, respectively.

The following represents our net periodic pension cost:

	Dec. 29, 2002			Dec. 30, 2001	Dec. 31, 2000
(In thousands, as of)	U.S. Plans	CBL Plan	Total	U.S. Plans	U.S. Plans
Components of net periodic pension cost					
Service cost — benefits earned during the year	$ 17,294	$ 19,471	$ 36,765	$ 17,913	$ 16,467
Interest cost on projected benefit obligation	46,996	74,052	121,048	46,374	44,192
Expected return on plan assets	(52,407)	(90,235)	(142,642)	(58,342)	(58,108)
Amortization of prior service cost	6,074	–	6,074	5,945	5,906
Amortization of net transition/obligation	240	–	240	241	(1,690)
Recognized net actuarial loss	1,007	–	1,007	110	590
Less expected participant contributions	–	(3,929)	(3,929)	–	–
Net periodic pension cost (income)	$ 19,204	$ (641)	$ 18,563	$ 12,241	$ 7,357

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

	Dec. 29, 2002			Dec. 30, 2001
(In thousands, as of)	U.S. Plans	CBL Plan	Total	U.S. Plans
Actuarial present value of accumulated benefit obligation	$662,057	$1,349,000	$2,011,057	$567,155
Change in projected benefit obligation				
Projected benefit obligation at beginning of year	$659,106	$1,422,210	$2,081,316	$614,420
Service cost, net of expected employee contributions, if applicable	17,294	15,542	32,836	17,913
Interest cost	46,996	74,052	121,048	46,374
Actual employee contributions, if applicable	–	4,860	4,860	–
Actuarial loss	41,495	21,107	62,602	10,116
Benefits paid	(32,455)	(71,165)	(103,620)	(29,717)
Projected benefit obligation at end of year	$732,436	$1,466,606	$2,199,042	$659,106
Change in plan assets				
Fair value of assets at beginning of year	$527,000	$1,397,205	$1,924,205	$578,500
Actual return on plan assets	(80,348)	(156,108)	(236,456)	(25,047)
Employer contributions	24,055	7,442	31,497	7,306
Actual employee contributions	–	4,860	4,860	–
Benefits paid	(32,455)	(71,164)	(103,619)	(29,717)
Expenses paid	(3,052)	–	(3,052)	(4,042)
Fair value of plan assets at end of year	$435,200	$1,182,235	$1,617,435	$527,000

(In thousands, as of)	Dec. 29, 2002 U.S. Plans	Dec. 29, 2002 CBL Plan	Dec. 29, 2002 Total	Dec. 30, 2001 U.S. Plans
Reconciliation of funded status				
Funded status – shortfall	$(297,236)	$(284,371)	$(581,607)	$(132,106)
Unrecognized net actuarial loss	281,350	265,606	546,956	105,082
Unrecognized prior service cost	41,767	–	41,767	47,841
Unrecognized net transition amount	481	–	481	722
Net amount recognized	$ 26,362	$ (18,765)	$ 7,597	$ 21,539
Amounts reflected in the Consolidated Balance Sheet consist of				
Non-current prepaid benefit cost	$ 37,747	$ –	$ 37,747	$ 21,539
Non-current accrued benefit liability cost	(264,604)	(166,805)	(431,409)	(61,959)
Non-current intangible asset	42,248	–	42,248	48,291
Accumulated other comprehensive loss	210,971	148,040	359,011	13,668
Net amount reflected	$ 26,362	$ (18,765)	$ 7,597	$ 21,539

Pension expense is actuarially calculated annually based on data available at the beginning of each year. Assumptions used in the actuarial calculation include the settlement discount rate selected and disclosed at the end of the previous year as well as other assumptions detailed in the table below.

(Fiscal year ended)	U.S. Plans Dec. 29, 2002	U.S. Plans Dec. 30, 2001	U.S. Plans Dec. 31, 2000	CBL Plan Dec. 29, 2002
Weighted-average assumptions as of year-end				
Settlement discount rate	6.75%	7.25%	7.75%	5.70%
Rate of compensation increase	3.75%	4.10%	4.75%	3.75%
Expected return on plan assets	9.50%	10.50%	10.50%	7.25%
Price inflation rate	–	–	–	2.25%

8. Postretirement Benefits

CBC has postretirement plans that provide medical benefits and life insurance for retirees and eligible dependents. The plans are not funded.

The obligation under these plans was determined by the application of the terms of medical and life insurance plans, together with relevant actuarial assumptions and health care cost trend rates ranging ratably from 8.50% in 2002 to 5.00% in 2007. The discount rate used in determining the accumulated postretirement benefit obligation was 6.75%, 7.25%, and 7.75% at December 29, 2002, December 30, 2001, and December 31, 2000, respectively.

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

(In thousands, for the years ended)	Dec. 29, 2002	Dec. 30, 2001	Dec. 31, 2000
Components of net periodic postretirement benefit cost			
Service cost – benefits earned during the year	$1,295	$1,447	$1,477
Interest cost on projected benefit obligation	6,266	6,782	5,613
Recognized net actuarial gain	(19)	(19)	(51)
Net periodic postretirement benefit cost	$7,542	$8,210	$7,039

Notes to Consolidated Financial Statements

(In thousands, as of)	Dec. 29, 2002	Dec. 30, 2001
Change in projected postretirement benefit obligation		
Projected postretirement benefit obligation at beginning of year	$ 102,155	$ 77,750
Service cost	1,295	1,447
Interest cost	6,266	6,782
Actuarial loss	1,326	21,476
Benefits paid	(5,293)	(5,300)
Projected postretirement benefit obligation at end of year	$ 105,749	$ 102,155
Change in plan assets		
Funded status – shortfall	$(105,749)	$(102,155)
Unrecognized net actuarial loss	18,139	16,813
Unrecognized prior service cost	300	281
Accrued postretirement benefits	(87,310)	(85,061)
Less current portion	6,850	5,300
Long-term postretirement benefits	$ (80,460)	$ (79,761)

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	$ 481	$ (428)
Effect on postretirement benefit obligation	$5,860	$(5,289)

9. Special Charges

Our annual results for 2002, 2001 and 2000 include net pretax special charges of $6.3 million, $23.2 million and $15.2 million, respectively. The following is a summary of special charges incurred during those years:

2002

Restructuring charges During 2002, we incurred net restructuring charges of $6.4 million primarily related to restructuring initiatives in our U.S. operations and Golden Brewery business in an effort to consolidate and lower our future overhead costs. The charge consisted primarily of employee severance costs. As of year-end, no amounts had been paid to terminated employees (approximately 130 employees); however, payouts are expected through the third quarter of 2003, with the major significant cash outlays occurring in the first quarter of 2003.

Coors Brewers Limited transition We recorded special charges of $2.7 million related to acquisition costs for CBL, including accounting, appraisal and legal fees.

Legal settlement We recorded a credit of $2.8 million related to cash payments received on a debt due to us from our former partner in a brewing business in South Korea.

2001

Can and end plant joint venture 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.

Information technology Effective August 1, 2001, we entered into a contract with EDS Information Services (EDS) to outsource certain information technology functions. We incurred outsourcing transition costs in the year of approximately $14.6 million.

Restructuring In 2001, we incurred total restructuring special charges of $6.0 million, mainly related to the restructuring of our purchasing organization and certain production areas. These restructurings resulted in the elimination of approximately 115 positions. These costs consisted primarily of employee severance costs which were paid in 2001 and 2002.

Property abandonment 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 December 2001, the plant and related fixed assets of the Spain brewing and commercial operations, which was closed in 2000 (see below), were sold – resulting in a net gain before tax of approximately $2.7 million, which was credited to Special charges.

2000

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, $4.9 million related to a fixed asset impairment charge and $4.4 million for the write-off of our cumulative translation adjustments. All severance related costs were paid in 2000 and 2001.

Insurance settlement We received an insurance claim settlement of $5.4 million that was credited to special charges.

10. Investments

Equity Method Investments

Non-majority owned equity investments We have investments in affiliates that are non-majority owned and are accounted for using the equity method of accounting where we exercise significant influence. These investments aggregated $184.8 million and $89.4 million at December 29, 2002 and December 30, 2001, respectively. There are no related parties who own interests in our equity method investments.

Summarized condensed balance sheet information for our non-majority owned equity method investments are as follows:

(In thousands, as of)	Dec. 29, 2002	Dec. 30, 2001
Current assets	$129,977	$44,854
Non-current assets	$166,402	$52,958
Current liabilities	$138,658	$27,150
Non-current liabilities	$ 52,276	$ 231

Summarized condensed income statement information for our non-majority owned equity method investments are as follows:

(In thousands, fiscal year ended)	Dec. 29, 2002	Dec. 30, 2001	Dec. 31, 2000
Net sales	$652,051	$359,092	$324,740
Gross profit	$103,000	$ 61,722	$ 30,357
Pretax income	$ 39,088	$ 21,741	$ 27,017
Company's equity in pretax income	$ 17,956	$ 14,372	$ 16,948

Molson USA, LLC In January 2001, we entered into a joint venture partnership agreement with Molson and paid $65.0 million for a 49.9% interest in the joint venture. The venture's total assets are $11.7 million at December 29, 2002. The joint venture, Molson USA LLC, was 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. Through December 30, 2001, the goodwill was being amortized on a straight-line basis over a life of 40 years, and the amortization expense was $1.6 million. (Please refer to the Recent accounting pronouncement section of Note 18 for discussion regarding changes in accounting for goodwill and other intangible assets.)

Our share of the net loss was approximately $4.8 million and $2.2 million in 2002 and 2001, respectively. This net loss is included in Other income, net on the accompanying Consolidated Statements of Income given the immateriality of these results. As a result of these operating losses, we considered whether our investment is impaired under Accounting Principles Board Opinion No. 18, *The Equity Method of Accounting for Investments in Common Stock,* and determined that it was not impaired. A potential decline in value during the year cannot be determined to be other than temporary based on the following factors: our short experience with the joint venture and our continuing commitment to its future success, current year improvements in sales-to-retail trends, recent improvements in volume and pricing trends of Canadian import brands and the fact that the business is still being developed under this new partnership. The recoverability of our investment in the joint venture will be further evaluated during 2003. We believe it is reasonably possible that Molson USA may be a variable interest entity as defined by FIN No. 46. We believe our maximum exposure to loss over our required ownership period to be approximately $44 million.

Rocky Mountain Bottle Company We have a 50% interest in a 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 2002, we purchased all of the bottles produced by RMBC, or approximately 1.1 billion bottles. RMBC's total assets are $56.7 million.

The purchases under this supply agreement in 2002, 2001 and 2000 were approximately $92 million, $92 million and $86 million, respectively. Cash distributions received from this joint venture were $18.2 million, $9.1 million and $20.3 million in 2002, 2001 and 2000, respectively. Our share of net income from this partnership was $13.2 million, $10.9 million and $9.8 million in 2002, 2001 and 2000, respectively, and is included as a reduction of Cost of goods sold on the accompanying Consolidated Statements of Income. We believe it is reasonably possible that RMBC may be a variable interest entity as defined in FIN No. 46, yet we do not believe that there is a significant exposure to loss in our current relationship.

Metal Container Partnerships

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. On July 1, 2002, RMMC increased its debt obligations from $20 million to $50 million (such debt is not included on our Consolidated Balance Sheet). The proceeds have been used to finance planned capital improvements (see Management's Discussion and Analysis of Financial Condition and Results of Operations – Debt Obligations). RMMC's debt is secured by its various supply and access agreements with no recourse to CBC or Ball. RMMC's total assets are $81.4 million.

Purchases under this supply agreement were approximately $210 million in 2002. We recorded a loss from the limited liability company of approximately $0.6 million and it is included within Cost of goods sold on the accompanying Consolidated Statements of Income. There were no distributions in 2002. Prior to January 1, 2002 we had a joint venture with Rexam called Valley Metal Container Partnership (see below). We believe it is reasonably possible that RMMC may be a variable interest entity as defined in FIN No. 46, however, we do not believe there is a significant future exposure to loss in our current relationship over our expected ownership period.

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 and 2000 was approximately $149.0 million and $230.0 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 and $8.5 million in 2001 and 2000, respectively. Our share of net income from this joint venture was $5.7 million in 2001 and $7.2 million in 2000, and is included as a reduction of Cost of goods sold on the accompanying Consolidated Statements of Income.

Tradeteam Tradeteam was formed in 1995 by CBL (then Bass Brewers Limited) and Exel Logistics. CBL has a 49.9% interest in this joint venture. Total assets of the venture are $107.9 million. The joint venture operates a system of satellite warehouses and a transportation fleet for deliveries between the CBL breweries and customers. Tradeteam also delivers products for other U.K. breweries. Purchases under this distribution agreement in 2002 were approximately $131 million. We received $8.4 million in distributions and our share of pretax income from the joint venture was $8.3 million, which is recorded as a reduction of Cost of goods sold on the accompanying Consolidated Statements of Income. We believe it is reasonably possible that Tradeteam may be a variable interest entity as defined in FIN No. 46, yet we do not believe there is a significant exposure to loss in our current relationship over our expected ownership period.

Tradeteam had one uncommitted line of credit totaling 15 million GBP, or approximately $24 million based on foreign exchange rates at December 29, 2002. No amount was outstanding on this line of credit at December 29, 2002; however, Tradeteam is required to pay a 0.5% commitment fee on any undrawn amount. This line of credit bears interest at a rate of 1% over GBP LIBOR.

Grolsch CBL has a 49% interest in the joint venture company, Grolsch UK Limited. The Grolsch joint venture involves the marketing of Grolsch branded beer in the United Kingdom and Republic of Ireland. The majority of the Grolsch branded beer is manufactured by CBL, under a contract brewing arrangement with the joint venture. CBL sells the beer to the joint venture, which sells the beer back to CBL (for onward sale to customers) for a price equal to what it paid CBL, plus a marketing and overhead charge plus a profit margin. Total assets of the Grolsch joint venture are $31.4 million. The profit margin is considered a royalty paid to the joint venture as the brand owner. In 2002, we received $2.6 million in distributions and our share of pretax income from the joint venture was $2.0 million, which is recorded as a reduction of Cost of goods sold on the accompanying Consolidated Statements of Income. The joint venture contains provisions permitting the joint venture partner, Royal Grolsch, subject to notice, to buy our interest in the joint venture. We believe it is reasonably possible that Grolsch may be a variable interest entity as defined in FIN No. 46, yet we do not believe there is a significant exposure to loss in our current relationship over our expected ownership period.

Golden Properties 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 (Golden Properties) 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 $0.5 million and $0.8 million in 2002 and 2000, respectively as a return of our capital account. We did not receive any cash distributions in 2001. We were not entitled to any of the joint venture income in 2002, 2001 or 2000.

Majority-owned, non-consolidated equity investment We have an investment in Coors Canada (see below), an affiliate that is majority-owned, non-consolidated and is accounted for using the equity method of accounting. This investment aggregated $6.4 million and $5.4 million at December 29, 2002 and December 30, 2001, respectively. There are no related parties who own interests in this equity method investment.

Summarized condensed balance sheet information for our majority-owned equity method investment is as follows:

(In thousands, as of)	Dec. 29, 2002	Dec. 30, 2001
Current assets	$17,448	$14,380
Non-current assets	$ 266	$ 349
Current liabilities	$ 4,530	$ 3,881
Non-current liabilities	$ –	$ –

Summarized condensed income statement information for our majority-owned equity method investments is as follows:

(In thousands, fiscal year ended)	Dec. 29, 2002	Dec. 30, 2001	Dec. 31, 2000
Revenue	$111,193	$115,489	$102,448
Pretax income	$ 73,856	$ 58,386	$ 50,558
Company's equity in pretax income	$ 37,002	$ 29,258	$ 25,447

Coors Canada Coors Canada, Inc. (CCI), a wholly owned subsidiary, formed a partnership, Coors Canada, with Molson 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 effective control of the partnership being shared equally by its partners. 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 for brewing, distribution and sales of these brands. Coors Canada receives an amount from Molson 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 $36.0 million, $27.9 million and $25.8 million for 2002, 2001 and 2000, respectively. Our share of pretax income from this partnership, which was approximately $37.0 million in 2002, $29.2 million in 2001 and $25.4 million in 2000, is included in Sales in the accompanying Consolidated Statements of Income. We believe it is reasonably possible that Coors Canada may be a variable interest entity as defined in FIN No. 46, however, we do not believe there is a significant exposure to loss in our current relationship over the expected ownership period. 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 2002 and 2001 was 500,000 and 250,000 barrels, respectively, none of which was used by us. 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 $1.0 million. As of December 29, 2002, we are fully accrued for all fees required under the terms of this agreement.

Cost Method Investment

Colorado Rockies Baseball Partnership In 1991, we became a limited partner in the Colorado Baseball Partnership 1993, Ltd. (Baseball Partnership) for an investment of $10.0 million. This commitment 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 generally apply the cost method of accounting to less than 20% owned investments where we do not exercise significant influence. Our use of the cost method is in accordance with the provisions of Emerging Issues Task Force Topic D-46, *Accounting for Limited Partnership Investments* (EITF D-46), as we entered into the limited partnership agreement in 1991 prior to the effective date for the implementation of EITF D-46, which was to be applied to all limited partnership investments made after May 18, 1995. As a limited partner, we take no part in control, management, direction or operation of the affairs of the Baseball Partnership and have no power to bind the Baseball Partnership. Profit and loss from operations of the Baseball Partnership are allocated among the partners in accordance with their ownership ratios. We did not receive any cash distributions or income in 2002, 2001 or 2000. We believe that the carrying amount of our investment in the Baseball Partnership is not in excess of fair value.

Also in 1991, we entered into an agreement with the Colorado Rockies Baseball Club (Club) regarding a multi-year signage and advertising package. During 1998, the agreement was modified to extend the term and expand the conditions of the multi-year signage and advertising package. This new agreement was valued at $34.5 million. The recognition of the liability under the multi-year 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 common stock.

Activity in our Class A and Class B common stock, net of forfeitures, for each of the three years ended December 29, 2002, December 30, 2001, and December 31, 2000, is summarized below:

	Common stock	
	Class A	Class B
Balances at December 26, 1999	1,260,000	35,462,034
Shares issued under stock plans	–	817,395
Purchases of stock	–	(408,308)
Balances at December 31, 2000	1,260,000	35,871,121
Shares issued under stock plans	–	324,926
Purchases of stock	–	(1,506,637)
Balances at December 30, 2001	1,260,000	34,689,410
Shares issued under stock plans	–	391,193
Balances at December 29, 2002	**1,260,000**	**35,080,603**

At December 29, 2002, December 30, 2001, and December 31, 2000, 25 million shares of no par value preferred stock were authorized but un-issued.

Pursuant to our by-laws restricted shares must first be offered to us for repurchase. The board of directors authorized the repurchase of up to $40 million per year of our outstanding Class B common stock on the open market during 2002, 2001, and 2000. 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 for the remainder of that fiscal year. During 2001 and 2000, 1,500,000 shares and 308,000 shares, respectively, were repurchased for approximately $72.3 million and $17.6 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. No additional shares were repurchased during 2002.

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

(In thousands, except per share data, fiscal year ended)	Dec. 29, 2002	Dec. 30, 2001	Dec. 31, 2000
Net income available to common shareholders	**$161,653**	$122,964	$109,617
Weighted-average shares for basic EPS	**36,140**	36,902	36,785
Effect of dilutive securities			
Stock options	**397**	266	606
Restricted shares for basic EPS	**29**	9	59
Weighted-average shares for diluted EPS	**36,566**	37,177	37,450
Basic EPS	**$ 4.47**	$ 3.33	$ 2.98
Diluted EPS	**$ 4.42**	$ 3.31	$ 2.93
Anti-dilutive securities	**1,384**	2,199	7

The dilutive effects of stock options were determined by applying the treasury stock method, assuming we were to purchase common shares with the proceeds from stock option exercises. Anti-dilutive securities were not included 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, the value of foreign currencies and production and packaging materials prices. We have established policies and procedures that govern the strategic management of these exposures through the use of a variety of financial instruments. By policy, we do not enter into such contracts for trading purposes or 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 our earnings and cash flows effected by changes in the underlying rates and prices. To achieve this objective, we enter into foreign currency forward contracts, commodity swaps, interest rate swaps and cross currency swaps, the values of which change in the opposite direction of the anticipated cash flows. We do not hedge the value of net investments in foreign-currency-denominated operations or translated earnings of foreign subsidiaries. Our primary foreign currency exposures are the British Pound Sterling (GBP), the Canadian dollar (CAD) and the Japanese yen (YEN).

Derivatives are either exchange-traded instruments, or over-the-counter agreements entered into with highly rated financial institutions. No losses on over-the-counter agreements due to counterparty credit issues are anticipated. All over-the-counter agreements are entered into with counterparties rated no lower than A (S&P) or A2 (Moody's). In some instances we and our counterparties have reciprocal collateralization agreements regarding fair value positions in excess of certain thresholds. These agreements call for the posting of collateral in the form of cash, treasury securities or letters of credit if a fair value loss position to us or our counterparties exceeds a certain amount. At December 29, 2002, no collateral was posted by us or our counterparties.

All derivatives are recognized on the balance sheet at their fair value. Unrealized gain positions are recorded as other current assets or other non-current assets. Unrealized loss positions are recorded as other liabilities or other long-term liabilities.

The majority of all derivatives entered into by the Company qualify for, and are designated as, foreign-currency cash flow hedges, commodity cash flow hedges or fair value hedges, including those derivatives hedging foreign currency denominated firm commitments as per the definitions of Statement of Financial Accounting Standards No. 133 (SFAS No. 133).

The Company considers whether any provisions in non-derivative contracts represent "embedded" derivative instruments as described in SFAS No. 133. As of December 29, 2002, we have concluded that no "embedded" derivative instruments warrant separate fair value accounting under SFAS No. 133.

Changes in fair values of outstanding derivatives that are highly effective as per the definition of SFAS 133 are recorded in other comprehensive income, until earnings are affected by the variability of cash flows of the underlying hedged transaction. In most cases amounts recorded in other comprehensive income will be released to earnings at maturity of the related derivative. The consolidated statement of income treatment of effective hedge results offsets the gains or losses on the underlying exposure.

We formally document all relationships between hedging instruments and hedged items, as well as the risk-management objective and strategy for undertaking hedge transactions. This process includes linking all derivatives that are designated as foreign-currency cash flow hedges and commodity cash flow hedges to either specific assets and liabilities on the balance sheet or specific firm commitments or forecasted transactions. We also formally assess, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions have been highly effective in offsetting changes in the cash flows of hedged items and whether those derivatives may be expected to remain highly effective in future periods. When it is determined that a derivative is not, or has ceased to be, highly effective as a hedge, we discontinue hedge accounting prospectively, as discussed below.

We discontinue hedge accounting prospectively when (1) the derivative is no longer highly effective, as per SFAS No. 133, in offsetting changes in the cash flows of a hedged item (including hedged items such as firm commitments or forecasted transactions); (2) the derivative expires or is sold, terminated, or exercised; (3) it is no longer probable that the forecasted transaction will occur; or (4) management determines that designating the derivative as a hedging instrument is no longer appropriate.

When we discontinue hedge accounting because it is no longer probable that the forecasted transaction will occur in the originally expected period, the gain or loss on the derivative remains in accumulated other comprehensive income and is reclassified into earnings when the forecasted transaction affects earnings. However, if it is no longer probable that a forecasted transaction will occur by the end of the originally specified time period or within an additional two-month period of time thereafter, the gains and losses that were accumulated in other comprehensive income will be recognized immediately in earnings. In all situations in which hedge accounting is discontinued and the derivative remains outstanding, we will carry the derivative at its fair value on the balance sheet until maturity, recognizing future changes in the fair value in current-period earnings. Any hedge ineffectiveness, as per SFAS No. 133, is recorded in current-period earnings. During 2002, we recorded an insignificant loss relating to such ineffectiveness of all derivatives in Other income, net. Effectiveness is assessed based on the comparison of current forward rates to the rates established on our hedges.

As of December 29, 2002, $6.4 million of deferred net losses (net of tax) on both outstanding and matured derivatives accumulated in other comprehensive income are expected to be reclassified to earnings during the next twelve months as a result of expected gains or losses on underlying hedged transactions also being recorded in earnings. Actual amounts ultimately reclassified to earnings are dependent on the applicable rates in effect when derivatives contracts that are currently outstanding mature. As of December 29, 2002, the maximum term over which we are hedging exposures to the variability of cash flows for all forecasted and recorded transactions is 10 years.

We are exposed to credit-related losses in the event of non-performance by counterparties to hedging instruments and do not enter into master netting arrangements. The counterparties to derivative transactions are major financial institutions with investment grade credit ratings of at least A, A2 or better. However, this does not eliminate our exposure to credit risk with these institutions. This credit risk is generally limited to the unrealized gains in such contracts should any of these counterparties fail to perform as contracted. To manage this risk, we have established counterparty credit guidelines that are monitored and reported to management according to prescribed guidelines. We utilize a portfolio of financial institutions either headquartered or operating in the same countries we conduct our business. As a result of the above considerations, we consider the risk of counterparty default to be minimal.

On May 7, 2002, we entered into certain cross currency swaps totaling 530 million GBP (approximately $774 million). The swaps included an initial exchange of principal on the settlement date of our 6⅜% private placement fixed rate debt (see Note 4, "Debt") and will require final principal exchange 10 years later. The swaps also call for an exchange of fixed GBP interest payments for fixed U.S. dollar interest receipts. At the initial principal exchange, we paid U.S. dollars to a counterparty and received GBP. Upon final exchange, we will provide GBP to the counterparty and receive U.S. dollars. The cross currency swaps have been designated as cash flow hedges of the changes in value of the future GBP interest and principal receipts that results from changes in the U.S. dollar to GBP exchange rates on an intercompany loan between us and our Europe subsidiary.

On the same day as the settlement of our private placement offering and initial exchange of principal amounts associated with our swap transactions, we were required to settle our previously established forward sale of 530 million GBP. The settlement of all these transactions in aggregate resulted in a foreign exchange loss of approximately $30 million, the majority of which was offset by a foreign exchange gain on our intercompany loan.

On May 28, 2002, we entered into an interest rate swap agreement related to our 6⅜% fixed rate debt. The interest rate swap converted $76.2 million notional amount from fixed rates to floating rates and matures in 2012. We will receive fixed U.S. dollar interest payments semi-annually at a rate of 6⅜% per annum and pay a rate to our counterparty based on a credit spread of 0.789% plus the three-month LIBOR rate, thereby exchanging a fixed interest obligation for a floating interest rate obligation. There was no exchange of principal at the inception of the swap. We designated the interest rate swap as a fair value hedge of the changes in the fair value of the $76.2 million fixed rate debt attributable to changes in the LIBOR swap rates.

13. Other Comprehensive Income

(In thousands)	Foreign currency translation adjustments	Unrealized gain (loss) on available-for-sale-securities and derivative instruments	Minimum pension liability adjustment	Accumulated other comprehensive income
Balances, December 26, 1999	$ (5,885)	$ 6,878	$ –	$ 993
Foreign currency translation adjustments	4,460			4,460
Unrealized gain on available-for-sale securities and derivative instruments		(1,176)		(1,176)
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 loss on available-for-sale securities and derivative instruments		(4,003)		(4,003)
Minimum pension liability adjustment			(13,668)	(13,668)
Reclassification adjustment – available-for-sale securities and derivative instruments		(7,900)		(7,900)
Tax (expense) benefit	(8)	4,523	5,181	9,696
Balances, December 30, 2001	(357)	(3,747)	(8,487)	(12,591)
Foreign currency translation adjustments	71,035			71,035
Unrealized gain on available-for-sale securities and derivative instruments		25,136		25,136
Minimum pension liability adjustment			(345,343)	(345,343)
Reclassification adjustment on derivative instruments		8,172		8,172
Tax (expense) benefit	(151)	(12,957)	133,251	120,143
Balances, December 29, 2002	**$70,527**	**$ 16,604**	**$(220,579)**	**$(133,448)**

14. Segment and Geographic Information

Segment information is presented in accordance with Statement of Financial Accounting Standards No. 131, *Disclosures about Segments of an Enterprise and Related Information* (SFAS No. 131), which establishes standards for reporting information about operating segments in annual financial statements and requires selected information about operating segments in interim financial reports issued to shareholders. It also establishes standards for related disclosures about products and geographic areas.

Prior to our acquisition of CBL, we reported results of operations as one segment. Due to CBL, we now categorize our operations into two operating segments: the Americas and Europe. These segments are managed and reviewed by separate operating teams, even though both consist primarily of the manufacture, marketing, and sale of beer and other beverage products.

The Americas segment primarily consists of production, marketing and sales of the Coors family of brands in the United States and its territories. This segment also includes the Coors Light business in Canada that is conducted through a partnership investment with Molson and the sale of Molson products in the United States that is conducted through a joint venture investment with Molson. There are also a small amount of CBC products that are exported and sold outside of the United States and its possessions, excluding Europe, included in the Americas.

The Europe segment consists of our production and sale of the CBL brands principally in the United Kingdom but also in other parts of the world, our joint venture arrangement relating to the production and distribution of Grolsch in the United Kingdom and Republic of Ireland, and our joint venture arrangement with Tradeteam for the physical distribution of products throughout Great Britain.

The Corporate segment currently includes interest, taxes and certain other corporate costs in both the United States and the United Kingdom. The large majority of these corporate costs relate to finance and other administrative functions.

No single customer accounted for more than 10% of our sales. Summarized financial information concerning our reportable segments is shown in the following table:

(In thousands)	Americas	Europe	Corporate	Total
Fiscal year ended December 29, 2002				
Sales – domestic and international	$ 2,811,326	$2,145,621	$ –	$ 4,956,947
Beer excise taxes	(410,477)	(770,148)	–	(1,180,625)
Net sales	2,400,849	1,375,473	–	3,776,322
Cost of goods sold	(1,481,630)	(932,900)	–	(2,414,530)
Marketing, general and administrative	(724,943)	(332,297)	–	(1,057,240)
Special charges	(3,625)	–	(2,642)	(6,267)
Operating income (loss)	190,651	110,276	(2,642)	298,285
Interest income	–	16,390	4,797	21,187
Interest expense	–	–	(70,919)	(70,919)
Other income, net	4,864	1,766	1,417	8,047
Income (loss) before income taxes	$ 195,515	$ 128,432	$(67,347)	$ 256,600
Other financial data				
Depreciation, depletion and amortization	$ 130,759	$ 99,540	$ –	$ 230,299
Capital expenditures and additions to intangibles	$ 152,228	$ 94,614	$ –	$ 246,842
Fiscal year ended December 30, 2001				
Sales – domestic and international	$ 2,835,572	$ 7,180	$ –	$ 2,842,752
Beer excise taxes	(413,290)	–	–	(413,290)
Net sales	2,422,282	7,180	–	2,429,462
Cost of goods sold	(1,532,471)	(5,152)	–	(1,537,623)
Marketing, general and administrative	(706,872)	(10,188)	–	(717,060)
Special charges	(23,174)	–	–	(23,174)
Operating income (loss)	159,765	(8,160)	–	151,605
Gain on sale of distributorships	27,667	–	–	27,667
Interest income	–	–	16,409	16,409
Interest expense	–	–	(2,006)	(2,006)
Other income, net	1,319	–	3,019	4,338
Income (loss) before income taxes	$ 188,751	$ (8,160)	$ 17,422	$ 198,013
Other financial data				
Depreciation, depletion and amortization	$ 121,011	$ 80	$ –	$ 121,091
Capital expenditures and additions to intangibles	$ 244,519	$ 29	$ –	$ 244,548

(In thousands)	Americas	Europe	Corporate	Total
Fiscal year ended December 31, 2000				
Sales – domestic and international	$ 2,830,886	$ 10,852	$ –	$ 2,841,738
Beer excise taxes	(427,166)	(157)	–	(427,323)
Net sales	2,403,720	10,695	–	2,414,415
Cost of goods sold	(1,513,051)	(12,778)	–	(1,525,829)
Marketing, general and administrative	(710,224)	(12,521)	–	(722,745)
Special charges (credits)	5,583	(20,798)	–	(15,215)
Operating income (loss)	186,028	(35,402)	–	150,626
Gain on sales of distributorship	1,000	–	–	1,000
Interest income	–	–	21,325	21,325
Interest expense	–	–	(6,414)	(6,414)
Other income, net	3,017	(29)	–	2,988
Income (loss) before income taxes	$ 190,045	$ (35,431)	$14,911	$ 169,525
Other financial data				
Depreciation, depletion and amortization	$ 127,167	$ 2,115	$ –	$ 129,283
Capital expenditures and additions to intangibles	$ 150,826	$ 3,498	$ –	$ 154,324
Balance sheet data				
As of December 29, 2002				
Total assets	$ 1,539,973	$2,757,438	$ –	$ 4,297,411
Investments in joint ventures	$ 94,417	$ 96,767	$ –	$ 191,184
As of December 30, 2001				
Total assets	$ 1,719,448	$ 20,244	$ –	$ 1,739,692
Investments in joint ventures	$ 94,785	$ –	$ –	$ 94,785

The following tables represent sales and long-lived assets by geographic segment for the following fiscal years:

(In thousands)	2002	2001	2000
Net sales to unaffiliated customers[1]			
United States and its territories	$2,328,664	$2,355,091	$2,337,256
United Kingdom	1,357,918	7,221	10,558
Other foreign countries	89,740	67,150	66,601
Net sales	$3,776,322	$2,429,462	$2,414,415

[1] *Net sales attributed to geographic areas is based on the location of the customer.*

(In thousands, as of)	Dec. 29, 2002	Dec. 30, 2001
Long-lived assets[1]		
United States and its territories	$ 970,795	$955,615
United Kingdom	1,665,339	231
Other foreign countries	250	153
Total long-lived assets	$2,636,384	$955,999

[1] *Long-lived assets include tangible and intangible assets.*

15. Commitments and Contingencies

Insurance We are self-insured for certain insurable risks consisting primarily of employee health insurance programs, as well as workers' compensation, general liability, automobile liability and property insurance deductibles or retentions. During 2002, 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 29, 2002, we had approximately $0.8 million outstanding in letters of credit with financial institutions. These letters expire in March and December 2003. These letters of credit are being maintained as security for reimbursements to insurance companies, for deductibles or retention payments made on our behalf, and for operations of underground storage tanks.

As part of a settlement agreement related to the Lowry landfill site 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. Future estimated costs now exceed the level provided in the agreement, but our credit rating remains above the level that would require this letter of credit to be obtained.

Power supplies In 1995, Coors Energy Company (CEC), a fully owned subsidiary of ours, entered into a 10-year agreement to purchase 100% of the Golden facility's coal requirements from Bowie Resources Ltd. (Bowie). The coal then is sold to Trigen-Nations Energy Company, 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 $16.6 million for 2003, 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 2002, 2001 and 2000 were $28.0 million, $29.8 million and $28.4 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, ends and glass. The supply contracts provide that we purchase certain minimum levels of materials throughout the terms of the contracts. The approximate future purchase commitments under these supply contracts are:

(In thousands)	Amount
2003	$ 468,230
2004	469,500
2005	349,500
2006	259,000
2007	259,000
Thereafter	1,036,000
Total	$2,841,230

Our total purchases under these contracts in 2002, 2001 and 2000 were approximately $583.0 million, $243.3 million and $235.0 million, respectively.

Third-party logistics contract We are consolidating our warehousing into two separate contracts with Exel Logistics, Inc. The contracts provide for warehousing services in Ontario, California and Golden, Colorado under seven and five year operating agreements, respectively. We have committed to $2.6 million and $5.8 million in operating expenses in 2003. Annual reviews of the scope of services with Exel Logistics will determine pricing in future years, limited to 3% increases annually.

England and Wales Distribution Contract and Joint Venture Agreement Tradeteam Ltd., the joint venture between CBL and Exel Logistics, has an exclusive contract with CBL to provide distribution services in England and Wales until at least 2010. The approximate future financial commitments under the distribution contract are as follows:

(In thousands)	Amount
2003	$ 143,870
2004	146,757
2005	149,644
2006	152,691
2007	155,739
Thereafter	444,761
Total	$1,193,462

The financial commitments on termination of the distribution agreement are to essentially take over property, assets and people used by Tradeteam to deliver the service to CBL, paying Tradeteam's net book value for assets acquired.

Graphic Packaging International Corporation We have a packaging supply agreement with a subsidiary of Graphic Packaging International Corporation (GPIC) under which we purchase our paperboard requirements. The contract was to expire on December 31, 2002, but was extended until March 31, 2003. As of the date of this filing, we had reached an agreement with GPIC regarding the terms of a new contract, and the contract was being circulated for signatures. Our purchases under the packaging agreement in 2002, 2001 and 2000 totaled approximately $111 million, $125 million and $112 million, respectively. We expect purchases in 2003 to be approximately the same as 2002. Related accounts payable balances included in Affiliates accounts payable on the Consolidated Balance Sheets were $0.8 million and $0.5 million in 2002 and 2001, respectively.

Notes to Consolidated Financial Statements

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 29, 2002, the future commitments are as follows:

(In thousands)	Amount
2003	$119,675
2004	53,505
2005	34,904
2006	29,841
2007	16,663
Thereafter	4,394
Total	$258,982

Environmental We are 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 is managed by Waste Management of Colorado, Inc. (Waste Management). In 1990, we recorded a pretax charge of $30 million, a portion of which was put into a trust in 1993 as part of a settlement with Denver and Waste Management regarding the then outstanding litigation. Our settlement was based on an assumed cost of $120 million (in 1992 adjusted dollars). We are obligated to pay a portion of future costs in excess of that amount.

In January 2003, Waste Management provided us with updated annual cost estimates through 2032. We reviewed these cost estimates, in conjunction with a third-party expert, in the assessment of our accrual related to this issue. We used certain assumptions that differ from Waste Management's estimates to assess our expected liability. Our expected liability (based on the $120 million threshold being met) is based on our and the third-party's best estimates available. The assumptions used are as follows:

- Trust management costs will be accrued as incurred,
- Certain remedial costs for technology which has not yet been developed and income taxes, which we believe not to be an included cost, are not included in the assumptions,
- A 2% inflation rate for future costs, and
- Certain operations and maintenance costs were discounted using a 4.98% risk-free rate of return.

Based on these assumptions, the present value and gross amount of the discounted costs are approximately $1 million and $5 million, respectively. Accordingly, we believe that the existing accrual is adequate as of December 29, 2002. We did not assume any future recoveries from insurance companies in the estimate of our liability.

Considering the estimates extend through the year 2032 and the related uncertainties at the site, including what additional remedial actions may be required by the EPA, new technologies, and what costs are included in the determination of when the $120 million threshold is reached, the estimate of our liability may change as facts further develop. We cannot predict the amount of any such change, but an additional accrual of as much as $20 to $30 million is possible.

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.

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.

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 involved in certain disputes and legal actions arising in the ordinary course of our business aside from the environmental issues discussed above. While it is not feasible to predict or determine the outcome of these proceedings, in our opinion, based on a review with legal counsel, none of these disputes and legal actions is expected to have a material impact on our consolidated financial position, results of operations or cash flows. However, litigation is subject to inherent uncertainties, and an adverse result in these or other matters may arise from time to time that may harm our business.

Labor Approximately 13.2% of our work force is represented by labor unions with whom we engage in collective bargaining. In 2001, we negotiated a labor contract with the U.S. labor unions that prohibits labor strikes. This contract expires in 2005. In the United Kingdom, we have separate negotiated agreements in place with the Transport and General Workers Union, under which pay negotiations are conducted annually. These contracts do not have expiration dates.

16. Quarterly Financial Information (Unaudited)

The following summarizes selected quarterly financial information for each of the two years in the period ended December 29, 2002:

(In thousands, except per share data)	First	Second	Third	Fourth	Year
2002					
Sales – domestic and international	$ 944,256	$1,363,025	$1,322,722	$1,326,944	$ 4,956,947
Beer excise taxes	(198,434)	(315,256)	(321,124)	(345,811)	(1,180,625)
Net sales	745,822	1,047,769	1,001,598	981,133	3,776,322
Cost of goods sold	(482,344)	(640,020)	(636,094)	(656,072)	(2,414,530)
Gross profit	263,478	407,749	365,504	325,061	1,361,792
Net income	$ 27,203	$ 67,616	$ 46,619	$ 20,215	$ 161,653
Net income per share – basic	$ 0.76	$ 1.87	$ 1.29	$ 0.56	$ 4.47
Net income per share – diluted	$ 0.75	$ 1.84	$ 1.28	$ 0.55	$ 4.42
2001					
Sales – domestic and international	$ 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 share – basic	$ 0.49	$ 1.34	$ 1.05	$ 0.44	$ 3.33
Net income per share – diluted	$ 0.49	$ 1.33	$ 1.05	$ 0.44	$ 3.31

17. Coors Brewers Limited Acquisition

On February 2, 2002, we acquired 100% of the outstanding shares of Bass Holdings Ltd. and certain other intangible assets from Interbrew, for a total purchase price of 1.2 billion GBP (approximately $1.7 billion at then prevailing exchange rates), plus associated fees and expenses. The acquisition supported one of our key strategic goals of growing our beer business internationally to broaden our geographic platform; diversify revenues, profits and cash flows and increase our brand portfolio, which we believe will significantly enhance our competitive position in a consolidating worldwide beer industry.

One of the factors that contributed to a purchase price that resulted in the recognition of goodwill was the existence of financial and operating synergies. In addition to these synergies, there were a number of other factors – including the existence of a strong management team, a proven track record of introducing and marketing successful brands, an efficient sales and distribution system, complementary products and a good sales force.

The business, renamed CBL, included the majority of the assets that previously made up Bass Brewers, including the Carling, Worthington and Caffrey's beer brands; the U.K. and Republic of Ireland distribution rights to Grolsch (via and subject to the continuation of a joint venture arrangement, in which CBL has a 49% interest, with Royal Grolsch N.V.); several other beer and flavored-alcohol beverage brands; related brewing and malting facilities in the United Kingdom; and a 49.9% interest in the distribution logistics provider, Tradeteam. CBL is the second-largest brewer in the United Kingdom based on total beer volume, and Carling lager is the best-selling beer brand in the United Kingdom. The brand rights for Carling, which is the largest acquired brand by volume, are mainly for territories in Europe. The addition of CBL creates a stronger, broader, more diversified company in a highly competitive and consolidating global beer market.

As noted in Note 1, "Significant Accounting Policies," the results of CBL operations have been included in the consolidated financial statements since February 2, 2002, the date of acquisition.

The following table summarizes the fair values of the assets acquired and liabilities assumed at the date of acquisition:

(In millions, as of)	Feb. 2, 2002
Current assets	$ 546
Property, plant and equipment	442
Other assets	398
Intangible assets	415
Goodwill	637
Total assets acquired	2,438
Current liabilities	(425)
Non-current liabilities	(279)
Total liabilities assumed	(704)
Net assets acquired	$1,734

Of the $415 million of acquired intangible assets, approximately $390 million has been assigned to brand names and distribution rights. The remaining $25 million was assigned to patents and technology and distribution channels. Approximately $286 million of the $390 million brand name and distribution rights value has been determined to have an indefinite life and accordingly will not be amortized. The remaining $104 million brand names and distribution rights value will be amortized over a weighted average useful life of approximately 12 years. The $25 million value for patents and technology and distribution channels will be amortized over a weighted average useful life of approximately 8 years.

We engaged the services of a professional appraiser to determine the value of the intangible assets acquired in the acquisition of CBL. The fair value of the acquired intangible brand assets were determined primarily from the discounted value of projected cash flows. A weighted average cost of capital of 8.75% was used to discount projected cash flows. Cash flows were projected using management's best estimates of sales growth or declines for each brand over its expected life. The lives of the assets were determined by an evaluation of significant factors that could impact the life of the brand.

The cost approach was used to determine the value of the customer base using the estimated cost to recruit a customer. Technology, unfavorable leaseholds, contracts and other less significant intangible assets were valued using a present value approach of the returns or costs of the underlying assets. Goodwill was valued using the residual method.

We finalized the purchase price accounting relative to the CBL acquisition in the fourth quarter of 2002. Significant purchase price adjustments included an $83.4 million increase of goodwill related to the pension plan actuarial valuation, a $2.7 million decrease of goodwill for certain restructuring plans and a $4.3 million increase of goodwill for fixed asset write-offs.

Goodwill of $637 million was assigned to the Europe and Americas segments in the amounts of approximately $522 million and $115 million, respectively (See Note 18, Change in Accounting Principle, for further discussion of allocation). It is currently expected that none of the goodwill will be deductible for tax purposes in the United Kingdom. A valuation allowance of approximately $40 million was recorded against deferred tax assets arising from the acquisition in accordance with our accounting policies as discussed in Management's Discussion and Analysis of Financial Condition and Results of Operations.

In 2002, we closed our Cape Hill brewery and Alloa malting facility acquired as part of CBL. The majority of the production at the Cape Hill brewery related to brands that were retained by Interbrew, the previous owner of CBL. Liabilities recorded as part of purchase price accounting are:

(In millions)	Amount
Cape Hill	
Employee severance and related costs	$15.6
Contract cancellation costs	0.2
Total	15.8
Alloa maltings	
Employee severance and related costs	0.7
Lease termination costs	0.8
Total	1.5
Grand total	$17.3

Closure of the Cape Hill brewery commenced in July 2002 with the shut down of the kegging line. All production ceased in December 2002, although a limited number of employees will be retained until mid-2003 to clear the site in preparation for sale. The payment of severance and other termination benefits started in July 2002, with the closure of the kegging line, and are expected to be completed in mid-2003 when site clearing is completed. We have recently commenced discussions with a number of developers regarding the disposal of the site. The amount outstanding at December 29, 2002 was approximately $9.1 million and is included in Accrued expenses on the Consolidated Balance Sheet. We expect disposition to be completed during 2005, possibly earlier, depending on obtaining agreement with government authorities on zoning issues.

The Alloa malting facility was closed in June 2002 and was sold in July 2002 for $375,000.

The costs associated with these closures that were paid during 2002 consisted predominately of severance costs and approximated $3.2 million. The most significant amount of the restructuring costs remaining to be paid will be incurred during the first half of 2003 as we complete the Cape Hill brewery closure.

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

	Facility Currency Denomination	Balance (In millions)
5-year amortizing term loan	USD	$ 478
5-year amortizing term loan (228 million GBP)	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 $9.0 million and $0.5 million, respectively. These fees are amortized over the respective terms of the borrowings using the effective interest method. On May 7, 2002, we repaid our nine-month bridge facility and $91 million of outstanding term borrowings through the issuance of long-term financing. From February 2, 2002 through December 29, 2002, we repaid an additional $305 million of outstanding term borrowings and other debt (See Note 4, "Debt"), for a total of $396 million paid.

The following unaudited, pro forma information shows the results of our operations for the years ended December 29, 2002 and December 30, 2001, as if the business combination with CBL had occurred at the beginning of each period. These pro forma results are not necessarily indicative of the results of operations that would have occurred if the business combination had occurred at the beginning of the respective periods and is not intended to be indicative of future results of operations (in thousands, except per share data):

(Fiscal year ended, unaudited)	**Dec. 29, 2002**	Dec. 30, 2001
Net sales	**$3,857,593**	$3,740,084
Pretax income	**$ 234,833**	$ 224,489
Net income	**$ 148,452**	$ 139,442
Net income per common share		
Basic	**$4.11**	$3.78
Diluted	**$4.06**	$3.75

18. Change in Accounting Principle

In June 2001, the FASB issued Statements of Financial Accounting Standards No. 141, *Business Combinations* (SFAS No. 141), and No. 142, *Goodwill and Other Intangible Assets* (SFAS No. 142). SFAS No. 141 requires that all business combinations be accounted for using the purchase method of accounting and that certain intangible assets acquired in a business combination be recognized as assets apart from goodwill. SFAS No. 141 was effective for all business combinations initiated after June 30, 2001. SFAS No. 142 requires goodwill to be tested for impairment under certain circumstances, and written down when impaired, rather than being amortized as previously required. Furthermore, SFAS No. 142 requires purchased intangible assets other than goodwill to be amortized over their useful lives unless those lives are determined to be indefinite. Purchased intangible assets are carried at cost less accumulated amortization.

In accordance with SFAS No. 142, we ceased amortizing goodwill totaling $69.1 million, including $62.1 million related to our U.S. joint venture investment with Molson, Inc., as of the beginning of fiscal 2002. We also ceased amortizing approximately $7.2 million of other net intangible assets that we considered to have indefinite lives. We also have $17.4 million of other intangible assets that have indefinite lives that were previously not amortized. As a result, during 2002, we did not recognize pretax amortization of goodwill and other intangibles totaling $1.7 million and $0.4 million, respectively, that would have been recognized had the previous standards still been in effect. We have excluded the reconciliation of reported net income to the adjusted net income and related per share amounts as the impact on reported income and related per share amounts is immaterial.

Upon our adoption of SFAS No. 142, we identified no goodwill that was impaired. SFAS No. 142 stipulates that we are required to perform goodwill impairment tests on at least an annual basis and more frequently in certain circumstances. We completed the required testing of goodwill impairment in the third and fourth quarters of 2002 and have determined that no goodwill is impaired. Goodwill related to our joint venture investment with Molson, Inc. was evaluated under APB No. 18 and found not to be impaired. The recoverability of our investment in the joint venture will be further evaluated during 2003.

The following tables present details of our intangible assets, other than Goodwill:

	Dec. 29, 2002			
(In millions)	Useful Life (Years)	Gross	Accumulated Amortization	Net
Intangible assets subject to amortization				
Brands	3 – 20	$ 87.0	$(10.3)	$ 76.7
Distribution rights	2 – 10	31.9	(4.2)	27.7
Patents and technology and distribution channels	3 – 10	29.8	(4.3)	25.5
Other	5 – 34	17.1	(6.3)	10.8
Intangible assets not subject to amortization				
Brands	Indefinite	321.5	–	321.5
Pension	N/A	42.3	–	42.3
Other	Indefinite	$ 25.1	(0.5)	24.6
Total			$ 25.6	$529.1

Note that the amounts reflected in the table above as of December 29, 2002, have fluctuated from the original purchase price allocation at February 2, 2002, due to the change in the GBP exchange rate versus the U.S. dollar between these dates and other adjustments to the purchase price.

Based on December 2002 average foreign exchange rates, the estimated future amortization expense of intangible assets is as follows (in millions):

Fiscal Year	Amount
2003	$19.8
2004	$18.1
2005	$12.5
2006	$12.1
2007	$ 8.1

Amortization expense of intangible assets was $20.9 million and $5.3 million for the years ended December 29, 2002 and December 30, 2001, respectively.

Upon the acquisition of CBL on February 2, 2002, we recorded $637 million of goodwill. The total goodwill was determined using the residual method under SFAS No. 141 and 142. This goodwill was allocated between our Europe and Americas segments based on which segment would benefit from certain synergies created by the acquisition. A portion of the acquired goodwill was attributable to operating and financial synergies resulting from the combination. The financial synergy goodwill was calculated by comparing the risk premiums expected by investors associated with the CBC business with and without the CBL acquisition. This synergy was then associated with the segments based on an analysis of the Europe segment with and without the WACC differential as well as the two segments' relative earnings contributions. Operating synergies were allocated to reporting units based on where the savings were expected to occur. Application of this methodology resulted is the following allocations:

	Feb. 2, 2002		
(In millions, as of)	Europe	Americas	Total
Goodwill	$445	$ 0	$445
Financial synergies	47	75	122
Operational synergies	30	40	70
Total goodwill	$522	$115	$637

The following table presents the changes in goodwill during the year ended December 29, 2002 allocated to the reportable segments:

(In millions)	Balance at Dec. 30, 2001	Acquired	Adjustments	Balance at Dec. 29, 2002
Americas	$7.0	$115.1	$ –	$122.1
Europe	–	522.2	82.8	605.0
Total	$7.0	$637.3	$82.8	$727.1

The adjustments during the year ended December 29, 2002 include $82.8 million, the result of the foreign currency exchange rate change between February 2, 2002, the date of our acquiring CBL, and December 29, 2002. Americas goodwill, as reflected above, excludes approximately $62.1 million related to our joint venture investment in Molson USA. This amount is included in Investments in joint ventures in the Consolidated Balance Sheets.

19. Supplemental Guarantor Information

On May 7, 2002, our wholly owned subsidiary, CBC (Issuer), completed a private placement of $850 million principal amount of 6⅜% Senior notes due 2012. The notes were issued with registration rights and were guaranteed on a senior and unsecured basis by Adolph Coors Company (Parent Guarantor) and certain domestic subsidiaries (Subsidiary Guarantors). The guarantees are full and unconditional, and joint and several. A significant amount of the Issuer's income and cash flow is generated by its subsidiaries. As a result, funds necessary to meet the Issuer's debt service obligations are provided in large part by distributions or advances from its subsidiaries. Under certain circumstances, contractual and legal restrictions, as well as our financial condition and operating requirements and those of certain domestic subsidiaries, could limit the Issuer's ability to obtain cash for the purpose of meeting its debt service obligation including the payment of principal and interest on the notes.

Simultaneously with the private placement, we entered into a registration rights agreement pursuant to which we registered the exchange of the notes for substantially identical notes. The exchange of all the notes was completed on September 16, 2002.

The following information sets forth our Condensed Consolidating Balance Sheet as of December 29, 2002 and December 30, 2001 and the Condensed Consolidating Statements of Income and Cash Flows for the fiscal years ended December 29, 2002, December 30, 2001, and December 31, 2000. Investments in our subsidiaries are accounted for on the equity method; accordingly, entries necessary to consolidate the Parent Guarantor, Issuer and all of its subsidiaries are reflected in the elimination column. Separate complete financial statements of the Issuer and the Subsidiary Guarantors would not provide additional material information that would be useful in assessing their financial composition.

Condensed Consolidating Statements of Income

(In thousands, fiscal year ended)	Parent Guarantor	Issuer of Notes	Subsidiary Guarantors	Subsidiary Non-Guarantors	Eliminations	Consolidated
						Dec. 29, 2002
Sales – domestic and international	$ –	$ 2,553,818	$ 71,043	$2,332,086	$ –	$ 4,956,947
Beer excise taxes	–	(398,523)	(2,194)	(779,908)	–	(1,180,625)
Net sales	–	2,155,295	68,849	1,552,178	–	3,776,322
Cost of goods sold	–	(1,379,969)	(39,204)	(995,357)	–	(2,414,530)
Equity in subsidiary earnings (loss)	142,233	94,158	–	–	(236,391)	–
Gross profit	142,233	869,484	29,645	556,821	(236,391)	1,361,792
Marketing, general and administrative	(357)	(665,125)	(25,482)	(366,276)	–	(1,057,240)
Special charges	–	(6,267)	–	–	–	(6,267)
Operating income	141,876	198,092	4,163	190,545	(236,391)	298,285
Interest income	1,000	1,569	30	18,588	–	21,187
Interest income (expense)	30,396	(46,204)	10,536	(65,647)	–	(70,919)
Other income (expense)	6,219	27,062	40,067	(65,301)	–	8,047
Income (loss) before income taxes	179,491	180,519	54,796	78,185	(236,391)	256,600
Income tax expense	(17,838)	(32,010)	(23,581)	(21,518)	–	(94,947)
Net income (loss)	$161,653	$ 148,509	$ 31,215	$ 56,667	$(236,391)	$ 161,653

Condensed Consolidating Statements of Income

(In thousands, fiscal year ended) Dec. 30, 2001	Parent Guarantor	Issuer of Notes	Subsidiary Guarantors	Subsidiary Non-Guarantors	Eliminations	Consolidated
Sales – domestic and international	$ –	$ 2,544,857	$122,793	$ 175,102	$ –	$ 2,842,752
Beer excise taxes	–	(396,270)	(5,732)	(11,288)	–	(413,290)
Net sales	–	2,148,587	117,061	163,814	–	2,429,462
Cost of goods sold	–	(1,384,854)	(87,085)	(65,684)	–	(1,537,623)
Equity in subsidiary earnings (loss)	110,468	40,156	–	–	(150,624)	–
Gross profit (loss)	110,468	803,889	29,976	98,130	(150,624)	891,839
Marketing, general and administrative	(465)	(654,622)	(27,912)	(34,061)	–	(717,060)
Special charges	–	(23,174)	–	–	–	(23,174)
Operating income (loss)	110,003	126,093	2,064	64,069	(150,624)	151,605
Gain on sale of distributorship	–	–	27,667	–	–	27,667
Interest income	14,313	1,781	–	315	–	16,409
Interest income (expense)	2,241	(4,236)	(11)	–	–	(2,006)
Other income (expense)	4,042	28,318	33,077	(61,099)	–	4,338
Income before income taxes (loss)	130,599	151,956	62,797	3,285	(150,624)	198,013
Income tax expense	(7,635)	(42,372)	(23,800)	(1,242)	–	(75,049)
Net income (loss)	$122,964	$ 109,584	$ 38,997	$ 2,043	$(150,624)	$ 122,964

Condensed Consolidating Statements of Income

(In thousands, fiscal year ended) Dec. 31, 2000	Parent Guarantor	Issuer of Notes	Subsidiary Guarantors	Subsidiary Non-Guarantors	Eliminations	Consolidated
Sales – domestic and international	$ –	$ 2,632,436	$133,842	$ 75,460	$ –	$ 2,841,738
Beer excise taxes	–	(403,790)	(7,902)	(15,631)	–	(427,323)
Net sales	–	2,228,646	125,940	59,829	–	2,414,415
Cost of goods sold	–	(1,419,483)	(92,109)	(14,237)	–	(1,525,829)
Equity in subsidiary earnings (loss)	92,689	(23,795)	–	–	(68,894)	–
Gross profit	92,689	785,368	33,831	45,592	(68,894)	888,586
Marketing, general and administrative	(1,224)	(645,668)	(30,709)	(45,144)	–	(722,745)
Special credits (charges)	–	1,543	–	(16,758)	–	(15,215)
Operating income (loss)	91,465	141,243	3,122	(16,310)	(68,894)	150,626
Gain on sale of distributorship	–	–	1,000	–	–	1,000
Interest income	18,306	2,566	–	453	–	21,325
Interest income (expense)	9,094	(15,450)	–	(58)	–	(6,414)
Other income (expense)	–	27,509	1,393	(25,914)	–	2,988
Income (loss) before income taxes	118,865	155,868	5,515	(41,829)	(68,894)	169,525
Income tax (benefit) expense	(9,248)	(63,475)	(1,948)	14,763	–	(59,908)
Net income (loss)	$109,617	$ 92,393	$ 3,567	$(27,066)	$(68,894)	$ 109,617

Notes to Consolidated Financial Statements

Condensed Consolidating Balance Sheets

(In thousands)	Parent Guarantor	Issuer of Notes	Subsidiary Guarantors	Subsidiary Non-Guarantors	Eliminations	Consolidated
						Dec. 29, 2002
Assets						
Current assets						
Cash and cash equivalents	$ 161	$ 499	$ 634	$ 57,873	$ –	$ 59,167
Accounts receivable, net	–	99,560	9,974	511,512	–	621,046
Other receivables, net	–	30,078	1,031	53,271	–	84,380
Total inventories	–	101,147	4,217	79,307	–	184,671
Other current assets	397	61,409	–	42,826	–	104,632
Total current assets	558	292,693	15,856	744,789	–	1,053,896
Properties, at cost and net	–	844,206	24,645	511,388	–	1,380,239
Goodwill	–	133,564	(136,729)	730,234	–	727,069
Other intangibles, net	–	70,363	83,990	374,723	–	529,076
Investments in joint ventures	–	94,417	–	96,767	–	191,184
Net investment in and advances to subs	1,068,297	1,721,958	–	–	(2,790,255)	–
Deferred tax asset	2,968	(14,545)	158,187	59,790	–	206,400
Other non-current assets	4,761	83,787	3,488	117,511	–	209,547
Total assets	$1,076,584	$3,226,443	$ 149,437	$2,635,202	$(2,790,255)	$4,297,411
Liabilities and Shareholders' Equity						
Current liabilities						
Accounts payable	$ –	$ 167,037	$ 2,869	$ 164,741	$ –	$ 334,647
Accrued salaries and vacations	–	57,642	1,151	20,208	–	79,001
Taxes, other than income taxes	–	29,907	694	147,443	–	178,044
Accrued expenses and other liabilities	67,944	62,655	63,009	218,542	–	412,150
Current portion of long-term debt	–	64,495	–	79,554	–	144,049
Total current liabilities	67,944	381,736	67,723	630,488	–	1,147,891
Long-term debt	20,000	1,363,392	–	–	–	1,383,392
Deferred tax liability	–	–	–	156,437	–	156,437
Other long-term liabilities	6,789	413,673	28	207,350	–	627,840
Total liabilities	94,733	2,158,801	67,751	994,275	–	3,315,560
Total shareholders' equity	981,851	1,067,642	81,686	1,640,927	(2,790,255)	981,851
Total liabilities and shareholders' equity	$1,076,584	$3,226,443	$ 149,437	$2,635,202	$(2,790,255)	$4,297,411

Condensed Consolidating Balance Sheets

(In thousands)	Parent Guarantor	Issuer of Notes	Subsidiary Guarantors	Subsidiary Non-Guarantors	Eliminations	Consolidated
						Dec. 30, 2001
Assets						
Current assets						
Cash and cash equivalents	$ 58,565	$ 4,790	$ 724	$13,054	$ –	$ 77,133
Short-term marketable securities	232,572	–	–	–	–	232,572
Accounts receivable, net	–	74,017	9,909	11,059	–	94,985
Other receivables, net	791	10,917	1,766	273	–	13,747
Total inventories	–	108,012	5,134	1,977	–	115,123
Other current assets	(1,299)	66,575	1,820	5,873	–	72,969
Total current assets	290,629	264,311	19,353	32,236	–	606,529
Properties, at cost and net	–	839,304	23,141	7,265	–	869,710
Goodwill	–	878	6,077	–	–	6,955
Other intangibles, net	–	72,167	7,167	–	–	79,334
Investments in joint ventures, net	–	94,785	–	–	–	94,785
Net investment in and advances to subs	799,631	66,643	–	–	(866,274)	–
Other assets	3,298	65,102	8,062	5,917	–	82,379
Total assets	$1,093,558	$1,403,190	$63,800	$45,418	$(866,274)	$1,739,692
Liabilities and Shareholders' Equity						
Current liabilities						
Accounts payable	$ –	$ 201,037	$ 5,074	$16,382	$ –	$ 222,493
Accrued salaries and vacations	–	55,397	1,358	12	–	56,767
Taxes, other than income taxes	–	27,469	556	3,246	–	31,271
Accrued expenses and other liabilities	35,063	75,637	(2,718)	10,994	–	118,976
Current portion of long-term debt	85,000	–	–	3,038	–	88,038
Total current liabilities	120,063	359,540	4,270	33,672	–	517,545
Long-term debt	20,000	–	–	–	–	20,000
Deferred tax liability	(3,032)	65,643	(611)	(365)	–	61,635
Other long-term liabilities	5,215	180,422	26	3,537	–	189,200
Total liabilities	142,246	605,605	3,685	36,844	–	788,380
Total shareholders' equity	951,312	797,585	60,115	8,574	(866,274)	951,312
Total liabilities and shareholders' equity	$1,093,558	$1,403,190	$63,800	$45,418	$(866,274)	$1,739,692

Notes to Consolidated Financial Statements

Condensed Consolidating Statements of Cash Flows

(In thousands, fiscal year ended)	Parent Guarantor	Issuer of Notes	Subsidiary Guarantors	Subsidiary Non-Guarantors	Consolidated
					Dec. 29, 2002
Net cash provided by (used in) operating activities	$ 12,779	$ 139,888	$ 67,293	$ 38,585	$ 258,545
Cash flows from investing activities					
Sales and maturities of securities	232,758	–	–	–	232,758
Additions to properties and intangible assets	185	(147,798)	(4,469)	(94,760)	(246,842)
Proceeds from sales of properties	–	9,810	1,545	16,002	27,357
Acquisition of CBL, net of cash acquired	–	(115,105)	(92,650)	(1,379,545)	(1,587,300)
Investment in Molson USA, LLC	–	(2,750)	–	–	(2,750)
Other	–	(7,561)	–	–	(7,561)
Net cash provided by (used in) investing activities	232,943	(263,404)	(95,574)	(1,458,303)	(1,584,338)
Cash flows from financing activities					
Issuances of stock under stock plans	15,645	–	–	–	15,645
Dividends paid	(29,669)	–	–	–	(29,669)
Proceeds from issuance of debt	–	2,391,934	–	–	2,391,934
Proceeds from short-term borrowings	–	250,900	–	80,433	331,333
Payments on debt and capital lease obligations	(85,000)	(1,293,075)	–	(1,643)	(1,379,718)
Debt issuance costs	(185)	(9,889)	–	–	(10,074)
Change in overdraft balances	–	(27,783)	–	–	(27,783)
Net activity in investment and advances (to) from subsidiaries	(204,917)	(1,192,862)	29,411	1,368,368	–
Net cash (used in) provided by financing activities	(304,126)	119,225	29,411	1,447,158	1,291,668
Cash and cash equivalents					
Net (decrease) increase in cash and cash equivalents	(58,404)	(4,291)	1,130	27,440	(34,125)
Effect of exchange rate changes on cash and cash equivalents	–	–	(1,220)	17,379	16,159
Balance at beginning of year	58,565	4,790	724	13,054	77,133
Balance at end of year	$ 161	$ 499	$ 634	$ 57,873	$ 59,167

Condensed Consolidating Statements of Cash Flows

(In thousands, fiscal year ended)	Parent Guarantor	Issuer of Notes	Subsidiary Guarantors	Subsidiary Non-Guarantors	Consolidated
					Dec. 30, 2001
Net cash (used in) provided by operating activities	$ (32,582)	$ 189,288	$ 41,922	$ (5,232)	$ 193,396
Cash flows from investing activities					
Purchases of investments	(228,237)	–	–	–	(228,237)
Sales and maturities of securities	268,093	–	–	–	268,093
Additions to properties and intangible assets	522	(230,593)	(13,934)	(543)	(244,548)
Proceeds from sales of properties and intangible assets	–	20,060	43,469	–	63,529
Investment in Molson USA, LLC	–	(65,000)	–	–	(65,000)
Other	–	7,589	–	1,825	9,414
Net cash provided by (used in) investing activities	40,378	(267,944)	29,535	1,282	(196,749)
Cash flows from financing activities					
Issuances of stock under stock plans	10,701	–	–	–	10,701
Purchases of treasury stock	(72,345)	–	–	–	(72,345)
Dividends paid	(29,510)	–	–	–	(29,510)
Change in overdraft balances	–	51,551	–	–	51,551
Net activity in investment and advances from (to) subsidiaries	27,377	34,006	(73,054)	11,671	–
Other	–	–	–	759	759
Net cash (used in) provided by financing activities	(63,777)	85,557	(73,054)	12,430	(38,844)
Cash and cash equivalents					
Net (decrease) increase in cash and cash equivalents	(55,981)	6,901	(1,597)	8,480	(42,197)
Effect of exchange rate changes on cash and cash equivalents	–	–	–	(431)	(431)
Balance at beginning of year	114,546	(2,111)	2,321	5,005	119,761
Balance at end of year	$ 58,565	$ 4,790	$ 724	$13,054	$ 77,133

Notes to Consolidated Financial Statements

Condensed Consolidating Statements of Cash Flows

(In thousands, fiscal year ended)	Parent Guarantor	Issuer of Notes	Subsidiary Guarantors	Subsidiary Non-Guarantors	Consolidated
					Dec. 31, 2000
Net cash provided by (used in) operating activities	$ 5,124	$ 298,746	$ 7,656	$(30,795)	$ 280,731
Cash flows from investing activities					
Purchases of investments	(356,741)	–	–	–	(356,741)
Sales and maturities of securities	208,176	–	–	–	208,176
Additions to properties and intangible assets	–	(155,412)	(2,187)	3,275	(154,324)
Proceeds from sales of properties	–	3,486	2,933	8	6,427
Other	(277)	3,971	–	(4,773)	(1,079)
Net cash (used in) provided by investing activities	(148,842)	(147,955)	746	(1,490)	(297,541)
Cash flows from financing activities					
Issuances of stock under stock plans	17,232	–	–	–	17,232
Purchases of treasury stock	(19,989)	–	–	–	(19,989)
Dividends paid	(26,564)	–	–	–	(26,564)
Change in overdraft balances	–	4,686	–	–	4,686
Net activity in investment and advances from (to) subsidiaries	139,461	(146,374)	(19,025)	25,938	–
Other	–	–	–	(2,235)	(2,235)
Net cash provided by (used in) financing activities	110,140	(141,688)	(19,025)	23,703	(26,870)
Cash and cash equivalents					
Net (decrease) increase in cash and cash equivalents	(33,578)	9,103	(10,623)	(8,582)	(43,680)
Effect of exchange rate changes on cash and cash equivalents	–	–	–	(367)	(367)
Balance at beginning of year	148,124	(11,214)	12,944	13,954	163,808
Balance at end of year	$ 114,546	$ (2,111)	$ 2,321	$ 5,005	$ 119,761

20. Subsequent Events

In February 2003, an arbitration panel found in favor of CBC in a contract interpretation issue between CBC and one of its wholesalers. The revenues that were the subject of the arbitration were generated by sales during 2002 and totaled approximately $4 million. This revenue will be recorded during the first quarter of 2003.

Selected Financial Data[1]

Following are selected financial data for 5 years ended December 29, 2002:

(In thousands, except per share)	2002	2001	2000[2]	1999	1998
Consolidated Statement of Operations Data					
Gross sales	$ 4,956,947	$ 2,842,752	$ 2,841,738	$ 2,642,712	$ 2,463,655
Beer excise taxes	(1,180,625)	(413,290)	(427,323)	(406,228)	(391,789)
Net sales	3,776,322	2,429,462	2,414,415	2,236,484	2,071,866
Cost of goods sold	(2,414,530)	(1,537,623)	(1,525,829)	(1,397,251)	(1,333,026)
Gross profit	1,361,792	891,839	888,586	839,233	738,840
Other operating expenses					
Marketing, general and administrative	(1,057,240)	(717,060)	(722,745)	(692,993)	(615,626)
Special charges	(6,267)	(23,174)	(15,215)	(5,705)	(19,395)
Total other operating expenses	(1,063,507)	(740,234)	(737,960)	(698,698)	(635,021)
Operating income	298,285	151,605	150,626	140,535	103,819
Interest income	21,187	16,409	21,325	11,286	12,136
Interest expense	(70,919)	(2,006)	(6,414)	(4,357)	(9,803)
Other income, net	8,047	32,005	3,988	3,203	4,948
Income before income taxes	256,600	198,013	169,525	150,667	111,100
Income tax expense	(94,947)	(75,049)	(59,908)	(58,383)	(43,316)
Net income	$ 161,653	$ 122,964	$ 109,617	$ 92,284	$ 67,784
Net income per common share – basic	$ 4.47	$ 3.33	$ 2.98	$ 2.51	$ 1.87
Net income per common share – diluted	$ 4.42	$ 3.31	$ 2.93	$ 2.46	$ 1.81
Consolidated Balance Sheet Data					
Cash and cash equivalents and short-term and long-term marketable securities	$ 59,167	$ 309,705	$ 386,195	$ 279,883	$ 287,672
Working capital	$ (93,995)	$ 88,984	$ 118,415	$ 220,117	$ 165,079
Properties, at cost, net	$ 1,380,239	$ 869,710	$ 735,793	$ 714,001	$ 714,441
Total assets	$ 4,297,411	$ 1,739,692	$ 1,629,304	$ 1,546,376	$ 1,460,598
Long-term debt	$ 1,383,392	$ 20,000	$ 105,000	$ 105,000	$ 105,000
Other long-term liabilities	$ 115,971	$ 47,480	$ 45,446	$ 52,579	$ 56,640
Shareholders' equity	$ 981,851	$ 951,312	$ 932,389	$ 841,539	$ 774,798
Cash Flow Data					
Cash provided by operations	$ 258,545	$ 193,396	$ 280,731	$ 211,324	$ 198,215
Cash used in investing activities	$(1,584,338)	$ (196,749)	$ (297,541)	$ (121,043)	$ (146,479)
Cash provided by (used in) financing activities	$ 1,291,668	$ (38,844)	$ (26,870)	$ (87,687)	$ (60,661)
Other Information					
Barrels of beer and other beverages sold	31,841	22,713	22,994	21,954	21,187
Dividends per share of common stock	$ 0.820	$ 0.800	$ 0.720	$ 0.645	$ 0.600
Depreciation, depletion and amortization	$ 230,299	$ 121,091	$ 129,283	$ 123,770	$ 115,815
Capital expenditures and additions to intangible assets	$ 246,842	$ 244,548	$ 154,324	$ 134,377	$ 104,505

[1] *Results prior to February 2, 2002, exclude Coors Brewers Limited.*
[2] *53-week year versus 52-week year.*

Boards of Directors

Adolph Coors Company and Coors Brewing Company

Peter H. Coors
Chairman of the Board,
Adolph Coors Company and
Coors Brewing Company.
Director since 1973.

William K. Coors
Vice Chairman of the Board,
Adolph Coors Company.
Director since 1940.

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

Charles M. Herington
President and
Chief Executive Officer,
America Online Latin America.
Director since 2003.

Franklin W. "Fritz" Hobbs
Senior Advisor,
Houlihan Lokey
Howard & Zukin.
Director since 2001.

Pamela H. Patsley
President,
First Data International.
Director since 1996.

Wayne R. Sanders
Retired Chairman and
Chief Executive Officer,
Kimberly-Clark Corporation.
Director since 1995.

Dr. Albert C. Yates
President,
Colorado State University.
Director since 1998.

Officers

Adolph Coors Company

Peter H. Coors
Chairman of the Board

William K. Coors
Vice Chairman of
the Board, Chairman,
Executive Committee

W. Leo Kiely III
President and
Chief Executive Officer

David G. Barnes
Vice President, Finance

Michael J. Gannon
Vice President and Treasurer

Peter M.R. Kendall
Vice President,
United Kingdom and Europe

Robert D. Klugman
Vice President, International

Annita M. Menogan
Secretary

Robert M. Reese
Vice President and
Chief Legal Officer

Ronald A. Tryggestad
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

Carl L. Barnhill
Senior Vice President, Sales

Michael J. Gannon
Vice President and Treasurer

Peter M.R. Kendall
Senior Vice President,
United Kingdom and Europe,
Chief Executive Officer,
Coors Brewers Limited

Robert D. Klugman
Senior Vice President,
Corporate Development, and
Chief International Officer

Annita M. 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 Informational Meeting for Shareholders
The Company will hold its Annual Informational Meeting for Shareholders starting at 2:00 p.m. on Thursday, August 14, 2003, 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 2002 Annual Report on Form 10-K filed with the Securities and Exchange Commission by visiting our Web site, www.coors.com; writing to the Coors Consumer Information Center, Mail No. NH475, Adolph Coors Company, P.O. Box 4030, Golden, Colorado 80401; or by calling (800) 642-6116.

Investor Relations
Securities analysts, investment professionals and shareholders with business-related inquiries regarding Adolph Coors Company should contact Dave Dunnewald or Kevin Caulfield in Investor Relations, (303) 279-6565.

For the latest copy of the Company's annual report to shareholders, visit the "Invest In Us" section of our Web site, www.coors.com; write to the Coors Consumer Information Center, Mail No. NH475, Adolph Coors Company, P.O. Box 4030, Golden, Colorado 80401; or call (800) 642-6116.

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

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

The Company is pleased to offer specific information to the public regarding the Company's financial, environmental and social performance, as well as other areas of interest. For example, interested individuals can obtain the Coors Brewing Company Environmental, Health and Safety Progress Report or Corporate Social Performance briefings on a wide range of topics of interest to our customers, investors, neighbors and other stakeholders. Simply visit our Web site, www.coors.com.

Transfer Agent
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 February 28, 2003: 2,963.

Class B common shares outstanding as of February 28, 2003: 35,081,353.

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:

2002	High	Low	Dividends
First Quarter	67.47	51.92	$0.205
Second Quarter	68.76	59.34	$0.205
Third Quarter	64.18	51.40	$0.205
Fourth Quarter	69.66	56.30	$0.205

2001	High	Low	Dividends
First Quarter	78.25	61.38	$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

In February, the Company declared a quarterly dividend of 20.5 cents per share, which was paid March 17, 2003, to shareholders of record February 28, 2003.

Equal Opportunity at Coors
Coors employs 8,700 people worldwide, which includes 3,000 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.

Design: Boller, Coates & Neu Writing: Dovetail Communications Printing: Lake County Press

This report is printed on recycled paper.

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