

MOLSON COORS BREWING CO

FORM 10-Q (Quarterly Report)

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Address	P.O. BOX 4030, MAIL #NH375 GOLDEN, Colorado 80401
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CIK	0000024545
Industry	Beverages (Alcoholic)
Sector	Consumer/Non-Cyclical
Fiscal Year	12/28

U.S. SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For Quarter ended September 27, 1998

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934 (NO FEE REQUIRED)

Commission file number 0-8251

ADOLPH COORS COMPANY

(Exact name of registrant as specified in its charter)

COLORADO
(State or other jurisdiction of
incorporation or organization)

84-0178360
(I.R.S. Employer Identification No.)

Golden, Colorado
(Address of principal executive offices)

80401
(Zip Code)

303-279-6565
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class Name of each exchange on which registered
None None

Securities registered pursuant to Section 12(g) of the Act:

Class B Common Stock (non-voting), no par value
(Title of class)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES NO

State the aggregate market value of the voting stock held by non-affiliates of the registrant: All voting shares are held by Adolph Coors, Jr. Trust.

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of November 4, 1998:

Class A Common Stock - 1,260,000 shares Class B Common Stock - 35,321,732 shares

PART I. FINANCIAL INFORMATION (UNAUDITED)

Item 1. Financial Statements

ADOLPH COORS COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

	Thirteen weeks ended	
	September 27, 1998	September 28, 1997
	(In thousands, except per share data)	
Sales - domestic and international	\$602,690	\$593,745
Less: beer excise taxes	103,330	104,254
Net sales	499,360	489,491
Cost of goods sold	309,482	302,158
Gross profit	189,878	187,333
Marketing, general and administrative	156,869	155,506
Special charge	19,395	--
Operating income	13,614	31,827
Other (income) expense - net	(1,273)	687
Income before income taxes	14,887	31,140
Income tax expense	5,806	13,701
Net income	9,081	17,439
Other comprehensive (income) expense, net of tax:		
Foreign currency translation adjustments	(2,135)	255
Unrealized gain on available-for-sale securities	(58)	--
Comprehensive income	\$ 11,274	\$ 17,184
Net income per common share - basic	\$ 0.25	\$ 0.47
Net income per common share - diluted	\$ 0.24	\$ 0.46
Weighted average number of outstanding common shares - basic	36,218	36,989
Weighted average number of outstanding common shares - diluted	37,474	38,106
Cash dividends declared and paid per common share	\$ 0.15	\$ 0.15

See notes to consolidated financial statements.

ADOLPH COORS COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

	Thirty-nine weeks ended	
	September 27, 1998	September 28, 1997
	(In thousands, except per share data)	
Sales - domestic and international	\$1,758,597	\$1,706,759
Less: beer excise taxes	303,148	297,902
Net sales	1,455,449	1,408,857
Cost of goods sold	880,756	861,492
Gross profit	574,693	547,365
Marketing, general and administrative	462,035	440,470
Special charge (credit)	19,395	(31,517)
Operating income	93,263	138,412
Other (income) expense - net	(2,483)	1,802
Income before income taxes	95,746	136,610
Income tax expense	37,341	60,108

Net income	58,405	76,502
Other comprehensive (income) expense, net of tax:		
Foreign currency translation adjustments	(1,268)	3,729
Unrealized gain on available-for-sale securities	(262)	--
Comprehensive income	\$ 59,935	\$ 72,773
Net income per common share - basic	\$ 1.61	\$ 2.05
Net income per common share - diluted	\$ 1.56	\$ 2.01
Weighted average number of outstanding common shares - basic	36,265	37,312
Weighted average number of outstanding common shares - diluted	37,403	38,064
Cash dividends declared and paid per common share	\$ 0.45	\$ 0.40

See notes to consolidated financial statements.

ADOLPH COORS COMPANY AND SUBSIDIARIES CONSOLIDATED BALANCE SHEETS

	September 27, 1998	December 28, 1997
	(In thousands)	
Assets		
Current assets:		
Cash and cash equivalents	\$ 197,195	\$ 168,875
Short-term marketable investments	49,543	42,163
Accounts and notes receivable, net	138,165	124,485
Inventories:		
Finished	36,120	44,729
In process	23,679	20,119
Raw materials	31,972	35,654
Packaging materials	5,702	5,977
Total inventories	97,473	106,479
Other assets	63,102	75,192
Total current assets	545,478	517,194
Properties, at cost and net	707,483	733,117
Long-term marketable investments	39,356	47,100
Other assets	125,130	114,672
Total assets	\$ 1,417,447	\$ 1,412,083

See notes to consolidated financial statements. (Continued)

ADOLPH COORS COMPANY AND SUBSIDIARIES CONSOLIDATED BALANCE SHEETS

	September 27, 1998	December 28, 1997
	(In thousands)	
Liabilities and shareholders' equity		
Current liabilities:		
Accounts payable	\$ 136,563	\$ 131,936
Accrued expenses and other liabilities	205,975	199,710
Current portion of long-term debt	40,000	27,500
Total current liabilities	382,538	359,146
Long-term debt	105,000	145,000
Deferred tax liability	69,354	76,219
Other long-term liabilities	95,024	95,150

Total liabilities	651,916	675,515
Shareholders' equity:		
Capital stock:		
Preferred stock, non-voting, \$1 par value (authorized: 25,000,000 shares; issued: none)	--	--
Class A common stock, voting, \$1 par value (authorized and issued: 1,260,000 shares)	1,260	1,260
Class B common stock, non-voting, no par value, \$0.24 stated value (authorized: 100,000,000 shares; issued: 35,219,010 in 1998 and 35,599,356 in 1997)	8,385	8,476
Total capital stock	9,645	9,736
Paid-in capital	5,484	--
Retained earnings	752,668	730,628
Accumulated other comprehensive income	(2,266)	(3,796)
Total shareholders' equity	765,531	736,568
Total liabilities and shareholders' equity	\$ 1,417,447	\$ 1,412,083

See notes to consolidated financial statements. (Concluded)

ADOLPH COORS COMPANY AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF CASH FLOWS

	Thirty-nine weeks ended	
	September 27, 1998	September 28, 1997
	(In thousands)	
Cash flows from operating activities:		
Net income	\$ 58,405	\$ 76,502
Adjustments to reconcile net income to net cash provided by operating activities:		
Equity in net earnings of joint ventures	(27,012)	(13,979)
Reserve for severance	17,176	--
Reserve for joint venture investment	--	21,978
Depreciation and amortization	86,668	88,263
Loss on sale or abandonment of properties	4,636	5,586
Impairment charge	2,219	10,595
Deferred income taxes	(6,909)	(12,204)
Change in current assets and current liabilities	1,733	33,251
Net cash provided by operating activities	136,916	209,992
Cash flows from investing activities:		
Purchases of investments	(49,193)	(121,289)
Sales and maturities of investments	49,820	27,253
Capital expenditures	(62,418)	(35,563)
Proceeds from sales of properties	2,079	2,994
Distributions from joint ventures	13,219	13,250
Other	(163)	(5,883)
Net cash used in investing activities	(46,656)	(119,238)
Cash flows from financing activities:		
Issuances of stock under stock plans	6,481	17,829
Purchases of stock	(26,912)	(45,246)
Dividends paid	(16,376)	(14,967)
Payment of current portion of long-term debt	(27,500)	(20,500)
Other	2,131	5,334
Net cash used in financing activities	(62,176)	(57,550)
Cash and cash equivalents:		
Net increase in cash and cash equivalents	28,084	33,204
Effect of exchange rate changes on cash and cash equivalents	236	(926)
Balance at beginning of year	168,875	110,905
Balance at end of quarter	\$ 197,195	\$ 143,183

See notes to consolidated financial statements.

ADOLPH COORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 27, 1998

1. BUSINESS

Founded in 1873 and incorporated in Colorado in 1913, Adolph Coors Company (ACC or the Company) is the holding company for Coors Brewing Company (CBC), the third-largest U.S. brewer.

2. SIGNIFICANT ACCOUNTING POLICIES

Unaudited consolidated financial statements - In the opinion of management, the accompanying unaudited financial statements reflect all adjustments, consisting only of normal recurring accruals, which are necessary for a fair presentation of the financial position of the Company at September 27, 1998, and the results of its operations for the 13 and 39 weeks ended September 27, 1998. The accompanying financial statements include the accounts of ACC, CBC and the majority-owned and controlled domestic and foreign subsidiaries of both ACC and CBC. All significant intercompany transactions and balances have been eliminated in consolidation. These financial statements should be read in conjunction with the notes to the consolidated financial statements contained in the Company's Form 10-K for the year ended December 28, 1997.

Statements of cash flows - Cash paid for interest for the nine months ended September 27, 1998, and September 28, 1997, was \$11.1 million and \$11.9 million, respectively. Cash paid for income taxes for the nine months ended September 27, 1998, and September 28, 1997, was \$34.2 million and \$48.5 million, respectively. During the nine-month periods ended September 27, 1998, and September 28, 1997, ACC issued restricted common stock under its management incentive program resulting in non-cash increases to the equity accounts of \$2.5 million and \$0.8 million, respectively. Also during the nine-month periods ended September 27, 1998, and September 28, 1997, equity was increased by the non-cash tax effects of the issuances of stock under the Company's stock plans of \$3.3 million and \$3.8 million, respectively.

Reclassifications - Certain reclassifications have been made to the 1997 financial statements to conform with the 1998 presentation.

3. SPECIAL CHARGE

During the third quarter of 1998, the Company undertook a restructuring of its operations, which included a voluntary severance program involving its production work force and severance costs for a small number of salaried employees. Approximately 200 production employees accepted severance packages under the voluntary program. Total severance and related costs were \$17.2 million, which are included in the special charge on the Company's consolidated statement of income. Approximately 80% of these costs are expected to be paid out during fiscal 1998. Also included in this special charge is a \$2.2 million impairment related to long-lived assets at one of the Company's distributorships. These long-lived assets were considered impaired in light of both historical losses and expected future, undiscounted cash flows. The impairment charge represented a reduction of the carrying amounts of the impaired assets to their estimated fair market values, which were determined using a discounted cash flow model.

4. COMMITMENTS AND CONTINGENCIES

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

5. EARNINGS PER SHARE (EPS)

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

	Thirteen weeks ended		Thirty-nine weeks ended	
	September 27, 1998	September 28, 1997	September 27, 1998	September 28, 1997
	(In thousands, except per share data)			
Net income available to common shareholders	\$ 9,081	\$17,439	\$58,405	\$76,502
Weighted average shares for basic EPS	36,218	36,989	36,265	37,312
Basic EPS	\$0.25	\$0.47	\$1.61	\$2.05

Effect of dilutive securities:

Stock options 1,125 1,026 1,013 667 Contingent shares not included

in shares outstanding for basic EPS	131	91	125	85
Weighted average shares for diluted EPS	37,474	38,106	37,403	38,064
Diluted EPS	\$0.24	\$0.46	\$1.56	\$2.01

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

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Special Charge (Credit)

During the third quarter of 1998, the Company recorded a special charge totaling \$19.4 million, which is composed of a \$17.2 million charge primarily related to a voluntary severance program for production workers and severance costs for a small number of salaried employees, as well as a \$2.2 million charge related to the impairment of certain long-lived assets at one of its distributorships. In the second quarter of 1997, ACC recorded a net special credit of \$32.5 million, which is composed of the following items: a \$71.5 million payment from Molson Breweries of Canada, Ltd. (Molson Breweries) to settle legal disputes with ACC, less approximately \$2.2 million in related legal expenses; a \$22.4 million reserve related to the recoverability of CBC's investment in Jinro-Coors Brewing Company (JCBC); and a \$14.4 million charge related to CBC's brewery in Zaragoza, Spain, for the impairment of certain long-lived assets and goodwill and for severance costs for a limited workforce reduction.

The Company's operating results including and excluding these special items is summarized as follows:

	Thirteen weeks ended		Thirty-nine weeks ended	
	September 27, 1998	September 28, 1997	September 27, 1998	September 28, 1997
	(In thousands, except per share data)			
Operating income:				
As reported	\$13,614	\$31,827	\$93,263	\$138,412
Excluding special items	33,009	31,827	112,658	106,895
Net income:				
As reported	9,081	17,439	58,405	76,502
Excluding special items	20,912	17,439	70,236	62,550
Earnings per share:				
As reported - basic	\$0.25	\$0.47	\$1.61	\$2.05
- diluted	\$0.24	\$0.46	\$1.56	\$2.01
Excluding special items				
- basic	\$0.58	\$0.47	\$1.94	\$1.68
- diluted	\$0.56	\$0.46	\$1.88	\$1.64

Consolidated Results of Continuing Operations (Excluding Special Items)

Sales and volume - ACC reported net sales of \$499.4 million and \$1,455.4 million for the three and nine months ended September 27, 1998, respectively, representing increases of 2.0% and 3.3% over the same periods of 1997. Net sales for the three months ended September 27, 1998, were impacted favorably by a unit volume increase of 0.5%; CBC sold 5,570,000 barrels of malt beverages in the third quarter of 1998 compared to sales of 5,541,000 barrels in the third quarter of 1997. Net sales for the three months ended September 27, 1998, were also impacted favorably by higher export sales, which generate greater net revenue per barrel than domestic volume, and by slightly better domestic gross realizations per barrel. These positive factors were partially offset by lower Canadian income as a result of the new partnership agreement between a subsidiary of ACC and The Molson Companies, Ltd. (Molson Companies), which yields less income to ACC than the interim agreement that was in effect during 1997. Net sales for the nine months ended September 27, 1998, were impacted by essentially these same factors, except for domestic realizations per barrel, which were approximately unchanged year over year, with unit volume up 2.9% over the same period of 1997.

Gross profit - Gross profit in the third quarter of 1998 rose 1.4% to \$189.9 million over the third quarter of 1997, while gross profit in the first nine months of 1998 rose 5.0% to \$574.7 million, compared to the same period of 1997. As a percentage of net sales, gross profit decreased to 38.0% from 38.3% in the three months ended September 27, 1998, and increased to 39.5% from 38.9% in the nine-month period then ended. The decrease in 1998's third quarter gross profit percentage from 1997's rate was due to increased cost of goods sold primarily because of lower production levels, due in part to the increased production and distributor inventory build late in the second quarter of 1998. Higher packaging costs also contributed to this increase in cost of goods sold. The year-to-date improvement in gross margin percentage resulted primarily from

increased sales, as discussed above, partially offset by a smaller increase versus the prior year in cost of goods sold. Cost of goods increased as a result of higher sales volume and higher packaging costs, offset by the favorable impacts of increased absorption of costs as a result of higher production levels and distribution and shipping efficiencies.

Operating income - Operating income was \$33.0 million and \$112.7 million for the three and nine months ended September 27, 1998, respectively, compared to \$31.8 million and \$106.9 million for the same periods a year earlier. These increases were primarily due to the increases in gross profit, as discussed above, offset in part by increases in marketing, general and administrative expenses. Marketing, general and administrative expenses rose in the third quarter of 1998 primarily due to higher costs for Year 2000 systems remediation. Year-to-date costs increased due to greater spending for advertising and higher Year 2000 costs.

Non-operating income and expense - Net non-operating income for the three and nine months ended September 27, 1998, improved from the same periods of 1997 primarily because of reductions in net interest expense. The decrease in net interest expense in 1998 compared to 1997 was attributable to lower outstanding principal balances of ACC's medium-term notes, increased interest income as a result of higher cash and investment balances and higher capitalized interest as a result of increased capital spending levels. The favorable impact of net interest expense was partially offset by lower royalty income.

Effective tax rate - The consolidated effective tax rate for the 13-week period of 1998 was 39.0% versus 44.0% in 1997. The 1997 rate exceeded the 1998 rate because of the effects of certain foreign investments. The year-to-date effective tax rate for 1998 was 39.0% versus 40.5% in 1997, with the difference due to the factor cited previously.

Net income - Net earnings for the three and nine months ended September 27, 1998, were \$20.9 million, or \$0.58 per basic share (\$0.56 per diluted share), and \$70.2 million, or \$1.94 per basic share (\$1.88 per diluted share), respectively. This compares to net earnings of \$17.4 million, or \$0.47 per basic share (\$0.46 per diluted share), and \$62.6 million, or \$1.68 per basic share (\$1.64 per diluted share), respectively, for the three and nine months ended September 28, 1997.

Liquidity and Capital Resources

Liquidity - The Company's primary sources of liquidity are cash provided by operating activities and external borrowings. As of September 27, 1998, ACC had working capital of \$162.9 million, and its net cash position was \$197.2 million compared to \$168.9 million as of December 28, 1997. In addition to its cash resources, ACC had short-term, highly liquid investments of \$49.5 million as of September 27, 1998, compared to \$42.2 million as of December 28, 1997. ACC also had \$39.4 million of marketable securities with maturities exceeding one year as of September 27, 1998, compared to \$47.1 million as of December 28, 1997. The Company believes that cash flows from operations and short-term borrowings will be sufficient to meet its ongoing operating requirements, scheduled principal and interest payments on indebtedness, dividend payments, anticipated near-term capital expenditures and potential repurchases of its common stock under the previously-announced stock repurchase plan.

Operating activities - Net cash provided by operating activities was \$136.9 million for the nine months ended September 27, 1998, compared to \$210.0 million for the same period of 1997. Cash flow from operating activities in the first 39 weeks of 1997 included approximately \$68 million (net of certain withholdings) related to a payment in settlement of a dispute with Molson Breweries.

Investing activities - During the first nine months of 1998, ACC spent \$46.7 million on net investing activities compared to \$119.2 million for the first nine months of 1997. The net impact of ACC's marketable investment activities was a cash inflow of \$0.6 million during the first nine months of 1998, compared to an outflow of \$94.0 million during the same period of 1997. The significant investment activity during 1997 resulted primarily from the cash received as a result of the Molson Breweries settlement mentioned above. Capital expenditures increased to \$62.4 million for the nine months ended September 27, 1998, from \$35.6 million a year earlier.

Financing activities - ACC spent \$62.2 million on financing activities during the nine months ended September 27, 1998, compared to \$57.6 million in 1997. Cash was used for similar purposes in both 1998 and 1997. The 1998 uses were primarily for purchases of \$24.9 million of Class B common stock under the stock repurchase program, dividend payments of \$16.4 million and principal payments on its debt of \$27.5 million.

Cautionary Statement Pursuant to Safe Harbor Provisions of the Private Securities Litigation Reform Act of 1995

This report contains "forward-looking statements" within the meaning of the federal securities laws. These forward-looking statements may include, among others, statements concerning the Company's outlook for 1998; overall volume trends; pricing trends and industry forces; cost reduction strategies and their results; the Company's expectations for funding its 1998 capital expenditures and operations; the Company's expectations for funding work on computer software to make it compliant with Year 2000; and other statements of expectations, beliefs, future plans and strategies, anticipated events or trends and similar expressions concerning matters that are not historical facts. These forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those expressed in or implied by the statements.

To improve its financial performance, the Company must grow premium beverage volume, achieve modest price increases for its products and reduce its overall cost structure. The most important factors that could influence the achievement of these goals -- and cause actual results to differ materially from those expressed in the forward-looking statements -- include, but are not limited to, the following:

- the inability of the Company and its distributors to develop and execute effective marketing and sales strategies for Coors products;
- the potential erosion of sales revenues through discounting or a higher proportion of sales in value-packs;
- a potential shift in consumer preferences toward lower-priced products;
- a potential shift in consumer preferences away from the premium light beer category, including Coors Light;
- the intensely competitive, slow-growth nature of the beer industry;
- demographic trends and social attitudes that can reduce beer sales;
- the continued growth in the popularity of imports and other specialty beers;
- increases in the cost of aluminum, paper packaging and other raw materials;
- the Company's inability to reduce manufacturing, freight and overhead costs to more competitive levels;
- changes in significant laws and government regulations affecting environmental compliance and income taxes;
- the inability to achieve targeted improvements in CBC's distribution system;
- the imposition of restrictions on advertising (e.g., media, outdoor ads or sponsorships);
- labor issues, including union activities that could require a substantial increase in cost of goods sold or lead to a strike;
- significant increases in federal, state or local beer or other excise taxes;
- increases in rail transportation rates or interruptions of rail service;
- the potential impact of industry consolidation;
- risks associated with investments and operations in foreign countries, including those related to foreign regulatory requirements; exchange rate fluctuations and local political, social and economic factors;
- increases in the estimated costs of the Year 2000 project; and
- the risk that computer systems of the Company or its significant suppliers or customers may not be Year 2000 compliant.

These and other risks and uncertainties affecting the Company are discussed in greater detail in the Company's 1997 Form 10-K filed with the Securities and Exchange Commission.

Outlook

The Company's performance in the first nine months of 1998 benefited from domestic and export volume gains, which are expected to continue throughout 1998. While the industry's pricing environment continues to be extremely competitive, management believes some improvements in gross realizations per barrel may occur.

Income from the Company's Canadian business is expected to be 25% to 30% lower per barrel in 1998 than in 1997, based on 1998 plans for sales and marketing investments. Revenue received under the Company's interim agreement with Molson Breweries, which expired at year-end 1997, provided higher earnings per barrel than those expected as a result of the partnership with Molson Companies. On the other hand, the partners of the Coors Canada Partnership see considerable growth potential for Coors products in Canada in the future.

For fiscal year 1998, packaging costs are expected to be up slightly, with commodities, fixed costs and freight costs expected to be down slightly. Significant changes in market prices for these items could alter this outlook. CBC continues to pursue improvements in its operations and technology functions to achieve cost reductions over time.

The Company expects to benefit from lower labor costs as a result of its restructuring efforts beginning in 1999. The restructuring is expected to have a payback period of about two years.

Advertising and other general and administrative costs are expected to increase but at a lower rate than in 1997. This plan could change as

management continues to monitor CBC's market opportunities and to invest behind its brands and sales efforts accordingly.

See the item titled Year 2000 under Contingencies below for a discussion of the expected financial impact of this issue.

Net interest should continue its favorable trends based on CBC's more favorable cash position and its lower outstanding debt relative to its 1997 financial position. However, improvements year-over-year in interest income should flatten later in the year as cash balances become more comparable, as the impact of the Molson Breweries award received late in the second quarter of 1997 becomes less significant in year-over-year comparisons. Net interest could be less favorable than expected if the Company invests a substantial portion of its cash balances in non-interest-bearing assets with longer-term returns. Also, cash may be used to repurchase additional outstanding common stock as approved by the ACC board of directors in November 1997.

The effective tax rate for the rest of 1998 is not expected to differ significantly from the rate applied to income during the first nine months of the year. The level and mix of pretax income for 1998 could affect the actual rate for the year.

In 1998, CBC has planned capital expenditures (including contributions to its container joint ventures for capital improvements, which will be recorded on the books of the joint ventures) in the range of \$85 to \$95 million. In addition to CBC's 1998 planned capital expenditures, incremental strategic investments will be considered on a case-by-case basis.

CONTINGENCIES

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

ACC recognizes the need to ensure that its operations will not be adversely impacted by Year 2000 software failures. The Company is addressing this issue to ensure the availability and integrity of its financial systems and the reliability of its operational systems. ACC has established processes for evaluating and managing the risks and costs associated with the Year 2000 problem. This project has two major elements -- Application Remediation and Extended Enterprise (third-party suppliers, customers and others).

As of September 27, 1998, the Application Remediation element is on schedule, with 66% of the analysis completed, 46% of the remediation completed and 12% of the testing completed. Remediation of systems considered critical to ACC's business is expected to be completed by June 1999, and remediation of non-critical systems is planned to be completed by September 1999. Contingency planning for Application Remediation began in October 1998.

The Extended Enterprise element consists of the evaluation of third-party suppliers, customers, joint venture partners, transportation carriers and others. Detailed evaluations of the most critical third parties have been initiated. Contingency planning for the Extended Enterprise began in October 1998.

The Company has made and will continue to make certain investments in its information systems and applications to ensure that they are Year 2000 compliant. These investments also include hardware and operating systems software, which are generally on schedule and are expected to be completed by June 1999. The financial impact to ACC is anticipated to be approximately \$20 million for 1998 and in the range of \$10 to \$15 million for 1999. The total amount expended on the Year 2000 project through September 27, 1998, was approximately \$16 million.

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

Labor issues - The United Auto Workers (UAW) has been engaged in an effort to organize and represent employees at the Golden brewery. Hearings were held with the National Labor Relations Board (NLRB) to determine whether the UAW's organizing efforts could take place only in the Company's brewing unit or in the Company's larger, integrated unit of brewery, can manufacturing, end manufacturing and glass manufacturing. The larger, integrated unit is the recognized unit in an existing agreement with the AFL-CIO, with whom the UAW is affiliated.

On June 5, 1998, the Regional Director of the NLRB upheld the Company's position that Coors is an integrated unit. As a result, the current UAW petition for election was dismissed. The UAW appealed the Regional Director's decision in early June of 1998 and the Company responded by filing an appeal objection.

The Company anticipates a decision on the UAW's appeal from the NLRB during the fourth quarter of 1998.

ACCOUNTING CHANGES

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

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

No significant legal proceedings.

Item 5. Other Information

None.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

None.

(b) Reports on Form 8-K

A report on Form 8-K dated August 14, 1998, was filed announcing plans for a Voluntary Severance Program for approximately 200 hourly employees at Coors Brewing Company's Golden facility. See further discussion in Item 1 Financial Statements of this filing.

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ADOLPH COORS COMPANY

By /s/ Timothy V. Wolf

*Timothy V. Wolf
Vice President and
Chief Financial Officer
(Principal Financial Officer)*

November 12, 1998

ARTICLE 5

CIK: 0000024545

NAME: ADOLPH COORS COMPANY

MULTIPLIER: 1000

CURRENCY: USD

PERIOD TYPE	9 MOS
FISCAL YEAR END	DEC 27 1998
PERIOD START	DEC 29 1997
PERIOD END	SEP 27 1998
EXCHANGE RATE	1
CASH	197195
SECURITIES	49543
RECEIVABLES	138165
ALLOWANCES	0
INVENTORY	97473
CURRENT ASSETS	545478
PP&E	707483
DEPRECIATION	0
TOTAL ASSETS	1417447
CURRENT LIABILITIES	382538
BONDS	105000
PREFERRED MANDATORY	0
PREFERRED	0
COMMON	9645
OTHER SE	755886
TOTAL LIABILITY AND EQUITY	1417447
SALES	1455449
TOTAL REVENUES	1455449
CGS	880756
TOTAL COSTS	1362186
OTHER EXPENSES	(2483)
LOSS PROVISION	0
INTEREST EXPENSE	0
INCOME PRETAX	95746
INCOME TAX	37341
INCOME CONTINUING	58405
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	58405
EPS PRIMARY	1.61
EPS DILUTED	1.56

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