US SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

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

For the Fiscal year ended December 28, 2003

OR

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

For the transition period from to .

Commission file number 1-14829

ADOLPH COORS COMPANY

(Exact name of registrant as specified in its charter)

DELAWARE	**84-0178360**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
311 Tenth Street, Golden, Colorado	**80401**
(Address of principal executive offices)	(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
Class B Common Stock (non-voting), $0.01 par value	**New York Stock Exchange**

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

Title of class
None

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 ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

YES ☒ NO ☐

Indicate by check mark whether the Registrant is an accelerated filer (as defined in Rule 12(b)-2 of the Act).

YES ☒ NO ☐

The aggregate market value of Class B non-voting stock held by non-affiliates of the registrant at the close of business on June 29, 2003, was $1,718,375,932 based upon the last sales price reported for such date on the New York Stock Exchange. For purposes of this disclosure, shares of Class B Common Stock held by persons holding more than 5% of the outstanding shares of Class B Common Stock and shares owned by officers and directors of the registrant as of June 29, 2003 are excluded in that such persons may be deemed to be affiliates. This determination is not necessarily conclusive of affiliate status.

The number of shares outstanding of each of the registrant's classes of common stock, as of February 27, 2004:

Class A Common Stock— 1,260,000 shares
Class B Common Stock— 35,620,229 shares

ADOLPH COORS COMPANY AND SUBSIDIARIES

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PART I

ITEM 1. Description of Business.

Unless otherwise noted in this report, any description of us includes Adolph Coors Company (ACC), principally a holding company, its operating subsidiaries, Coors Brewing Company (CBC), operating in the United States (US); and Coors Brewers Limited (CBL), operating in the United Kingdom (UK); and our other corporate entities.

(a) General Development of Business

Global Expansion
Since our founding in 1873, we have been committed to producing the highest-quality beers. Our portfolio of brands is designed to appeal to a wide range of consumer tastes, styles and price preferences. Until our acquisition of CBL in February 2002, we operated and sold our beverages predominately in North America and in select international markets. The CBL acquisition expanded our international presence to include significant operations and sales in the United Kingdom.

Joint Ventures and Other Arrangements
To sharpen focus on our core competencies in manufacturing, marketing and selling malt beverage products, we have entered into various arrangements with third parties over the past decade to leverage their strengths in areas like can and bottle manufacturing, transportation, packaging, engineering, energy production and information technology.

Our Products
We own or license all of our trademarks for all of our brands. Brands sold primarily in the Americas include: Coors Light®, Coors Original®, Coors® Non-Alcoholic, Extra Gold®, Zima®, George Killian's® Irish Red ™ Lager, Keystone®, Keystone Light®, Keystone Ice®, Blue Moon ™ Belgian White Ale and Mexicali®. We also sell the Molson family of brands in the United States through a joint venture. Brands sold primarily through CBL include: Carling®, Worthington®, Caffrey's®, Reef®, Screamers ™ and Stones®. We also sell Grolsch® in the United Kingdom through a joint venture.

In the United Kingdom in 2003, we achieved considerable success with the continued roll-out of Carling Extra Cold, which is dispensed at on-trade locations (pubs, clubs, restaurants and hotels) at two degrees centigrade, four degrees cooler than traditional English draft lagers. Additionally, in the last quarter of the year, we introduced Coors Fine Light Beer to the on-trade channel. In January 2004, we launched this beer into the off-trade channel (retail and wholesale) and commenced television advertising for the product. In the United States in 2004, we plan to introduce a low-carb beer called Aspen Edge ™ , and a variety of new flavored Zima products, collectively called Zima XXX ™ (in select US markets).

In the United Kingdom, in addition to supplying our own brands, we sell other beverage companies' brands to our on-premise customers so as to be able to provide them with a full range of products for their retail outlets. These factored brand sales are included in our financial results, increasing our net sales and cost of goods sold, but the related volume is not included in our reported sales volumes.

(b) Financial Information About Segments

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

See Item 8, Financial Statements and Supplementary Data, for financial information relating to our segments and operations, including geographic information.

(c) Narrative Description of Business

Some of the following statements may describe our expectations of future products and business plans, financial results, performance and events. Actual results may differ materially from these forward-looking statements. Please see Item 7, Management's Discussion and Analysis – Cautionary Statement Pursuant to Safe Harbor Provisions of *the Private Securities Litigation Reform Act of 1995, for factors that may negatively impact our performance. The following statements are expressly made, subject to those and other risk factors.*

We sold approximately 68% of our 2003 reported volume in the Americas segment and 32% in the Europe segment. In 2003, Coors Light accounted for about 51% of reported volume and Carling for approximately 22%.

Our sales volume totaled 32.7 million barrels in 2003, compared to 31.8 million barrels in 2002 and 22.7 million barrels in 2001. The barrel sales figures for each year do not include barrel sales of our products sold in Canada by the non-consolidated Coors Canada Partnership (Coors Canada) or volume from our joint venture with Molson sold in the United States. An additional 1.5 million, 1.4 million and 1.3 million barrels of beer were sold by Coors Canada in 2003, 2002 and 2001, respectively. Our Molson venture sold 0.9, 0.9 and 0.8 million barrels in 2003, 2002 and 2001, respectively. Our sales volumes also do not include the CBL factored brands business. See Item 7, Management's Discussion and Analysis, for a discussion of volume changes.

No single customer accounted for more than 10% of our consolidated or segmented sales in 2003, 2002 or 2001.

Americas Segment

The Americas business segment is focused on the production, marketing and sales of the Coors portfolio 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, Inc. (Molson) and the sale of Molson products in the United States that is conducted through a joint venture investment (Molson USA) with Molson. The Americas segment also includes a small amount of volume that is sold outside of the United States and its territories.

Sales and Distribution

United States

In the United States, beer is generally distributed through a three-tier system consisting of manufacturers, distributors and retailers. A national network of 472 independent distributors (537 including branch locations) purchases our products and distributes them to retail accounts. We also own three distributorships that handled less than 3% of our total domestic volume in 2003, and we sell Molson branded beers through our Molson USA joint venture which utilizes additional independent distributors.

Canada

Coors Canada is our partnership with Molson that manages all marketing activities for our products in Canada. We own 50.1% of this partnership, and Molson owns 49.9%. The partnership contracts with Molson for the brewing, distribution and sale of our products. Coors Light currently has an 8.7% market share, and is the largest-selling light beer and the 4th-best selling beer brand overall in Canada.

Puerto Rico and the Caribbean

In Puerto Rico, we market and sell Coors Light through an independent distributor. A team of our employees manages the marketing and promotional efforts in this market, where Coors Light is the number-one brand. We also sell our products in a number of other Caribbean markets, including the US Virgin Islands, through local distributors.

Asia

We have small developing markets in Japan, China and Taiwan. The Japanese business is currently focused on Zima and Coors Original and we sell Coors Light in Taiwan. We sell Coors Light and Coors Original in China and have contracted with Lion Nathan for the production of finished goods for the Japanese and Chinese markets.

Manufacturing, Production and Packaging in the United States

Brewing Raw Materials

We use the highest quality water, barley and hops to brew our products. The majority of the water we use is naturally filtered from underground aquifers. We have acquired water rights to provide for long-term strategic growth and to sustain brewing operations in case of a prolonged drought. We buy barley under long-term contracts from a network of independent farmers located in five western US states.

Brewing and Packaging Facilities

We have three domestic production facilities and one small brewery located in Mexico. We own and operate the world's largest single-site brewery located in Golden, Colorado. In addition, we own and operate a packaging and brewing facility in Memphis, Tennessee, and a packaging facility located in the Shenandoah Valley in Virginia. We brew Coors Light, Coors Original, Extra Gold, Killian's and the Keystone brands in Golden, and package about 60% of the beer brewed in Golden. The remainder is shipped in bulk from the Golden brewery to either our Memphis or Shenandoah facility for packaging.

Packaging Materials

Aluminum Cans

Approximately 59% of our domestic products were packaged in aluminum cans in 2003. A substantial portion of those cans were purchased from a joint venture with Ball Corporation (Ball), Rocky Mountain Metal Container, LLC (RMMC). In addition to our supply agreement with RMMC, we also have commercial supply agreements with Ball and other third-party can manufacturers to purchase cans and ends in excess of what is supplied through RMMC. In 2003, we purchased the significant majority of the cans and ends produced by the RMMC facilities.

Glass Bottles

We used glass bottles for approximately 29% of our products in 2003. We operate 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. On July 29, 2003, we signed a new agreement, effective for 12 years beginning August 1, 2003, with Owens extending this joint venture, as well as a supply agreement with Owens for the glass bottles we require in excess of joint venture production.

Other Packaging

Most of the remaining 12% of volume we sold in 2003 was packaged in quarter and half-barrel stainless steel kegs.

We purchase most of our paperboard and label packaging from a subsidiary of Graphic Packaging Corporation (GPC), a related party. These products include paperboard, multi-can pack wrappers, bottle labels and other secondary packaging supplies.

Seasonality of the Business

Our US sales volumes are normally lowest in the first and fourth quarters and highest in the second and third quarters.

Competitive Conditions

Known Trends and Competitive Conditions

Industry and competitive information in this section and elsewhere in this report was compiled from various industry sources, including beverage analyst reports (*Beer Marketer's Insights, Impact Databank and The Beer Institute)* . While management believes that these sources are reliable, we cannot guarantee the accuracy of these numbers and estimates.

2003 Americas Beer Industry Overview

The beer industry in the United States is extremely competitive, with three major brewers controlling about 80% of the market. Therefore, growing or even maintaining market share requires substantial and perhaps increasing investments in marketing and sales efforts. US beer industry shipments had an annual growth rate during the past 10 years of less than 1%. The industry's pricing environment continued to be positive in 2003, with modest price increases on specific brands and packages in select markets.

Two major trends impacted the US beer market in 2003. First, overall US beer shipments declined for the first time since 1995, driven by a weak national economy, unusually cool weather in many regions of the country, and the war in Iraq. The net effect of all these factors was a decline in the US beer industry sales of about 1% during 2003 from the year before. The second industry trend was the growth in beers with low-carbohydrate positioning. Because none of our brands was positioned as low-carbohydrate last year, both of these industry trends negatively impacted our volume in 2003.

The US brewing industry has experienced significant consolidation in the past several years, which has removed excess production capacity. In 2003, beer industry consolidation at the wholesaler level continued. This consolidation generally improves business economics for these combined wholesalers.

Over the past several years, the Canadian beer industry volume has been effectively flat with growth of less than 1% in 2003. The industry's pricing environment continued to be positive in 2003, with price increases in several markets across the country.

The beer market in Puerto Rico had extraordinary growth in the 70s and 80s. Since then, the market has experienced periodic growth and decline cycles. This market has traditionally been split between local brewers, US imports, and other imports. In mid 2002, Puerto Rico implemented a 50% excise tax increase. This tax increase contributed to a 10% contraction in total beer consumption and disproportionately affected imports, since the most significant local brand was exempt from the tax. Coors Light is the market leader in Puerto Rico with an approximate 50% market share.

Our Competitive Position

Our malt beverages compete with numerous above-premium, premium, low-calorie, popular-priced, non-alcoholic and imported brands. These competing brands are produced by national, regional, local and international brewers. We compete most directly with Anheuser-Busch (AB) and SABMiller (Miller), the dominant beer companies in the US industry. According to *Beer Marketer's Insights* estimates, we are the nation's third-largest brewer, selling approximately 11% of the total 2003 US brewing industry shipments (including exports and US shipments of imports). This compares to AB's 50% share and Miller's 18% share.

Europe Segment

The Europe segment consists of our production and sale of the CBL brands principally in the United Kingdom, 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.

CBL has headquarters in Burton-on-Trent, England, and is the United Kingdom's second-largest beer company with unit volume sales of approximately 10.3 million US barrels in 2003. CBL holds approximately 20% of the UK beer market, Western Europe's second-largest market. The CBL sales are primarily in England and Wales, with the Carling brand (a mainstream lager) representing approximately two-thirds of CBL's total beer volume.

Sales and Distribution

Over the past three decades, volumes have begun to shift from the on-trade channel, where products are consumed "on-premise," to the off-trade channel, also referred to as the "take-home" market. Revenue per barrel in the on-trade channel tends to be higher, but the off-trade channel can offer similar returns to brewers because selling, servicing and distribution costs are generally lower. Unlike the United States, where manufacturers are generally not permitted to distribute beer directly to retail, the large majority of our beer in the United Kingdom is sold directly to retailers.

Distribution activities for CBL are conducted by Tradeteam, which operates a system of satellite warehouses and a transportation fleet. Tradeteam also manages the transportation of certain raw materials such as malt to the CBL breweries.

On-trade

The on-trade channel accounted for approximately 64% of our UK sales volumes in 2003. The installation and maintenance of draught beer dispense equipment in the on-trade channel is generally the responsibility of the brewer in the United Kingdom. CBL retains ownership of equipment required to dispense beer from kegs to consumers. This includes beer lines, line cooling, taps and countermounts.

Similar to other UK brewers, CBL has traditionally used loans to secure supply relationships with customers in the on-trade market. Loans have been granted at below-market rates of interest, with the outlet purchasing beer at lower-than-average discount levels to compensate. Such loans are typically secured by a proprietary interest in the borrower's property. We reclassify a portion of sales revenue to interest income to reflect the economic substance of these loans.

Off-trade

The off-trade channel accounted for approximately 36% of our UK sales volume in 2003, up 2% from 2002. The off-trade market includes sales to supermarket chains, convenience stores, liquor store chains, distributors and wholesalers.

Manufacturing, Production and Packaging

Brewing Raw Materials

We use the highest quality water, barley and hops to brew our products. Water for our three UK breweries, located in Burton-on-Trent, Alton and Tadcaster, comes from dedicated supplies, filtered through the local underground aquifers. Barley for CBL brewing operations is high quality two-row seed grown exclusively in England to strict standards. We believe we have sufficient access to raw materials to meet our quality and production requirements.

Brewing and Packaging Facilities

We operate three breweries in the United Kingdom. The Burton-on-Trent brewery, located in the Midlands, is the largest brewery in the United Kingdom. Other smaller breweries are located in Tadcaster and Alton.

Packaging Materials

Kegs

We used kegs and casks for approximately 61% of our UK product in 2003. We purchase our kegs and casks through supply contracts with third-party suppliers. The high level of volume packaged in kegs and casks contrasts with the Americas business, and reflects a higher percentage of product sold on-premise.

Cans

Approximately 31% of our products were packaged in cans in 2003. Virtually all of our cans were purchased through supply contracts with Ball.

Other Packaging

The remaining 8% of our product is primarily packaged in glass bottles purchased through supply contracts with third-party suppliers.

Seasonality of Business

In Great Britain, the beer industry is subject to seasonal sales fluctuation primarily influenced by holiday periods, weather and by certain major televised sporting events. There is a peak during the summer and during the Christmas and New Year period. The holiday peak is most pronounced in the off-trade channel. Consequently, our largest quarters are the third and fourth quarters, and the smallest are the first and second.

Competitive Conditions

2003 UK Beer Industry Overview

Beer consumption in the United Kingdom has been in long-term decline since 1980, falling by an average of 0.8% per annum. This decline has been mainly attributable to the on-trade channel, where volumes are now 40% lower than in 1980. Over the same period, off-trade volume has increased by 278%. This trend is expected to continue and has been influenced by a number of factors, including the increasing price difference between beer in the on- and off-trade channels and changes in consumers' lifestyles. 2003 represented a continuation of these trends with off-trade market growth of 7.4% and a decline in the on-trade market of 2.7%, with the off-trade now representing one third of the market. The total UK beer market grew 1.1% in 2003, which represented the third consecutive year of growth, a contributing factor to this growth in 2003 being the unusually hot summer weather.

As well as the on- to off-trade mix shift, there has been a steady trend toward lager at the expense of ales, driven predominantly by the leading mainstream and premium lager brands. In 1980, lagers accounted for 31% of beer sales, and in 2003 lagers accounted for nearly 70%, up from 67% in 2002. While lager volume has been growing at an average compound annual growth rate of 2.3% over the last five years, ales, including stouts, have declined by over 10% per year during this period. This trend has accelerated in the last two years. The leading beer brands are generally growing at a faster rate than the market. The top 10 brands now represent approximately 60% of the total market, compared to only 34% in 1994.

Our Competitive Position

Our beers and flavored alcohol beverages compete not only with similar products from competitors, but also with other alcohol beverages, including wines and spirits. With the exception of stout, where we do not have our own brand, our brand portfolio gives us strong representation in all major beer categories. Our strength in the growing lager sector with Carling and Grolsch makes us well positioned to take advantage of the continuing trend away from ales to lagers.

Our principal competitors are Scottish Courage Ltd., Interbrew UK Ltd. and Carlsberg-Tetley Ltd. We are the United Kingdom's second-largest brewer, with an approximate 20% market share (excluding factored brands sales), based on AC Nielsen information. This compares to Scottish Courage Ltd.'s share of 25%, Interbrew UK Ltd.'s 19% share (excluding Heineken brands, which are no longer part of Interbrew's brand portfolio) and Carlsberg-Tetley Ltd.'s 13% share. Our core brands – Carling, Grolsch, Worthington's and Reef – all increased their product sector share in 2003.

Intellectual Property

We own trademarks on the majority of the brands we produce and we have licenses for the remainder. We also hold several patents on innovative processes related to product formula, can making, can decorating and certain other technical operations. These patents have expiration dates ranging through 2021. These expirations are not expected to have a significant impact on our business.

Regulation

Americas

Our business in the United States and its territories is highly regulated by federal, state and local governments. These regulations govern many parts of our operations, including brewing, marketing and advertising, transportation, distributor relationships, sales and environmental issues. To operate our facilities, we must obtain and maintain numerous permits, licenses and approvals from various governmental agencies, including the US Treasury Department; Alcohol and Tobacco Tax and Trade Bureau (formerly called the Bureau of Alcohol, Tobacco and Firearms); the US Department of Agriculture; the US Food and Drug Administration; state alcohol regulatory agencies as well as state and federal environmental agencies. Internationally, our business is also subject to regulations and restrictions imposed by the laws of the foreign jurisdictions where we sell our products.

Governmental entities also levy taxes and may require bonds to ensure compliance with applicable laws and regulations. US federal excise taxes on malt beverages are currently $18 per barrel. State excise taxes also are levied at rates that ranged in 2003 from a high of $28.52 per barrel in Hawaii to a low of $0.62 per barrel in Wyoming. In 2003, we incurred approximately $404 million in federal and state excise taxes in the Americas segment on revenues of approximately $2.8 billion, or approximately $18 per barrel.

Europe

In the United Kingdom, regulations apply to many parts of our operations and products, including brewing; food safety; labeling and packaging; marketing and advertising; environmental; health and safety; employment; and data protection regulations. To operate our breweries and carry on business in the United Kingdom, we must obtain and maintain numerous permits and licenses from local Licensing Justices and governmental bodies; including HM Customs & Excise, the Office of Fair Trading, the Data Protection Commissioner and the Environment Agency.

The UK government levies excise taxes on all alcohol beverages at varying rates depending on the type of product and its alcohol by volume. In 2003, we incurred approximately $983 million in excise taxes on gross revenues of approximately $2.6 billion, or approximately $94 per barrel.

Environmental Matters

Americas

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). It requires us to pay a portion of future costs in excess of that amount.

Considering 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 additional accruals could be required in the future.

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. While we cannot predict our eventual aggregate cost for the environmental and related matters in which we may be or 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.

Europe

We are subject to the requirements of government and local environmental and occupational health and safety laws and regulations. Compliance with these laws and regulations did not materially affect our 2003 capital expenditures, earnings or competitive position, and we do not anticipate that they will do so in 2004.

Employees and Employee Relations

Americas

We have approximately 5,400 employees in our Americas business. Memphis hourly employees, who constitute about 5% of our Americas work force, are represented by the Teamsters union; and a small number of other employees are represented by other unions. The Memphis union contract expires in 2005. We believe that relations with our Americas employees are good.

Europe

We have approximately 3,100 employees in our Europe business. Approximately 31% of this total workforce is represented by trade unions, primarily at our Burton-on-Trent and Tadcaster breweries. Separate negotiated agreements are in place with the Transport and General Workers Union at the Tadcaster Brewery and the Burton-on-Trent Brewery. The agreements do not have expiration dates, and negotiations are conducted annually. We believe that relations with our European employees are good.

(d) Financial Information About Foreign and Domestic Operations and Export Sales

See Item 8, Financial Statements and Supplementary Data, for discussion of sales, operating income and identifiable assets attributable to our country of domicile, the United States, and all foreign countries.

(e) Available Information

Our internet website is http://www.coors.com. Through a direct link to our reports at the SEC's website at http://www.sec.gov, we make available, free of charge on our website, our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports as soon as reasonably practicable after we electronically file or furnish such materials to the SEC.

ITEM 2. Properties

As of December 28, 2003, our major facilities were:

Facility	Location	Character
Americas		
Brewery / packaging plants	Golden, CO Memphis, TN Tecate, Mexico	Malt beverages / packaged malt beverages
Packaging plant	Elkton, VA (Shenandoah Valley)	Packaged malt beverages
Can and end plant	Golden, CO	Aluminum cans and ends
Bottle plant	Wheat Ridge, CO	Glass bottles
Distributorship locations	Meridian, ID Glenwood Springs, CO Denver, CO	Wholesale beer distribution
Nine satellite warehouses	Throughout the United States	Distribution centers
Europe		
Brewery / packaging plants	Burton-on-Trent, Staffordshire Tadcaster Brewery, Yorkshire Alton Brewery, Hampshire	Malt and spirit-based beverages / packaged malt beverages
Distribution warehouse	Burton-on-Trent, Staffordshire	Distribution Center
Brewery	Cape Hill, Birmingham	Held for sale

We believe our facilities are well maintained and suitable for their respective operations. Our operating facilities are not constrained by capacity issues. Our satellite warehouses are owned and operated by third parties.

ITEM 3. Legal Proceedings

We are involved in certain disputes and legal actions arising in the ordinary course of our business. 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 or other position, results of operations or cash flows. However, litigation is subject to inherent uncertainties, and an adverse result in these matters, including the advertising practices case described below, could arise that may harm our business (see Item 8, Note 14, Commitments and Contingencies for additional discussion of our Legal Contingencies).

Coors and many other brewers and distilled spirits manufacturers have been sued in several courts regarding advertising practices and underage consumption. The suits have all been brought by the same law firm and allege that each defendant intentionally marketed its products to "children and other underage consumers." In essence, each suit seeks, on behalf of an undefined class of parents and guardians, an injunction and unspecified money damages. We will vigorously defend this litigation and it is not possible at this time to estimate the possible loss or range of loss, if any, in these lawsuits.

ITEM 4. Submission of Matters to a Vote of Security Holders

On October 3, 2003, at a special meeting of our shareholders, Class A and Class B shareholders voted to approve a proposal that resulted in a change of our state of incorporation from Colorado to Delaware. The change was made in order to take advantage of Delaware's comprehensive, widely used and extensively interpreted corporate law. The re-incorporation did not result in any change in our name, headquarters, business, jobs, management, location of offices or facilities, number of employees, taxes payable to the State of Colorado, assets, liabilities, or net worth. However, the par value of all our classes of stock is now $0.01 per share, effective as of the fourth quarter of 2003.

PART II

ITEM 5. Market for the Registrant's Common Equity and Related Stockholder Matters

Our Class B non-voting common stock has traded on the New York Stock Exchange since March 11, 1999, under the symbol "RKY" and prior to that was quoted on the NASDAQ National Market under the symbol "ACCOB."

The approximate number of record security holders by class of stock at February 27, 2004, is as follows:

Title of class	Number of record security holders
Class A common stock, voting, $0.01 par value	All shares of this class are held by the Adolph Coors, Jr. Trust
Class B common stock, non-voting, $0.01 par value	2,985
Preferred stock, non-voting, no par value	None issued

The following table sets forth the high and low sales prices per share of our Class B common stock and dividends paid for each fiscal quarter of 2003 and 2002 as reported by the New York Stock Exchange:

	HIGH	LOW	DIVIDENDS
2003			
First Quarter	$ 64.00	$ 46.15	$ 0.205
Second Quarter	$ 55.12	$ 48.24	$ 0.205
Third Quarter	$ 57.06	$ 48.08	$ 0.205
Fourth Quarter	$ 58.00	$ 53.15	$ 0.205
2002			
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

Equity Compensation Plan Information

The following table summarizes information about the 1990 Adolph Coors Equity Incentive Plan (the "EI Plan"), the Coors 1995 Supplemental Compensation Plan, and the Equity Compensation Plan for Non-Employee Directors as of December 28, 2003. All outstanding awards shown in the table below relate to our Class B common stock.

Plan Category	A Number of securities to be issued upon exercise of outstanding options, warrants and rights	B Weighted-average exercise price of outstanding options, warrants and rights	C Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column A)
Equity compensation plans approved by security holders	6,586,779(1)	$ 54.75(1)	2,679,019(1)
Equity compensation plans not approved by security holders	None	None	None

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(1) We may issue securities under our equity compensation plan in forms other than options, warrants or rights. Under the EI Plan, we may issue Restricted Stock Awards, as that term is defined in the Plan.

As of December 28, 2003, there were 26,750 restricted shares outstanding. These include shares with respect to which restrictions on ownership (i.e., vesting periods) will lapse within one to three years from the date of issue.

On May 31, 2003, we granted options for a total of 10,000 shares of our non-voting Class B common stock to our five non-employee members of the Board of Directors, under our Equity Compensation Plan for Non-Employee Directors. These options were issued as a component of the directors' annual compensation (see Item 12. Security Ownership of Certain Beneficial Owners and Management). The options were issued at an exercise price of $54.68 per share, and are exercisable for a period of ten years commencing on the earlier of the one year anniversary of the date of grant or the next following annual shareholders meeting following the date of grant, provided that the Director is still serving as our Director on such date.

ITEM 6. Selected Financial Data

The table below summarizes selected financial information for the 5 years ended as noted. For further information, refer to our consolidated financial statements and notes thereto presented under Item 8, Financial Statements and Supplementary Data.

	(In thousands, except per share data)				
	2003	2002(2)	2001	2000(1)	1999
Consolidated Statement of Operations:					
Gross sales	$ 5,387,220	$ 4,956,947	$ 2,842,752	$ 2,841,738	$ 2,642,712
Beer excise taxes	(1,387,107)	(1,180,625)	(413,290)	(427,323)	(406,228)
Net sales	4,000,113	3,776,322	2,429,462	2,414,415	2,236,484
Cost of goods sold	(2,586,783)	(2,414,530)	(1,537,623)	(1,525,829)	(1,397,251)
Gross profit	1,413,330	1,361,792	891,839	888,586	839,233
Marketing, general and administrative	(1,105,959)	(1,057,240)	(717,060)	(722,745)	(692,993)
Special charges	—	(6,267)	(23,174)	(15,215)	(5,705)
Operating income	307,371	298,285	151,605	150,626	140,535
Interest (expense) income, net	(61,950)	(49,732)	14,403	14,911	6,929
Other income, net	8,397	8,047	32,005	3,988	3,203
Income before income taxes	253,818	256,600	198,013	169,525	150,667
Income tax expense	(79,161)	(94,947)	(75,049)	(59,908)	(58,383)
Net income	$ 174,657	$ 161,653	$ 122,964	$ 109,617	$ 92,284
Net income per common share - basic	$ 4.81	$ 4.47	$ 3.33	$ 2.98	$ 2.51
Net income per common share - diluted	$ 4.77	$ 4.42	$ 3.31	$ 2.93	$ 2.46
Consolidated Balance Sheet Data:					
Cash and cash equivalents and short-term and long-term marketable securities	$ 19,440	$ 59,167	$ 309,705	$ 386,195	$ 279,883
Working capital	$ (54,874)	$ (93,995)	$ 88,984	$ 118,415	$ 220,117
Total assets	$ 4,486,226	$ 4,297,411	$ 1,739,692	$ 1,629,304	$ 1,546,376
Current portion of long-term debt and other short-term borrowings	$ 91,165	$ 144,049	$ 88,038	—	—
Long-term debt	$ 1,159,838	$ 1,383,392	$ 20,000	$ 105,000	$ 105,000
Shareholders' equity	$ 1,267,376	$ 981,851	$ 951,312	$ 932,389	$ 841,539
Consolidated Cash Flow Data:					
Cash provided by operations	$ 544,138	$ 258,545	$ 193,396	$ 280,731	$ 211,324
Cash (used in) investing activities	$ (229,924)	$ (1,584,338)	$ (196,749)	$ (297,541)	$ (121,043)
Cash (used in) provided by financing activities	$ (357,393)	$ 1,291,668	$ (38,844)	$ (26,870)	$ (87,687)
Other Information:					
Barrels of beer and other beverages sold	32,735	31,841	22,713	22,994	21,954
Dividends per share of common stock	$ 0.820	$ 0.820	$ 0.800	$ 0.720	$ 0.645
Depreciation, depletion and amortization	$ 236,821	$ 227,132	$ 121,091	$ 129,283	$ 123,770
Capital expenditures and additions to intangible assets	$ 240,458	$ 246,842	$ 244,548	$ 154,324	$ 134,377

(1) 53-week year versus 52-week year.
(2) Results for the first five weeks of fiscal 2002 and all prior fiscal years exclude CBL.

ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Executive Summary

Overall, 2003 was a difficult year for us, especially in the US We faced extremely soft industry demand throughout the year in the US, and, although we made significant progress in key areas of our business, our Americas segment profits came in only slightly above our prior year results.

The US beer industry faced many challenges in 2003, including:

- Continued weakness in the US economy during 2003 and, specifically, high unemployment levels among the key 21-24-year-old male consumer population,
- Unfavorable weather, particularly in the Northeast, for a significant part of the peak summer selling season,
- The popularity of low-carbohydrate diets that softened demand for beer,
- The rise in popularity of distilled spirits and other alternative beverages, particularly among 21-29-year olds, and
- A protracted grocery store strike in California that likely impacted sales in the largest beer state.

Two additional issues were unique to our US business during 2003. First, we did not offer a product with "low-carbohydrate" positioning. Second, late in the year, when most of the industry was showing signs of recovery, we experienced significant product-supply problems that left us unable to meet all the needs of our wholesale and retail customers. We are addressing these issues early in 2004 in order to optimize our supply chain systems capabilities.

Our 2003 performance in the Europe segment, specifically in the UK, reflected strong volume and market share growth. Results were negatively impacted by the lack of benefits in 2003 from revenue-producing transitional activities which occurred in 2002 following our acquisition of the UK business, as well as high levels of discounting in the off-Trade channel during the first two-thirds of the year. Later in the year, however, our performance in the UK showed the positive profit impact of our strong volume growth, reduced off-Trade discounting levels, and productivity improvements from supply chain initiatives.

- One critical area of accomplishment in 2003 was our cash generation and debt reduction. Full-year debt repayments totaled $272 million, more than 30% greater than the $208 million we repaid in 2002. Cash flow during the year benefited from higher operating cash flow, a temporary reduction in cash taxes, improvements in working capital, and continually improving capital spending disciplines in the US Those are the key highlights for 2003. Looking forward, we have four major strategies we're focused on to succeed in the global beer industry: First, we are striving to capture an increasing share of each new generation of legal-drinking-age beer drinkers in order to gain their brand loyalty for the long-term. We intend to accomplish this by building our big brands in big markets – Coors Light in the Americas, Carling and Grolsch in the UK — which are the young-adult beer drinker's point of entry into our portfolio. To achieve this goal, we continued during 2003 to refine our sales and marketing initiatives supporting our flagship brands. As a result, volume momentum in the UK behind Carling and Grolsch has been outstanding. In Canada, Coors Light has continued to grow volume and market share.Despite a poor volume year in the US, we've made progress among key demographics and retail channels, and we are taking steps to make all of our initiatives even more effective.

- Second, we intend to capture more than our fair share of the product news opportunities in the category each year through both new products and brands, or product developments with existing brands, such as Coors Light and Carling. In March 2004, we launched Aspen Edge – our entry in the low-carb segment here in the US. We are also repositioning Zima in the US, continuing to expand Carling Extra Cold in the UK, and launching our Coors Fine Light beer in the UK.

- Third, we need to strengthen our access to retail by building the capabilities that are key to partnering and being successful with our wholesalers and retailers. Our biggest investment to strengthen our access to retail in 2003 was the initiative to improve our Americas supply-chain systems and processes. Making these investments was a necessity for the long-term success of our business. Our start-up problems were greater than expected, but in early 2004, product supply has improved as wholesale and retail stock-outs are now a fraction of what they were in our most difficult period early in the fourth quarter of 2003. When the capabilities of our new supply-chain systems and processes are more fully optimized later this year, our distributors will have more control over their orders, better visibility throughout the shipping process, and better service, which we anticipate will result in efficiencies and cost savings for us and for our distributors.

- Fourth, we need to lower our cost structure so that we can grow profits and afford the investments needed to grow and succeed. In 2003 we made significant progress in both the Americas and Europe. Productivity from operations in the US was solid in 2003, despite soft volume. In the UK, we right-sized our production assets in 2003, and we expect to see the benefits in 2004.

We believe these four strategies represent the right business model for succeeding in our current environment. Despite our 2003 results and the challenges ahead, we have made significant progress in key areas of our business that make us optimistic about our future prospects.

# # #

Results of Operations
Our consolidated results are driven by the results of our two operating segments, Americas and Europe, and our unallocated corporate expenses. When comparing 2003 to 2002, note that we only include CBL results since February 2, 2002, the date of acquisition, thus excluding CBL's January 2002 results.

Consolidated income before income taxes decreased 1.1% in 2003 compared to 2002. Our consolidated volume increased 2.8% from 31.8 million barrels to 32.7 million barrels. These results were driven by improved performance in the second half of the year in our major businesses outside the United States, including Europe, Canada, and the Caribbean. Our business was also helped by favorable foreign exchange rates, better margins, and improved UK operations productivity. However, offsetting these positive factors, our US business suffered from soft industry demand throughout the year, increased popularity of beers with low-carbohydrate positioning, and our product-supply disruptions related to implementation of our new supply chain systems and processes late in the year.

Our effective tax rate in 2003 at 31.2% was significantly lower than our tax rate in 2002 at 37.0%. The lower rate was primarily the result of the favorable completion of tax audits for the years 1996 through 2000 and benefits realized from the tax structure related to the acquisition of our UK business. This lower tax rate is directly responsible for net income and earnings per share increasing 8% in 2003 from the prior year.

From 2001 to 2002, consolidated income before taxes increased significantly, primarily as a result of our acquisition of CBL on February 2, 2002. From 2001 to 2002, our net sales and income before income taxes increased 55.4% and 29.6%, respectively, as a result of the additional business. We also experienced a significant increase in interest expense, from $2.0 million to $70.9 million, during 2002 as a result of debt incurred to acquire the CBL business. We achieved an increase from 22.7 million barrels to 31.8 million barrels of beverages, an increase of 40%. Our Americas business reported a modest increase in income before income taxes and basically flat volume from 2001 to 2002. These results are expanded upon in the Americas segment discussion that follows.

Our consolidated effective tax rate was 37.0% in 2002, down from 37.9% for 2001. The decrease was driven by the benefits realized from our UK business.

Americas Segment

The Americas segment is focused on the production, marketing and sales of the Coors portfolio 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, Coors Canada, and the sale of Molson products in the United States that is conducted through a joint venture investment, Molson USA. The Americas segment also includes the small amount of volume that is sold outside of the United States and its territories and Europe.

	Fiscal Year Ended				
	December 28, 2003	Percent Change	December 29, 2002	Percent Change	December 30, 2001
	(In thousands, except percentages)				
Volume in barrels	22,374	(1.4)%	22,688	N/M	22,667
Net sales	$ 2,409,595	0.4%	2,400,849	(0.9%	$ 2,422,282
Cost of goods sold	(1,474,250)	(0.5)%	(1,481,630)	(3.3)%	(1,532,471)
Gross profit	935,345	1.8%	919,219	3.3%	889,811
Marketing, general and administrative expenses	(717,622)	2.3%	(701,454)	2.3%	(685,568)
Special charges, net (1)	—	N/M	(3,625)	(84.4)%	(23,174)
Operating income	217,723	1.7%	214,140	18.3%	181,069
Gain on sale of distributorships (2)	—	—	—	N/M	27,667
Other income, net (3)	3,485	(28.4)%	4,864	N/M	1,319
Income before income taxes	$ 221,208	1.0%	$ 219,004	4.3%	$ 210,055

(1) The 2002 net charge consists of expenses related to restructuring and the dissolution of our former can and end joint venture, offset by a cash payment on a debt from our former partner in a brewing business in South Korea. The net 2001 charge consists of the restructuring of our purchasing and production organizations, impairment charges on certain fixed assets, charges to dissolve our former can and end joint venture and incremental consulting, legal and other costs incurred in preparation to restructure and outsource our information technology infrastructure.
(2) Gain from the sale of Company-owned distributorships
(3) Consists primarily of equity share of Molson USA losses and gains from sales of water rights and warehouses.

N/M = Not Meaningful

Foreign Currency impact on 2003 results
In 2003, our Americas segment benefited from a 10.8% year-over-year increase in the value of the Canadian Dollar (CAD) against the US dollar. As a result of this exchange rate fluctuation, net sales, operating income, and income before taxes are higher than in the prior year by approximately $5.5 million.

Net sales and volume
Net sales for the Americas segment increased slightly from 2002 to 2003. On a per barrel basis, net sales increased 1.8% while volume decreased 1.4% year-over-year. Net sales were impacted positively by continued favorable pricing in the United States, as well as significant growth in our Canadian business. Likewise, net sales were impacted positively by a one-time $4.2 million increase in revenue during the first quarter that resulted from the settlement of a contract interpretation dispute between CBC and one of our wholesalers. However, we experienced challenges in our Americas segment as our volume was impacted negatively by a weak industry demand throughout the year caused by a very wet summer in the Northeast and a sluggish economy. In addition, we were negatively impacted by a mix shift toward lower revenue-per-barrel brands such as Keystone Light, which experienced a volume growth of 10.9%. Growing consumer interest in low-carbohydrate food and beverage products hurt sales for Coors Light and other premium light beers that did not have low-carbohydrate positioning. As a result of this change in consumer tastes and the mix shift away from premium products, Coors Light sales volume declined in 2003.

We also experienced significant challenges in the fourth quarter of 2003 when we implemented new supply chain systems and processes. Due to a difficult start-up early in the fourth quarter, we were unable to ship sufficient quantities of beer in some brand and package configurations. While our supply chain improved by the end of the year, the supply disruptions caused by this implementation had a meaningful negative impact on 2003 volume and earnings.

Our 2002 net sales decreased 0.9% from 2001, while volume for the Americas segment remained relatively flat. Net revenue per barrel declined 1% from 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 as a result of a 50% increase in a beer excise tax that took effect during the summer of 2002, and a negative sales mix in the United States where consumer preferences moved toward our lower revenue-per-barrel brands, geographies, and packages. Partially offsetting these declines in sales and volume was improved domestic pricing and reduced price promotions.

From a brand perspective, growth in domestic Coors Light and Keystone Light brands in 2002 versus 2001 were partially offset by declines in Zima, Killian's and exported Coors Light. Zima was impacted disproportionately by the influx of new flavored alcohol beverages (FABs) in the United States during much of 2002.

Cost of goods sold and gross profit

Americas cost of goods sold increased approximately 0.9% per barrel in 2003 versus 2002. The overall increase in cost of goods sold per barrel in 2003 was the result of higher depreciation costs stemming from recent additions to fixed assets, higher pension and other labor-related costs, increased fuel costs, and the de-leveraging of fixed costs resulting from the decline in volume. Our higher pension costs were the result of the unfavorable impacts of lower returns on pension assets in recent years and lower discount rates. In addition to these more pervasive factors, we incurred approximately $8 million of increased costs in the fourth quarter of 2003, primarily related to extra freight, direct labor and finished goods loss associated with our new supply chain processes and systems implementation. These costs were in addition to the impacts from decreased volume. However, our controllable operations costs, which make up about 95% of our Americas cost of goods sold, declined slightly per barrel during the year as a result of operations efficiency initiatives and improved packaging costs.

Compared to 2002, our 2003 gross profit increased 1.8%, or 3.2% on a per-barrel basis. As a percentage of net sales, gross profit increased by nearly 1%. Increases were driven primarily by price increases and improved operations efficiencies and lower packaging costs.

In 2002, we experienced a 3.3% decrease in cost of goods sold. On a per-barrel basis, the decline was 3.4%. As a percentage of net sales, cost of goods sold was approximately 61.7% in 2002 compared to 63.3% in 2001. These decreases are attributable primarily to the sale of company-owned distributorships in 2001, lower transportation and packaging costs and continued operations efficiency initiatives in our breweries. Offsetting these decreases were higher costs associated with adding capacity to our Golden and Memphis manufacturing facilities and bottle packaging capacity in Shenandoah, Virginia. We also incurred higher pension and other labor-related costs.

Our gross profit increased 3.3% in 2002 over 2001. As a percentage of net sales, gross profit increased nearly 2%. Increases were driven by the decline in cost of goods sold.

Marketing, General and Administrative expenses

Marketing, general and administrative expenses increased 2.3%, or 3.8% on a per barrel basis, in 2003 compared to 2002. This increase was driven by higher costs for employee benefits, primarily pension costs, and higher spending levels related to information technology. Selling and marketing expense was also slightly higher year-over-year.

In 2002, marketing, general and administrative expenses increased 2.3% over the previous year, driven by higher marketing expense as we invested more behind our brands in advertising and sales promotion, higher systems investments and labor-related costs. Partially offset by this increase in selling and marketing expense was a decline in general and administrative expense due to the sale of company-owned distributorships in 2001.

Europe 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 for the physical distribution of products throughout Great Britain (Tradeteam). It also includes the sale of Coors Fine Light in the United Kingdom and Coors Light in the Republic of Ireland. Note that the CBL results for January 2002, typically a loss month, are excluded from the 2002 results discussed below.

	Fiscal Year Ended			
	December 28, 2003	Percent Change	December 29, 2002 (1)	December 30, 2001 (1)
	(In thousands, except percentages)			
Volume in barrels	10,361	13.2%	9,153	46
Net sales	$ 1,590,518	15.6%	$ 1,375,473	$ 7,180
Cost of goods sold	(1,112,533)	19.3%	(932,900)	(5,152)
Gross profit	477,985	8.0%	442,573	2,028
Marketing, general and administrative expenses	(361,553)	9.0%	(331,656)	(10,188)
Operating income (loss)	116,432	5.0%	110,917	(8,160)
Interest income	17,156	4.7%	16,390	—
Other income, net (2)	4,114	133.0%	1,766	—
Income (loss) before income taxes	$ 137,702	6.7%	$ 129,073	$ (8,160)

(1) 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 comparative results of the Europe segment from 2001 to 2002 has been excluded, as comparative results are not meaningful.

(2) 2003 other income, net was composed primarily of Tradeteam income (included in cost of goods sold in 2002), offset by leasehold expenses and losses on asset sales (See Item 8, Note 2). In 2002, other income, net primarily related to income from a small investment in an internet marketing venture in the UK.

N/M = Not Meaningful

Foreign currency impact on 2003 results

In 2003, our Europe segment benefited from an 8.4% year-over-year increase in the value of the British pound sterling (GBP) against the US dollar, partially as a result of this exchange rate fluctuation, all results from our Europe segment in 2003 are significantly higher than in the prior year. The following table summarizes the approximate effect this change in exchange rate had on the Europe results in 2003:

	Increase Due to Currency Effects
	(In thousands)
Net sales	$US 126,071
Cost of goods sold	(88,950)
Gross profit	37,121
Marketing, general & administrative	(29,115)
Operating income	8,006
Interest income	1,398
Other income, net	397
Income before income taxes	$ 9,801

Net sales and volume

Net sales for the Europe segment increased 15.6% in 2003, while volume increased 13.2% from the previous year. The significant increase in net sales and volume was partly due to our owning the CBL business for the full year in 2003 versus forty-seven weeks in 2002. 9% of the sales increase represents the effect of currency exchange rates. On a full year comparative basis, our sales volumes increased 6.7%. This growth was driven by the Carling and Grolsch brands, both of which grew volume by more than 10% during the year.

Our on-trade business, which represents approximately two-thirds of our Europe volume and an even greater portion of margin, grew volume by approximately 5% compared to the full year 2002 as a result of strong sales execution, particularly with Carling and Carling Extra Cold, and unusually hot weather in the United Kingdom this summer. In a declining on-trade market, this yielded a market share gain of approximately 1.5 percentage points. Our off-trade volume for 2003 increased approximately 13% over the comparable period in 2002, led by Carling and Grolsch.

Contributing factors to this volume growth were the favorable summer weather and aggressive discounting, primarily in the first half of the year. Our off-trade market share growth for the year was approximately 1%.

Our positive volume in both the on- and off-trade and positive pricing in the on-trade were partially offset by a decline in our on-trade factored brand sales and, in the off-trade, heavy price discounting and mix shift toward lower revenue-per-barrel sales. The decline in sales of factored brands in the on-trade was driven by some of our large on-trade chain customers changing to purchase non-Coors products directly from the brand owners.

Cost of goods sold and gross profit

Cost of goods sold increased 19.3% in 2003 versus 2002. On a per-barrel basis, cost of goods sold increased 5.4%. The aggregate increase in cost of goods sold was driven by increased volume and higher foreign exchange rates, coupled with our owning the business for the full year versus only a partial period in 2002. Also driving this increase, and the increase in the per barrel cost, was the reclassification of Tradeteam earnings from cost of goods sold to other income beginning in 2003 and the loss of income from contract brewing arrangements that substantially ceased near the end of 2002. Additionally, during the first three quarters of 2003, we incurred higher production costs as we contracted with regional brewers to package some of our off-trade volume while we were commissioning the new and upgraded packing lines in our Burton brewery.

We were able to realize some benefit from right-sizing and improving our UK production infrastructure towards the latter half of the year, which partially offset the increases noted above. The increases in cost of goods sold were also reduced by the decrease in factored brand volume where the purchase cost is included in our cost of goods sold, but the related volume is not included in reported volumes.

Gross profit in the Europe segment increased 8.0%; however, excluding the impact of foreign exchange, gross profit was essentially flat despite the inclusion of a full year of sales in 2003. Gross profit per barrel decreased 4.6% and gross profit as a percentage of net sales decreased 2% during 2003 as a result of the reclassification of Tradeteam earnings and our contract packaging costs incurred as we commissioned the packaging lines in Burton.

Marketing, general and administrative expenses

Europe marketing, general and administrative expenses increased 9.0% during 2003 almost entirely due to exchange rates and the impact of the full year of ownership. On a per-barrel basis, marketing, general and administrative expenses decreased 3.7% year-over-year. Various factors impacted marketing, general and administrative expense during 2003, which effectively off-set each other: (a) we had higher investments in sales staff and increased depreciation charges from investments in information systems and dispense equipment, the latter supporting the sales growth in the on-trade; (b) we were impacted by the loss of reimbursements from the transitional services arrangements with Interbrew S.A. that were set up following the CBL acquisition in February 2002 and largely concluded by the end of that year. These reimbursements were recorded as a reduction to marketing, general and administrative expenses in 2002; (c) we realized savings in employee bonus costs and directors’ costs; and (d) the one-time gain of $3.5 million before tax on the sale of the rights to our Hooper’s Hooch FAB brand in Russia during the third quarter.

Interest income

Interest income is earned on trade loans to UK on-trade customers. Interest income increased 4.7% in 2003 as a result of favorable foreign exchange rates, the inclusion of an additional five weeks of results in 2003 and a lower debt balance in 2003.

Corporate

Corporate currently includes interest expense and certain other general and administrative costs that are not allocable to either the Americas or Europe operating segments. Corporate contains no sales or cost of goods sold. In 2003, we changed our allocation methodology between the Americas and Europe segments for general and administrative expenses, leaving certain of these costs in Corporate. The 2002 and 2001 amounts have been reclassified to conform to the new presentation. The majority of these corporate costs relates to worldwide finance and administrative functions, such as corporate affairs, legal, human resources, insurance and risk management.

	Fiscal Year Ended				
	December 28, 2003	Percent Change	December 29, 2002	Percent Change	December 30, 2001
	(In thousands, except percentages)				
Net sales	$ —	—	$ —	—	$ —
Cost of goods sold	—	—	—	—	—
Gross profit	—	—	—	—	—
Marketing, general and administrative expenses	(26,784)	11.0%	(24,130)	13.3%	(21,304)
Special charges (1)	—	N/M	(2,642)	N/M	—
Operating loss	(26,784)	N/M	(26,772)	25.7%	(21,304)
Interest income	2,089	(56.5)%	4,797	(70.8)%	16,409
Interest expense	(81,195)	14.5%	(70,919)	N/M	(2,006)
Other income, net (2)	798	(43.7)%	1,417	(53.1)%	3,019
Loss before income taxes	$ (105,092)	14.9%	$ (91,477)	N/M	$ (3,882)

(1) Relate primarily to acquisition costs for CBL, including accounting, appraisal and legal fees not eligible for capitalization.

(2) Consists of foreign currency exchange gains (losses), bank fees and gains on sales of investments.

N/M = Not Meaningful

Marketing, general and administrative expenses

Marketing, general and administrative expenses for Corporate increased 11.0% in 2003 compared to 2002 due to increased pension and benefit costs and management of a larger global business. 2002 marketing, general and administrative expenses increased significantly from 2001 for the same reasons.

Interest income

Interest income for 2003 decreased $2.7 million because of lower interest rates and lower cash balances in 2003 over 2002. Interest income decreased $11.6 million from 2001 to 2002 due to higher cash and interest-bearing securities balances in 2001. We sold all of our interest-bearing securities in January 2002 to help fund the acquisition of CBL.

Interest expense

Interest expense increased $10.3 million in 2003. This increase was driven by having our fixed-rate debt structure in place for the full year in 2003 versus only eight months in 2002 and the currency appreciation on our GBP-denominated term debt prior to its payoff in August 2003. Prior to finalizing the long-term structure in second quarter of 2002, we had exclusively short-term borrowings at lower interest rates that supported our acquisition of CBL in February 2002. The increase is also due to our cross-currency swap structure and our GBP-denominated interest expense. Partially offsetting these factors was the implementation of our lower interest rate commercial paper program in June 2003, the initial proceeds of which we used to pay down approximately $300 million of higher-rate GBP-denominated term debt. Our new debt structure has lower interest costs on outstanding balances.

2002 interest expense increased $68.9 million versus 2001 due to the significant increase in debt incurred to purchase CBL early that year.

Liquidity and Capital Resources

Liquidity

Our primary sources of liquidity are cash provided by operating activities and external borrowings. As of December 28, 2003, including cash and short-term borrowings, we had negative working capital of $54.9 million compared to negative working capital of $94.0 million at December 29, 2002. We are able to operate with a negative working capital investment because of relatively short terms on receivables in our Americas segment and our ability to carry low levels of finished goods inventories as a result of the structure of our distribution system. These factors are offset by higher investments in working capital in Europe, primarily with regard to accounts receivable. The increase in our working capital is the net result of changes in our short-term borrowings, accrued expenses and other liabilities, accounts and notes receivable and raw materials. At December 28, 2003, cash and short-term marketable securities totaled

$19.4 million, compared to $59.2 million at December 29, 2002. Our cash and short-term marketable securities balances decreased primarily due to early payments of principal and interest on our long-term debt made late in our fiscal year 2003.

We believe that cash flows from operations and cash provided by short-term borrowings, when necessary, will be quite 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 continue to evaluate opportunities to supplement our operating cash flow through potential monetizations of assets. Success in accomplishing these efforts will result in faster reduction of outstanding debt. We also have credit facilities that 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 28, 2003, we made debt repayments of approximately $272.0 million.

Operating Activities

Net cash provided by operating activities increased $285.6 million in 2003 compared to 2002. The increase was attributable primarily to cash provided by trade receivables and payables in 2003 - the result of continued emphasis on working capital management by improving receivable collection in the UK and managing the purchasing cycle throughout the Company.

Net cash provided by operating activities increased $65.1 million in 2002, compared to 2001. The change was attributable primarily to the acquisition of CBL, which added to our depreciation and amortization and modified the composition of our working capital in 2002.

Investing Activities

During the fiscal year ended December 28, 2003, we used net cash of $229.9 million in investing activities, compared to $1.6 billion used in 2002. The decrease in net cash used is due to the $1.6 billion payment, net of cash acquired, made to purchase CBL in 2002. However, excluding our 2002 $1.6 billion payment to acquire CBL, total cash used in investing activities increased approximately $232.9 million compared to the same period last year, mainly due to the absence of sales and maturities of investments in 2003 versus 2002. A significant amount of investments was sold in 2002 to help fund the acquisition of CBL.

Net cash used in investing activities increased $1.4 billion from 2001 to 2002. The increase was due to the cash used in the acquisition of CBL. Also, in 2001, we made a payment of $65.0 million for our 49.9% interest in Molson USA. However, excluding these payments, total cash provided by investing activities increased approximately $134.7 million year-over-year mostly due to a substantial decrease in purchases of securities. As a result of our debt burden associated with the CBL acquisition, we did not purchase any marketable securities in 2002 compared to purchases of $228.2 million during 2001.

Financing Activities

Net cash used in financing activities was $357.4 million in 2003, representing a $1.6 billion decrease from cash provided by financing activities in 2002. This decrease is primarily attributable to the $2.4 billion proceeds from issuance of debt in 2002, partially offset by larger payments on debt and capital lease obligations in 2002. Debt-related activity in 2003 reflected net payments of long- and short-term debt totaling $297.1 million whereas in 2002, debt-related activity reflected a net increase in long- and short-term debt of $1.3 billion, due primarily to borrowings related to our acquisition of CBL. Repayments of long-term debt during 2003 totaled $272.0 million; the remaining change in financing activities relates to temporary changes in short-term borrowings.

In 2002, net cash provided by financing activities increased $1.3 billion from the previous year as a result of debt proceeds and payments associated with our acquisition of CBL. Excluding these items, change in financing activities was driven by changes in overdraft balances and the absence of treasury stock purchases in 2002 versus purchases of $72.3 million in 2001.

Debt Structure

Our total borrowings as of December 28, 2003, were composed of the following:

Description	As of December 28, 2003	As of December 29, 2002
	(In thousands)	
Short-term borrowings	$ 21,309	$ 101,654
Senior private placement notes	$ 20,000	$ 20,000
$6\,^3/_8$ % Senior notes due 2012	854,043	855,289
Senior Credit Facility:		
USD amortizing term loan	86,000	168,000
GBP amortizing term loan	—	365,689
Commercial paper	249,645	—
Other	20,006	16,809
Total long-term debt (including current portion)	1,229,694	1,425,787
Less current portion of long-term debt	(69,856)	(42,395)
Total long-term debt	$ 1,159,838	$ 1,383,392

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

	Amount (In thousands)
2004	$ 69,856
2005	24,951
2006	80,133
2007	199,338
2008	—
Thereafter	855,416
Total	$ 1,229,694

We incurred significant debt in 2002 to finance the purchase of CBL. Since the acquisition, we have used cash from operating activities and from asset monetizations, net of capital expenditures and other cash used in investing activities, to make payments on our debt obligations.

In June 2003, we issued approximately $300 million of commercial paper, approximately $250 million of which was outstanding at December 28, 2003. $200 million of our commercial paper balance is classified as long-term, reflecting our intent to keep this amount outstanding for longer than 360 days and our ability to refinance these borrowings on a long-term basis through our revolving line of credit. The remaining $50 million is classified as short term, as our intent is to repay that portion in the next twelve months.

Concurrent with our issuance of commercial paper, we made a payment against the then-outstanding principal and interest on our GBP-denominated amortizing term loan of approximately 181.1 million GBP ($300.3 million at then-prevailing foreign currency exchange rates) using proceeds from our issuance of commercial paper. We repaid the balance of our GBP term loan in the third quarter of 2003 using cash generated from operations. We also repaid $55 million of our US dollar (USD)-denominated term loan in the fourth quarter. In conjunction with these payments, we accelerated our amortization of loan fees, resulting in a charge of $3.7 million to interest expense during the year. See Item 8, Financial Statements and Supplementary Data, for further information.

In May 2003, we increased our unsecured committed credit arrangement from $300 million to $500 million in order to support our commercial paper program. As of December 28, 2003, $250 million of the total $500 million line of credit was being used as a backstop for our commercial paper program while the remainder was available for general corporate purposes.

At December 28, 2003, CBC had two USD-denominated uncommitted lines of credit totaling $50.0 million in aggregate. The lines of credit are with two different lenders. We had $7.0 million outstanding under these lines of credit as of December 28, 2003. CBL had two 10 million GBP uncommitted lines of credit and a 10 million GBP overdraft facility. No amount had been drawn on the overdraft facility as of December 28, 2003. The lines of credit had balances outstanding of $11.9 million at December 28, 2003.

In addition, we have two uncommitted lines of credit totaling 900 million Japanese yen or approximately $8.4 million at December 28, 2003. At December 28, 2003, interest rates were below 1% and balances outstanding totaled $2.4 million.

Some of our debt instruments require us to meet certain covenant restrictions, including financial tests and other limitations. As of December 28, 2003, we were in compliance with all of these covenants.

Contractual Obligations and Commercial Commitments

Contractual Cash Obligations as of December 28, 2003

	Payments Due By Period				
	Total	Less than 1 year	1 – 3 years (In thousands)	4 – 5 years	After 5 years
Long term debt	$ 1,229,694	$ 69,856	$ 105,084	$ 199,338	$ 855,416
Operating leases	105,749	21,898	36,534	18,671	28,646
Retirement plan expenditures (3)	172,059	78,305	19,874	21,167	52,713
Other long term obligations(1)	6,606,199	1,139,062	1,718,270	1,344,728	2,404,139
Total obligations	$ 8,113,701	$ 1,309,121	$ 1,879,762	$ 1,583,904	$ 3,340,914

Other Commercial Commitments

	Amount of Commitment Expiration Per Period				
	Total	Less than 1 year	1 – 3 years (In thousands)	4 – 5 years	After 5 years
Standby letters of credit	$ 9,054	$ 9,054	$ —	$ —	$ —
Guarantees (2)	2,324	2,324	—	—	—
Total commercial commitments	$ 11,378	$ 11,378	$ —	$ —	$ —

(1) Approximately $4.3 billion of the total other long-term obligations relate to long-term supply contracts with our joint ventures and unaffiliated third parties to purchase material used in packaging, such as cans and bottles. Approximately $1.2 billion relates to commitments associated with our logistics provider in the UK. The remaining amounts relate to sales and marketing, information technology services, open purchase orders and other commitments. On July 29, 2003, we signed a new agreement, effective August 1, 2003, with Owens relating to the operation of our joint venture and the production of glass bottles, as well as the supply of glass bottles for our non-Golden commercial business. The new agreement has a term of 12 years, and is reflected in the table above, whereas the previous agreement extended to 2005. In December 2003, we signed a new agreement with Electronic Data Systems (EDS), an information services provider, effective January 1, 2004. The new EDS contract includes services to our Americas and Europe operations and our corporate offices and will expire in 2010. Included in Other long-term obligations is the effect of our most recent completed contract with GPC, dated March 25, 2003.

(2) Guarantees consist of guaranteed portions of short-term debt also included in "Long-term debt" above.

(3) Represents expected contributions under our defined benefit pension plans and our benefits payments under retiree medical plans.

Advertising and Promotions

As of December 28, 2003, our aggregate commitments for advertising and promotions, including marketing at sports arenas, stadiums and other venues and events, total approximately $250 million over the next five years.

Capital Expenditures

In 2003, we spent approximately $240 million on capital improvement projects worldwide. Of this, approximately 62% was in support of the Europe business and the remainder was for the Americas. We currently plan capital expenditures in the same range, or slightly lower, for 2004.

Pension Plans

Although pension investment returns were strong in 2003, the impact of the three previous years' returns and a continued decline in interest rates resulted in a slightly lower consolidated funded position at year-end 2003 compared to year-end 2002. At year-end 2003, the accumulated pension benefit obligations exceeded the fair value of the plan assets on a consolidated US dollar basis by approximately $411 million, compared to $394 million at the end of 2002. Accordingly, we have taken a charge to equity of $15.0 million, net of tax (Refer to Item 8. Note 12). At year-end 2003, the projected benefit obligations were $2,624.9 million and the accumulated benefit obligations were $2,412.5 million.

The amounts reflected in the Consolidated Balance Sheets for accrued pension liability, accumulated other comprehensive loss, prepaid benefit cost and intangible asset in 2003 are $452.3 million, $385.6 million ($236.0 million, net of tax), $41.5 million and $40.8 million, respectively. In 2003, an additional minimum pension liability of $9.7 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 Item 8, Financial Statements and Supplementary Data.

In 2003, our actuarially assumed long-term rates of return on plan asset investments were 9% for the US Retirement Plan and 7.5% for the UK 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 of 6.25% and 5.63% were based on prevailing yields of high-quality corporate fixed income investments in the United States and the United Kingdom, respectively.

In 2003, consolidated pension expense was $38.7 million, which represented approximately 1% of consolidated cost of goods sold and other operating expenses. Pension contributions on a consolidated basis were $51.0 million during 2003. On a consolidated basis we anticipate making voluntary pension contributions of approximately $69 million in 2004.

On a consolidated basis, we had unrecognized net actuarial losses of $598.0 million and $547.0 million at December 28, 2003 and December 29, 2002, respectively. Actuarial losses are primarily comprised of cumulative investment returns that 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. As a result of losses in excess of the thresholds, we recorded actuarial loss amortization of $9.1 million in 2003 and $1.0 million in 2002. It is expected that actuarial loss amortization in 2004 will increase to approximately $14 million. We anticipate consolidated pension expense will increase from the $38.7 million in 2003 to approximately $49 million in 2004. The expected increase in consolidated pension cost is primarily due to the combined impacts of higher actuarial loss amortization and foreign exchange.

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. From time to time, we may also provide oral or written forward-looking statements in other materials we release to the public. Forward-looking statements give our current expectations or forecasts of future events. You can identify these statements by forward-looking words such as “expect,” “anticipate,” “plan,” “believe,” “seek,” “estimate,” “outlook,” “trends,” “future benefits,” “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 2004” 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 2004 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 the substantial amount of indebtedness remaining from financing the acquisition of the CBL business in the United Kingdom, 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. We do not undertake to publicly update forward-looking statements, whether as a result of new information, future events or otherwise. 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.

Outlook for 2004

Americas Segment

Net Sales and Volume

Going into 2004, we expect the US pricing environment to remain positive and anticipate continued good performance in Canada. Nonetheless, an increase in price discounting or a decline in volume could have an unfavorable impact on sales and margins. Further, sales and margins could be impacted adversely if the negative mix shift that we experienced in 2003 continues into 2004.

We believe that the March launch of our own low-carbohydrate beer, Aspen Edge, will make us more competitive and contribute to improved volume treads in 2004. Also in response to the low-carbohydrate interest, we began running new consumer education advertising for our Coors Light brand, indicating that Coors Light is nearly as low in carbohydrates as our competitions’ brands with low-carbohydrate positioning. While the disruptions caused by the implementation of our new supply chain systems during the fourth quarter were frustrating both to us and to our distributors and caused us to lose volume, we were able to work through most of our product supply issues and rebuild overall distributor inventories by the middle of the first quarter of 2004. During December, sales-to-retail trends were soft and resulted in distributor inventories ending 2003 approximately 100,000 barrels higher than normal seasonal levels. This will impact 2004 volume trends, as distributors work down their inventories to normal seasonal levels during peak season. Finally, going into 2004, we continue to focus on regaining volume momentum, improving shipment performance, rebuilding the reliability and efficiency of our supply chain and gearing up for the peak summer selling season.

Cost of Goods Sold

In 2004, we believe the following factors are most important to our cost of goods sold per barrel expectations:

- First, input costs will increase in 2004, as we expect modestly higher packaging material expenses due to higher aluminum prices and energy-related costs. Fuel costs and new transportation carrier regulations are likely to have an unfavorable impact on logistics costs.
- Second, labor-related costs are expected to increase in 2004, primarily due to higher pension and healthcare costs.
- Third, we remain confident that our continued focus on operating efficiency within our entire supply chain will help us achieve our long-term goal of reducing controllable production costs by $4-5 per barrel over the next 4-5 years. However, our ability to realize these savings is partially dependant on our ability to leverage fixed costs, and a significant change in our volume assumptions could impact our ability to reach this goal. While supply chain performance is better than it was in the fourth quarter of 2003, and while we have numerous initiatives underway to improve the effectiveness and efficiency of our supply chain, we still need more progress to have success in the coming peak season.
- Finally, our 2003 cost per barrel results were adversely impacted by additional costs related to the implementation of our new supply chain systems.

Marketing, General and Administrative Expenses

Marketing and sales spending in the Americas in 2004 is expected to increase at a proportionately higher rate than the past few years as we plan to invest behind our Aspen Edge launch and incrementally behind our Coors Light marketing and sales efforts. Consistent with our philosophy and past practice, we will evaluate our brand and sales investment levels during the year and adjust as needed. General and administrative expense will be higher in 2004 primarily due to higher labor costs, including higher pension and healthcare expense, and increased spending on information systems.

Europe Segment

Net Sales and Volume

In Europe, we anticipate that our on-trade channel business will continue to grow both volume and share in 2004, but at a slower pace than in 2003, when volume trends benefited from the rollout of Carling Extra Cold and hot summer weather. In the off-trade channel, volume and market-share trends are likely to slow substantially in the first three quarters of 2004 as we lap aggressive off-trade discounting activity and the unusually warm summer of 2003.

Nonetheless, we are optimistic that the impact of lower volume will be more than offset by the related improvement in margins, as it was in the fourth quarter of 2003, when we achieved better balance between growth and margins.

We anticipate that volumes in the second quarter will benefit from the Euro 2004 football (soccer) tournament. In contrast, the third quarter could face particularly challenging volume comparisons due to the beneficial impact of the hot weather in 2003.

We also anticipate that shifts in our factored brand sales (beverage brands owned by other companies but delivered to retail by us) will continue to have an adverse financial impact, however this will be at a lower rate than in 2003.

Cost of Goods Sold

Regarding costs, apart from a minor impact in the first quarter of 2004, we will no longer be lapping the income from contract brewing and transitional service arrangements, which ended early in 2003. As a result, the benefit of right-sizing and improving our UK infrastructure and supply chain will flow into our cost structure, but we anticipate that there will be significant offsets from inflation and negative channel and package mix. With slower off-trade volume growth and our new Burton packaging lines operating better, we anticipate a much lower need for high-priced contract packaging services from other brewers in 2004 than in 2003.

Marketing, General and Administrative

Marketing, general & administrative spending is likely to increase in local currency in 2004 as we roll out the Coors Fine Light brand in the United Kingdom and incur increased labor costs and depreciation on dispense equipment, which stems from the strong on-trade growth we achieved in 2003. Increases are also expected from the recently signed contract with EDS, which is extended to CBL for the first time in 2004.

Other Income

Comparisons of other income between the third quarter of 2004 with the third quarter of 2003 may be difficult due to the $3.5 million gain on the sale of the rights to our Hooper's Hooch brand in Russia during 2003.

Interest

Consolidated 2004 interest income is expected to be fairly consistent with 2003, and will consist primarily of UK trade-loan interest income.

We expect interest expense to be approximately $8-10 million lower than 2003 due partially to debt repayments we made during 2003 on our higher interest rate debt. Additionally, we expect to benefit from our lower-interest rate commercial paper program that we implemented in 2003, the proceeds of which were used to pay down higher interest rate debt.

Taxes

We expect that our 2004 effective tax rate will be in the range of 32% to 35% absent any unusual items, up from 31.2% in 2003. The comparison will be particularly challenging against the second quarter of 2003, when our effective tax rate was 25.8% because of the completion of five years of tax audits. Our acquisition structure for the UK business is generally beneficial from a tax perspective but adds considerable volatility to our tax rate.

Capital Expenditures

Our capital expenditures (excluding capital improvements for our container joint ventures which we tentatively plan to consolidate in 2004) are planned to be in the range of $225 million and $235 million in 2004, down from $240 million in 2003. The actual amount will depend on foreign exchange rates and our evaluation of a few potential projects now under review.

Critical Accounting Estimates

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 our accounting policies 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. We base our estimates on historical experience and on various other assumptions we believe to be reasonable under the circumstances. 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 accounting estimates 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 industry practice 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 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

We have defined benefit plans that cover the majority of our 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 welfare plans that provide medical benefits for retirees and eligible dependents and life insurance for certain retirees. 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 increases, inflation, 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 market conditions.

We performed an analysis of high yield bonds at the end of 2003 to support the discount rates used in determining our pension liabilities in the United States and in the United Kingdom for the year ended December 28, 2003. Discount rates and expected rates of return on plan assets are selected at the end of a given fiscal year and impact actual expense in the subsequent year. A fifty basis point change in certain assumptions would have the following effects:

Description of Pension Sensitivity Item	Impact to 2003 Pension Costs-50 basis points	
	Reduction (Unfavorable)	Increase (Favorable)
	(In thousands)	
Expected return on US plan assets, 9.0% in 2003	$ (2,692)	$ 2,692
Expected return on UK plan assets, 7.5% in 2003	$ (6,640)	$ 6,640
Discount rate on US projected benefit obligation, 6.75% in 2003	$ (3,629)	$ 3,629
Discount rate on UK projected benefit obligation, 5.7% in 2003	$ (10,532)	$ 2,895

Assumed health care cost trend rates have a significant effect on the amounts reported for the retiree health care plan. A one-percentage-point change in assumed health care cost trend rates would have the following effects:
flip

	One-percentage-point decrease	One-percentage-point inecrease
	(In thousands)	
Effect on total of service and interest cost components	$ (309)	$ 327
Effect on postretirement benefit obligation	$ (3,143)	$ 3,305

Both US and UK plan assets consist primarily of equity securities with smaller holdings of bonds and real estate. Equity assets are well diversified between US and other international investments, with additional diversification in the domestic category through allocations to large-cap, small-cap, and growth and value investments. Relative allocations reflect the demographics of the respective plan participants. For example, our UK participants are more heavily weighted toward pensioners than our US participants. Therefore, we have elected a smaller equity percentage in our UK plan. The following compares target asset allocation percentages as of February 27, 2004 with actual asset allocations at December 28, 2003:

	US Plan Assets		UK Plan Assets	
	Target Allocations	Actual Allocations	Target Allocations	Actual Allocations
Equities	80%	82%	65%	59%
Fixed Income	11%	10%	28%	34%
Real Estate	9%	8%	7%	6%
Other	—	—	—	1%

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. We also expense legal costs as incurred. The most significant estimates that could impact our financial statements relate to the Lowry Superfund site (See Item 8, Note 14).

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 when 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 and the rate used to discount those cash flows. For brewing business goodwill and intangibles, we used a rate of 7.6% to discount our cash flows during our annual impairment testing in 2003, which is a rate we believe to be representative of the weighted cost of capital for similar assets. We used a rate of 11% for our distribution rights associated with our distribution subsidiary. 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 only small changes in which could result in significant impairment charges.

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 December 28, 1998. 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 could have a material effect on the estimated fair value amounts.

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 net deferred tax asset or tax liability based on the un-remitted earnings of our UK subsidiary that are not permanently reinvested in accordance with APB 23. In conjunction with this calculation, we estimate associated earnings and profit adjustments, potential foreign tax credits and cumulative translation adjustments relating to the foreign exchange rates.

We do not provide deferred taxes on certain outside basis difference in our acquired foreign subsidiary's stock, Coors Brewers Limited (CBL). This outside basis difference is permanent in duration under SFAS 109 because we do not intend to take any action that would result in recognizing the gain inherent in certain book-over-tax basis differences. As a result, differences between book and tax treatment of income statement items in our UK business are treated as permanent. This treatment increases the volatility in our effective tax rate.

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, unless the reduction was caused by a change in law, in which case the adjustment would impact earnings.

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 (see further discussion in Item 8, Note 2).

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 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 net sales in our Consolidated Statements of Income.

RMMC and RMBC, 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 2003 and 2002, our share of the pre-tax joint venture profits for each of these investments was offset against cost of goods sold in our Consolidated Statements of Income.

In 2003, we included our entire share of CBL's Tradeteam joint venture results in the other income, net line of our Consolidated Statements of Income, given the immateriality of its results. In 2002, we included our share of Tradeteam results in cost of goods sold. This change in presentation was 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.

Recent Accounting Pronouncements

FASB Statement No. 132 Employers' Disclosures about Pensions and Other Postretirement Benefits (Revised 2003)
This standard revision is effective immediately and is reflected in Notes 7 and 8. While the standard does not change the accounting and measurement for pensions and other postretirement benefits, it does add new disclosures for the footnotes to the financial statements, including comparative information for prior periods presented. The disclosures are applicable to both pension and other postretirement plans. Key additional disclosures include:

- Plan assets by category.
- A narrative description of investment policies and strategies, including target allocation percentages.
- A narrative description of the basis used to determine the overall expected long-term rate-of-return on assets.
- Benefits expected to be paid in each of the next five years and the total for the five years thereafter.
- The employer's best estimate of the contributions expected to be made during the next fiscal year.
- Interim disclosures (in Form 10-Q) of net periodic benefit expense and significant revisions to employer contributions paid or expected to be paid.

FASB Interpretation No. 46R, Consolidation of Variable Interest Entities – An Interpretation of ARB51
The FASB finalized FIN 46R in December 2003. FIN 46R expands the scope of ARB51 and various EITFs and can require consolidation of legal structures, called *"variable interest entities (VIEs)."* We do have VIEs that we have tentatively determined will qualify for consolidation. These include RMMC and RMBC. We plan to consolidate these VIEs in the first quarter of 2004. Although we believe our Grolsch and Coors Canada investments are VIEs, we are still evaluating whether we are the primary beneficiaries for these investments with respect to consolidation under FIN 46. The most significant impacts to our financial statements will be to add the fixed assets of RMMC and RMBC totaling approximately $75 million, and RMMC debt of approximately $45 million to our balance sheet. The impact to our gross profit margin in the income statement is not expected to be significant.

SEC Staff Accounting Bulletin No. 104 (SAB 104), Revenue Recognition
SAB 104 was released in December 2003. SAB 104 updates interpretative guidance in the codification of staff accounting bulletins to provide consistent accounting guidance on revenue recognition. We adopted SAB 104 in December 2003 with no impact to our financial statements or our financial reporting.

Related Party Transactions

Transactions with Management and Others
From time-to-time, we employ members of the Coors family, which collectively owns 100% of the voting common stock of the company. Hiring and placement decisions are made based upon merit, and compensation packages offered are commensurate with policies in place for all employees of the company.

Certain Business Relationships
We purchase a large portion of our paperboard packaging requirements from Graphic Packaging Corporation (GPC), a related party. Various Coors family trusts collectively own all of our Class A voting common stock, approximately 30% of our Class B common stock, and approximately 30% of GPC's common stock.

Our purchases under the GPC packaging agreement in 2003 totaled $106.4 million. Related accounts payable balances included in Affiliates Accounts Payable on the Consolidated Balance Sheets were $5.0 million and $0.8 million at December 28, 2003 and December 29, 2002, respectively.

We are also a limited partner in a real estate development partnership in which a subsidiary of GPC is the general partner. The partnership owns, develops, operates and sells certain real estate previously owned directly by us. We received no distributions from this partnership in 2003.

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:

Government regulatory authorities specific to the alcohol beverage industry 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 past, present or future regulatory requirements or that we will not incur material costs or liabilities in complying with regulatory requirements.

We have indebtedness that is substantial in relation to our stockholders' equity. As of December 28, 2003, we held approximately $1.2 billion in debt primarily related to our acquisition of CBL. As a result, a substantial portion of our cash flow from operations must be dedicated to the payment of principal and interest on our debt. If our financial and operating performance is insufficient to generate sufficient cash flow for all of our activities, we may be required to use a disproportionate amount of cash to satisfy our obligations.

We are subject to fluctuations in foreign exchange rates, most significantly the British pound and the Canadian dollar. With the acquisition of CBL in 2002, we significantly altered the impact of currency fluctuations on our results of operations and cash flows. 2003 results have benefited significantly from a strengthening of the British pound versus the US dollar, offset to a certain extent by cash flow hedges on a portion of our debt. We cannot predict future fluctuations in exchange rates. A future devaluation of the British pound versus the US dollar could negatively impact results.

Our primary production facilities in the Americas and in Europe 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 Americas production facilities are located in Golden, Colorado, where we brew more than 90%, and package approximately 63%, of our products sold in the Americas business. Our primary production facility in Europe is located in Burton-on-Trent, England, where we brew and package approximately 70% of our products sold in the Europe business. While our business operations remain centralized, our competitors have multiple geographically dispersed breweries and packaging facilities. As a result, we must ship our products greater distances than some of our competitors, making us more vulnerable to fluctuations in costs such as fuel or packaging costs.

We rely on a small number of suppliers to obtain the packaging and raw materials we need to operate our business. We purchase most of our paperboard and label packaging for our US products from GPC. This packaging is unique to us and is not produced by any other supplier. Additionally, we are contractually obligated to purchase substantially all of our can and bottle needs in the United States from our container joint ventures or from our partners in those ventures, Ball Corporation (RMMC) and Owens-Brockway Glass Container, Inc. (RMBC). CBL has only a single source for its can supply (Ball). The inability of any 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. In regard to 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 and other weather conditions, economic factors affecting growth decisions, various plant diseases and pests. To the extent that any of the foregoing affects the ingredients used to produce our products, our results of operations could be materially and adversely affected.

Any significant shift in consumer 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.

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 14 products in our US portfolio, Coors Light represented more than 70% of our Americas sales volume for 2003. In the United Kingdom, Carling lager is the best-selling brand in the United Kingdom and represented approximately 69% of CBL sales volume in 2003. Consequently, any material shift in consumer preferences away from Coors Light or Carling would have a disproportionately negative impact on our business.

If the contract we have with our current information technology service provider fails, we could experience significant disruption in our business. We rely exclusively on one information technology services provider for our network, help desk, hardware, and software configuration, both at CBC and CBL. If the service provider fails and we are unable to find a suitable replacement in a timely manner, we could be unable to properly administer our information technology systems.

We are significantly smaller than our two primary competitors in the Americas segment, and may consequently be more vulnerable to cost and price fluctuations. 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 prices, increase capital and other expenditures or lose market share, any of which could have a material adverse effect on our business and financial results. We compete primarily with AB and 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. Furthermore, these competitors are not as concentrated geographically in their product sales as CBC is. Consequently, we are somewhat disadvantaged versus their greater economies of scale.

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. Coors and many other brewers and distilled spirits manufacturers have been sued in several courts regarding advertising practices and alleged underage consumption. Each suit seeks an injunction and unspecified money damages. (See Item 3, Legal Proceedings, for further information about the cases.) These cases are evidence of increased social and political attention directed to the alcohol beverage industry in recent years. If the social acceptability of beer were to decline significantly, or if our industry were to become involved in litigation similar to that of the tobacco industry, our business could be materially adversely affected.

We are highly dependent 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 distributors for resale to retail outlets. 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.

Benefits related to our redesigned supply chain processes and systems in the United may not be realized. During 2003, we implemented our redesigned supply chain processes and systems in the United States. We use this system to schedule production, track inventories and bill our customers. We may not achieve the benefits we expect from these re-engineered processes. We experienced difficulties with the implementation of the systems in the fall of 2003 and, as a result, we incurred about $8 million of increased costs, primarily related to extra freight, labor and finished goods loss. The supply disruptions also had a meaningful impact on our volume. We are still facing challenges, including stock-outs and low inventory levels of some of our products throughout our US business. We are working to improve our shipping performance, to rebuild the reliability and efficiency of our supply chain and to reduce stock-outs. If we are unable to correct the remaining issues in time for our peak selling season, it may materially adversely impact our business.

We cannot predict with certainty our eventual aggregate cost for our environmental and related matters in which we are currently involved. We are one of a number of entities named by the Environmental Protection Agency (EPA) as a potentially liable party (PRP) at the Lowry Superfund Site. As a PRP, we are obligated to pay a portion of future costs in excess of the original settlement amount. While we have estimated and accrued for expected costs, if actual incremental costs are higher than expected, we could have to accrue additional costs and make additional cash payments.

We are currently launching new products. If these products fail, it could have a significant effect on our operating results. In our Americas segment, we plan to launch Aspen Edge, a low carbohydrate beer, and Zima XXX, an extension of our Zima brand, in 2004. We recently launched Coors Fine Light in our Europe segment. If these brands do not launch successfully, it could result in a significant impact to our operating results.

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 have stronger price negotiating power, which could impact CBL's ability to obtain favorable pricing in on-trade (due to spillover effect of reduced negotiating leverage) and could reduce our revenues and profit margins. 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.

Due to a high concentration of unionized workers in the United Kingdom, we could be significantly affected by labor strikes, work stoppages or other employee-related issues. Approximately 31% of CBL's total workforce is represented by trade unions. Although we believe relations with our employees are good, more stringent labor laws in the United Kingdom expose us to a greater risk of loss should we experience labor disruptions.

We depend exclusively on one logistics provider in England, Wales and Scotland for distribution of our CBL products. We are involved in a joint venture with Exel Logistics called Tradeteam. Tradeteam handles all of the physical distribution for CBL in England, Wales and Scotland, except where a different distribution system is requested by a customer. If Tradeteam were unable to continue distribution of our product and we were unable to find a suitable replacement in a timely manner, we could experience significant disruptions in our business that could ultimately have a negative impact on our operations.

Item 7a. 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 28, 2003, no collateral was posted by us or our counterparties.

At December 28, 2003, we were a party to certain cross currency swaps totaling 530 million GBP (approximately $774 million at then-prevailing foreign currency exchange rates). The swaps include an initial exchange of principal on the settlement date of our 6 $^{3}/_{8}$% private placement (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 US dollar interest receipts. At the initial principal exchange, we paid US dollars to a counterparty and received GBP. Upon final exchange, we will provide GBP to the counterparty and receive US 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 US dollar to GBP exchange rates on an intercompany loan between CBL and us.

At December 28, 2003, we were a party to an interest rate swap agreement related to our 6 $^3/_8$% 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 US dollar interest payments semi-annually at a rate of 6 $^3/_8$% 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 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 fixed-rate debt 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 Securities and Exchange Commission (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 $5.9 million and $8.6 million at December 28, 2003 and December 29, 2002, respectively. 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 swaps and cross-currency swaps.

	Notional principal amounts (USD)	Changes in Fair Value Positive (Negative)	Maturity
		(In thousands)	
December 28, 2003			
Foreign currency management			
Forwards	$ 44,048	$ (1,382)	1/04 - 12/05
Cross currency swap	773,800	(138,684)	5/12
Commodity pricing management			
Swaps	92,468	9,638	2/04 - 2/06
Interest rate pricing management			
Interest rate swap	76,200	6,904	5/12
Total		$ (123,524)	
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
Total		$ (39,652)	

Maturities of derivative financial instruments held on December 28, 2003, are as follows (in thousands):

2004	2005	2006 and thereafter	Total
$ 4,760	$ 3,106	$ (131,390)	$ (123,524)

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:

Estimated Fair Value Volatility	As of December 28, 2003	As of December 29, 2002
	(In millions)	
Foreign currency risk:		
forwards, swaps	$ (5.0)	$ (2.1)
Interest rate risk:		
debt, swaps	$ (32.4)	$ (42.1)
Commodity price risk:		
swaps	$ (10.2)	$ (10.8)

ITEM 8 . Financial Statements and Supplementary Data

Index to Financial Statements

Consolidated Financial Statements:

MANAGEMENT'S REPORT TO SHAREHOLDERS

The preparation, integrity and objectivity of the financial statements and all other financial information included in this annual report are the responsibility of the management of Adolph Coors Company. The financial statements have been prepared in accordance with generally accepted accounting principles, applying estimates based on management's best judgment where necessary. Management believes that all material uncertainties have been appropriately accounted for and disclosed.

The established system of accounting procedures and related internal controls provide reasonable assurance that the assets are safeguarded against loss and that the policies and procedures are implemented by qualified personnel.

PricewaterhouseCoopers LLP, the Company's independent auditors, provide an objective, independent audit of the consolidated financial statements. Their accompanying report is based upon an examination conducted in accordance with generally accepted auditing standards, including tests of accounting procedures and records.

The Board of Directors, operating through its Audit Committee composed of independent, outside directors, monitors the Company's accounting control systems and reviews the results of the Company's auditing activities. The Audit Committee meets at least quarterly, either separately or jointly, with representatives of management, PricewaterhouseCoopers LLP, and internal auditors. To ensure complete independence, PricewaterhouseCoopers LLP and the Company's internal auditors have full and free access to the Audit Committee and may meet with or without the presence of management.

W. LEO KIELY, III
Chief Executive Officer, Adolph Coors Company
President and Chief Executive Officer,
Coors Brewing Company

TIMOTHY V. WOLF
Vice President and Chief Financial Officer,
Adolph Coors Company
Coors Brewing Company

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors and Shareholders of Adolph Coors Company:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income and comprehensive income, shareholders' equity and cash flows present fairly, in all material respects, the financial position of Adolph Coors Company and its subsidiaries at December 28, 2003 and December 29, 2002, and the results of their operations and their cash flows for each of the three years in the period ended December 28, 2003, 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
March 11, 2004

ADOLPH COORS COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
AND COMPREHENSIVE INCOME
(IN THOUSANDS, EXCEPT FOR SHARE DATA)

	For the Years Ended		
	December 28, 2003	December 29, 2002	December 30, 2001
Sales - domestic and international (Note 2)	$ 5,387,220	$ 4,956,947	$ 2,842,752
Beer excise taxes	(1,387,107)	(1,180,625)	(413,290)
Net sales	4,000,113	3,776,322	2,429,462
Cost of goods sold (Note 2)	(2,586,783)	(2,414,530)	(1,537,623)
Gross profit	1,413,330	1,361,792	891,839
Other operating expenses:			
Marketing, general and administrative	(1,105,959)	(1,057,240)	(717,060)
Special charges, net	—	(6,267)	(23,174)
Total other operating expenses	(1,105,959)	(1,063,507)	(740,234)
Operating income	307,371	298,285	151,605
Other (expense) income:			
Gain on sales of distributorships	—	—	27,667
Interest income	19,245	21,187	16,409
Interest expense	(81,195)	(70,919)	(2,006)
Other income, net (Note 2)	8,397	8,047	4,338
Total other income (expense)	(53,553)	(41,685)	46,408
Income before income taxes	253,818	256,600	198,013
Income tax expense	(79,161)	(94,947)	(75,049)
Net income	174,657	161,653	122,964
Other comprehensive income, net of tax :			
Foreign currency translation adjustments	147,803	70,884	14
Unrealized gain (loss) on derivative instruments	282	15,358	(6,200)
Unrealized gain on available-for-sale securities	—	—	3,718
Minimum pension liability adjustment	(15,031)	(212,092)	(8,487)
Reclassification adjustments	4,235	4,993	(4,898)
Comprehensive income	$ 311,946	$ 40,796	$ 107,111
Net income per share - basic	$ 4.81	$ 4.47	$ 3.33
Net income per share - diluted	$ 4.77	$ 4.42	$ 3.31
Weighted average shares - basic	36,338	36,140	36,902
Weighted average shares - diluted	36,596	36,566	37,177

See notes to consolidated financial statements.

ADOLPH COORS COMPANY AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS)

	As of December 28, 2003	As of December 29, 2002
Assets		
Current assets:		
Cash and cash equivalents	$ 19,440	$ 59,167
Accounts and notes receivable:		
Trade, less allowance for doubtful accounts of $12,413 and $14,334, respectively	618,053	600,263
Affiliates	38,367	41,429
Other, less allowance for doubtful accounts of $4,641 and $6,693, respectively	94,652	63,734
Inventories:		
Finished	91,214	86,372
In process	29,480	31,850
Raw materials	81,068	56,239
Packaging materials, less allowance for obsolete inventories of $1,879 and $2,069, respectively	7,723	10,210
Total inventories	209,485	184,671
Maintenance and operating supplies, less allowance for obsolete supplies of $12,939 and $12,032, respectively	28,512	30,488
Deferred tax asset	12,819	20,976
Other current assets, less allowance for obsolete advertising supplies of $1,093 and $923, respectively	57,520	53,168
Total current assets	1,078,848	1,053,896
Properties, net	1,450,785	1,380,239
Goodwill	796,420	727,069
Other intangibles, less accumulated amortization of $45,498 and $25,622, respectively	552,112	529,076
Investments in joint ventures, less accumulated amortization of $15,252 and $7,816, respectively (Note 2)	193,582	191,184
Long-term deferred tax asset	204,804	206,400
Long-term notes receivable, less allowance for doubtful accounts of $12,548 and $17,794, respectively	108,280	109,082
Other non-current assets	101,395	100,465
Total assets	$ 4,486,226	$ 4,297,411

See notes to consolidated financial statements.

ADOLPH COORS COMPANY AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARE INFORMATION)

	As of December 28, 2003	As of December 29, 2002
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable:		
Trade	$ 359,402	$ 288,172
Affiliates	36,802	46,475
Accrued salaries and vacations	57,593	79,001
Taxes, other than income taxes	212,481	178,044
Accrued expenses and other liabilities	376,279	412,150
Short-term borrowings	21,309	101,654
Current portion of long-term debt	69,856	42,395
Total current liabilities	1,133,722	1,147,891
Long-term debt	1,159,838	1,383,392
Deferred tax liability	195,523	156,437

Deferred pension and post-retirement benefits	530,126	511,869
Other long-term liabilities	199,641	115,971
Total liabilities	3,218,850	3,315,560
Commitments and contingencies (Note 14)		
Shareholders’ equity:		
Capital stock: (Note 10)		
Preferred stock, non-voting, no par value (authorized: 25,000,000 shares; issued and outstanding: none)	—	—
Class A common stock, voting, $0.01 par value at December 28, 2003 and no par value at December 29, 2003 (authorized, issued and outstanding: 1,260,000 shares)	13	1,260
Class B common stock, non-voting, $0.01 par value at December 28, 2003 and no par value at December 29, 2003 (authorized: 200,000,000 shares; issued and outstanding: 35,153,707 and 35,080,603, respectively)	352	8,352
Total capital stock	365	9,612
Paid-in capital	32,049	19,731
Unvested restricted stock	(681)	(1,009)
Retained earnings	1,231,802	1,086,965
Accumulated other comprehensive income (loss)	3,841	(133,448)
Total shareholders’ equity	1,267,376	981,851
Total liabilities and shareholders’ equity	$ 4,486,226	$ 4,297,411

See notes to consolidated financial statements.

ADOLPH COORS COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (IN THOUSANDS)

	For the Years Ended		
	December 28, 2003	December 29, 2002	December 30, 2001
Cash flows from operating activities:			
Net income	$ 174,657	$ 161,653	$ 122,964
Adjustments to reconcile net income to net cash provided by operating activities:			
Equity in net earnings of joint ventures	(65,542)	(54,958)	(43,630)
Distributions from joint ventures	70,900	66,616	39,453
Impairment charge and non-cash portion of special charges	—	—	6,591
Depreciation, depletion and amortization	236,821	227,132	121,091
Amortization of debt issuance costs and discounts	6,790	3,167	—
Gains on sales of securities	—	(4,003)	(4,042)
Gain on sale, net of loss on abandonment of properties and intangibles, net	(4,580)	(9,816)	(30,467)
Deferred income taxes	53,497	11,679	(19,176)
Gain/loss on FX fluctuations and derivative instruments	1,252	2,576	294
Tax benefit from equity compensation plans	412	3,410	4,366
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	31,067	(254,425)	9,499
Trade payables	110,457	83,493	(27,544)
Inventory	(5,549)	39,210	(5,199)
Accrued expenses and other liabilities	(63,399)	(36,631)	28,863
Other	(2,645)	19,442	(9,667)
Net cash provided by operating activities	544,138	258,545	193,396
Cash flows from investing activities:			
Purchases of investments	—	—	(228,237)
Sales and maturities of investments	—	232,758	268,093
Additions to properties	(240,355)	(239,547)	(243,003)
Additions to intangible assets	(103)	(7,295)	(1,545)
Proceeds from sales of properties and intangible assets	16,404	27,357	63,529
Acquisition of CBL, net of cash acquired	—	(1,587,300)	—
Investment in Molson USA, LLC	(5,240)	(2,750)	(65,000)
Other	(630)	(7,561)	9,414
Net cash used in investing activities	(229,924)	(1,584,338)	(196,749)
Cash flows from financing activities:			
Issuances of stock under stock plans	2,491	15,645	10,701
Purchases of treasury stock	—	—	(72,345)
Dividends paid	(29,820)	(29,669)	(29,510)
Proceeds from issuance of debt	—	2,391,934	—
Net (payments) proceeds from short-term borrowings	(84,170)	331,333	—
Net proceeds on commercial paper	249,645	—	—
Payments on debt and capital lease obligations	(462,547)	(1,379,718)	—
Debt issuance costs	—	(10,074)	—
Change in overdraft balances	(32,992)	(27,783)	51,551
Other	—	—	759
Net cash (used in) provided by financing activities	(357,393)	1,291,668	(38,844)
Cash and cash equivalents:			
Net decrease in cash and cash equivalents	(43,179)	(34,125)	(42,197)
Effect of exchange rate changes on cash and cash equivalents	3,452	16,159	(431)
Balance at beginning of year	59,167	77,133	119,761
Balance at end of year	$ 19,440	$ 59,167	$ 77,133

See notes to consolidated financial statements.