

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended **March 29, 2003**

OR

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

For the transition period from to

Commission file number: 1-14092

THE BOSTON BEER COMPANY, INC.

(Exact name of registrant as specified in its charter)

MASSACHUSETTS

(State or other jurisdiction of incorporation
or organization)

04-3284048

(I.R.S. Employer
Identification No.)

75 Arlington Street, Boston, Massachusetts

(Address of principal executive offices)

02116

(Zip Code)

(617) 368-5000

(Registrant's telephone number, including area code)

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 whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act.)

Yes No

Number of shares outstanding of each of the issuer's classes of common stock, as of May 8, 2003:

Class A Common Stock, \$.01 par value

Class B Common Stock, \$.01 par value

(Title of each class)

10,946,537

4,107,355

(Number of shares)

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**THE BOSTON BEER COMPANY, INC.
FORM 10-Q**

**QUARTERLY REPORT
MARCH 29, 2003**

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THE BOSTON BEER COMPANY, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in thousands, except share data)

| | March 29, 2003 | December 28, 2002 |
|--|-------------------|----------------------|
| | (unaudited) | |
| Assets | | |
| Current Assets: | | |
| Cash and cash equivalents | \$ 11,608 | \$ 20,608 |
| Short-term investments | 35,187 | 32,001 |
| Accounts receivable, net of the allowance for doubtful accounts of \$687 and \$689 as of March 29, 2003 and December 28, 2002, respectively | 17,986 | 17,830 |
| Inventories | 10,741 | 8,342 |
| Prepaid expenses | 1,305 | 1,284 |
| Deferred income taxes | 1,959 | 1,959 |
| Other current assets | 1,484 | 1,513 |
| | <u>80,270</u> | <u>83,537</u> |
| Property, plant and equipment, net | 19,650 | 20,202 |
| Other assets | 1,472 | 1,690 |
| Goodwill | 1,377 | 1,377 |
| | <u>\$102,769</u> | <u>\$ 106,806</u> |
| Liabilities and Stockholders' Equity | | |
| Current Liabilities: | | |
| Accounts payable | \$ 11,914 | \$ 8,997 |
| Accrued expenses | 13,570 | 15,874 |
| | <u>25,484</u> | <u>24,871</u> |
| Long-term deferred income taxes | 2,406 | 2,406 |
| Other long-term liabilities | 697 | 697 |
| Commitments and Contingencies | | |
| Stockholders' Equity: | | |
| Class A Common Stock, \$.01 par value; 22,700,000 shares authorized; 16,744,604 and 16,674,556 issued as of March 29, 2003 and December 28, 2002, respectively | 167 | 166 |
| Class B Common Stock, \$.01 par value; 4,200,000 shares authorized; 4,107,355 issued and outstanding | 41 | 41 |
| Additional paid-in-capital | 59,893 | 59,144 |
| Unearned compensation | (334) | (189) |
| Other comprehensive income | 268 | 419 |
| Retained earnings | 64,091 | 64,200 |
| Less: Treasury Stock 5,377,067 and 5,011,947 shares as of March 29, 2003 and December 28, 2002, at cost, respectively | <u>(49,944)</u> | <u>(44,949)</u> |
| Total stockholders' equity | <u>74,182</u> | <u>78,832</u> |
| Total liabilities and stockholders' equity | <u>\$102,769</u> | <u>\$ 106,806</u> |

The accompanying notes are an integral part of these consolidated financial statements

THE BOSTON BEER COMPANY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share data)

| | Three months ended | |
|--|--------------------------|--------------------------|
| | March 29, 2003 | March 30, 2002 |
| Sales | (unaudited) \$ 50,123 | (unaudited) \$ 50,478 |
| Less excise taxes | 4,804 | 4,818 |
| Net sales | 45,319 | 45,660 |
| Cost of sales | 18,772 | 18,512 |
| Gross profit | 26,547 | 27,148 |
| Operating expenses: | | |
| Advertising, promotional and selling expenses | 23,310 | 21,685 |
| General and administrative expenses | 3,803 | 3,419 |
| Total operating expenses | 27,113 | 25,104 |
| Operating (loss) income | (566) | 2,044 |
| Other income, net: | | |
| Interest income, net | 394 | 199 |
| Other expense, net | (8) | (6) |
| Total other income, net | 386 | 193 |
| (Loss) income before provision for income taxes | (180) | 2,237 |
| (Benefit) provision for income taxes | (71) | 917 |
| Net (loss) income | \$ (109) | \$ 1,320 |
| Net (loss) income per common share – basic | (\$ 0.01) | \$ 0.08 |
| Net (loss) income per common share – diluted | (\$ 0.01) | \$ 0.08 |
| Weighted average number of common shares – basic | 15,734 | 16,352 |
| Weighted average number of common shares – diluted | 15,991 | 16,695 |

The accompanying notes are an integral part of these consolidated financial statements

THE BOSTON BEER COMPANY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

| | Three months ended | |
|---|--------------------|-------------------|
| | March 29, 2003 | March 30, 2002 |
| | (unaudited) | (unaudited) |
| Cash flows from operating activities: | | |
| Net (loss) income | \$ (109) | \$ 1,320 |
| Adjustments to reconcile net (loss) income to net cash from operating activities: | | |
| Depreciation and amortization | 1,383 | 1,373 |
| Gain on disposal of fixed assets | — | (110) |
| Stock option compensation expense | 22 | 25 |
| Changes in assets and liabilities: | | |
| Accounts receivable | (156) | (786) |
| Inventory | (2,399) | (858) |
| Prepaid expenses | (21) | 192 |
| Other current assets | 98 | 84 |
| Other assets | — | 37 |
| Accounts payable | 2,917 | (2,109) |
| Accrued expenses | (2,172) | (1,503) |
| Other long-term liabilities | — | (80) |
| Net cash used in operating activities | <u>(437)</u> | <u>(2,415)</u> |
| Cash flows from investing activities: | | |
| Purchases of property, plant and equipment | (595) | (570) |
| Proceeds on disposal of fixed assets | — | 180 |
| Maturities of held-to-maturity investments | — | 2,028 |
| Purchases of available-for-sale securities | (3,337) | (5,000) |
| Purchases of held-to-maturity securities | — | (8,973) |
| Net cash used in investing activities | <u>(3,932)</u> | <u>(12,335)</u> |
| Cash flows from financing activities: | | |
| Purchase of treasury stock | (4,995) | — |
| Proceeds from exercise of stock options | 320 | 119 |
| Net proceeds from the sale of Investment Shares | 44 | 25 |
| Net cash (used in) provided by financing activities | <u>(4,631)</u> | <u>144</u> |
| Change in cash and cash equivalents | (9,000) | (14,606) |
| Cash and cash equivalents at beginning of period | 20,608 | 45,838 |
| Cash and cash equivalents at end of period | <u>\$ 11,608</u> | <u>\$ 31,232</u> |
| Supplemental disclosure of cash flow information: | | |
| Interest paid | \$ — | \$ — |
| Income taxes paid | <u>\$ 1,073</u> | <u>\$ 845</u> |

The accompanying notes are an integral part of these consolidated financial statements

THE BOSTON BEER COMPANY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A. Organization and Basis of Presentation

The Boston Beer Company, Inc. and its subsidiaries (the "Company") are engaged in the business of brewing and selling malt beverages and cider products throughout the United States and in selected international markets. The accompanying consolidated statement of financial position as of March 29, 2003 and the statement of consolidated operations and consolidated cash flows for the quarters ended March 29, 2003 and March 30, 2002 have been prepared by the Company, without audit, in accordance with accounting principles generally accepted in the United States of America for interim financial information and pursuant to the rules and regulations of the Securities and Exchange Commission. Accordingly, they do not include all of the information and footnotes required for complete financial statements by generally accepted accounting principles and should be read in conjunction with the audited financial statements included in the Company's Annual Report on Form 10-K for the year ended December 28, 2002.

Management's Opinion

In the opinion of the Company's management, the Company's unaudited consolidated financial position as of March 29, 2003 and the results of its consolidated operations and consolidated cash flows for the interim periods ended March 29, 2003 and March 30, 2002, reflect all adjustments (consisting only of normal and recurring adjustments) necessary to present fairly the results of the interim periods presented. The operating results for the interim periods presented are not necessarily indicative of the results expected for the full year.

B. Short-Term Investments

Short-term investments as of March 29, 2003 and December 28, 2002 were classified as follows, depending upon the Company's intent and the nature of the investment (in thousands):

| Investment Classification | As of March 29, 2003 | | As of December 28, 2002 | |
|---------------------------|----------------------|------------------------|-------------------------|------------------------|
| | Fair Market Value | Unrealized Gain/(Loss) | Fair Market Value | Unrealized Gain/(Loss) |
| Available-for-sale | \$ 35,127 | \$ 330 | \$ 31,941 | \$ 481 |
| Trading | 60 | — | 60 | — |
| Total | \$ 35,187 | \$ 330 | \$ 32,001 | \$ 481 |

There were no realized gains or losses recorded during the period ended March 29, 2003 and March 30, 2002.

C. Inventories

Inventories, which consist principally of hops, brewery materials and packaging, are stated at the lower of cost, determined on a first-in, first-out (FIFO) basis, or market.

Inventories consist of the following (in thousands):

| | March 29, 2003 | December 28, 2002 |
|---------------------------------|-------------------|----------------------|
| Raw materials, principally hops | \$ 8,826 | \$ 6,548 |
| Work in process | 675 | 758 |
| Finished goods | 1,240 | 1,036 |
| | \$ 10,741 | \$ 8,342 |

THE BOSTON BEER COMPANY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

D. Net Income per Share

The following table sets forth the computation of basic and diluted earnings per share in accordance with Statement of Financial Accounting Standards No. 128 (in thousands, except per share data). The basis and diluted loss per share for the three months ended March 29, 2003 are the same, since any potential common shares would be anti-dilutive.

| | For the three months ended | |
|--|----------------------------|-------------------|
| | March 29, 2003 | March 30, 2002 |
| Net (loss) income | \$ (109) | \$ 1,320 |
| Shares used in net income per common share – basic | 15,734 | 16,352 |
| Dilutive effect of potential common shares | 257 | 343 |
| Shares used in net income per common share – diluted | 15,991 | 16,695 |
| Net (loss) income per common share – basic | \$ (0.01) | \$ 0.08 |
| Net (loss) income per common share – diluted | \$ (0.01) | \$ 0.08 |

E. Comprehensive (Loss) Income

Comprehensive (loss) income is as follows (in thousands):

| | For the three months ended | |
|---|----------------------------|-------------------|
| | March 29, 2003 | March 30, 2002 |
| Net income | \$ (109) | \$ 1,320 |
| Unrealized (loss) gain on available-for-sale securities | (151) | 1 |
| Comprehensive (loss) income | \$ (260) | \$ 1,321 |

F. Commitments and Contingencies

Purchase Commitments

The Company had outstanding purchase commitments related to advertising contracts of approximately \$12.9 million at March 29, 2003, compared to \$22.0 million at December 28, 2002. There are no cancellation options available for any portion of the contracts.

The Company has entered into contracts for the supply of a portion of its hops requirements. These purchase contracts, which extend through crop year 2008, specify both the quantities and prices to which the Company is committed. The prices of these contracts are denominated in euros. Hops purchase commitments outstanding at March 29, 2003 totaled \$11.1 million (based on the exchange rate at March 29, 2003), compared to \$13.4 million at December 28, 2002.

THE BOSTON BEER COMPANY, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

G. Common Stock

Stock Compensation Plans

The Company follows the disclosure provisions of SFAS No. 148, "Accounting for Stock-Based Compensation – Transition and Disclosure," and applies APB Opinion No. 25 and related interpretations for the Employee Equity Incentive Plan and the Stock Option Plan for Non-Employee Directors. The following table illustrates the effect on net income and earnings per share if the Company had applied the fair value recognition provisions of SFAS No. 123, "Accounting for Stock-Based Compensation," to stock-based employee compensation.

| | For the three months ended | |
|---|----------------------------|-------------------|
| | March 29, 2003 | March 30, 2002 |
| Net (loss) income, as reported | (109) | 1,320 |
| Add: Stock-based employee compensation expense reported in net (loss) income, net of tax effects | 13 | 15 |
| Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects | (449) | (368) |
| Pro forma net income | (545) | 967 |
| Earnings per share: | | |
| Basic – as reported | (\$ 0.01) | \$ 0.08 |
| Basic – pro forma | (\$ 0.03) | \$ 0.06 |
| Diluted – as reported | (\$ 0.01) | \$ 0.08 |
| Diluted – pro forma | (\$ 0.03) | \$ 0.06 |

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Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following is a discussion of the financial condition and results of operations of the Company for the three-month period ended March 29, 2003 as compared to the three-month period ended March 30, 2002. This discussion should be read in conjunction with the Management's Discussion and Analysis of Financial Condition and Results of Operations, Consolidated Financial Statements of the Company and Notes thereto included in the Company's Form 10-K for the fiscal year ended December 28, 2002.

RESULTS OF OPERATIONS

Boston Beer's flagship product is Samuel Adams Boston Lager®. For purposes of this discussion, Boston Beer's "core brands" include all products sold under the Samuel Adams®, Sam Adams®, HardCore® and Twisted Tea® trademarks. "Core brands" do not include the products brewed at the Cincinnati Brewery under contract arrangements for third parties. Volume produced under contract arrangements is referred to below as "non-core products."

Three Months Ended March 29, 2003 compared to Three Months Ended March 30, 2002

Net sales. Net sales decreased by \$341,000 or 0.7% to \$45.3 million for the three months ended March 29, 2003 from \$45.7 million for the three months ended March 30, 2002. The decrease is primarily due to a decrease in volume of Boston Beer's core brands, offset by an increase in net revenue per barrel.

Volume. Total volume decreased by 1.8% or 5,000 barrels to 270,000 barrels in the three months ended March 29, 2003 from the same period 2002, due to a decline in Samuel Adams Boston Lager®, Samuel Adams® Signature Series and Seasonal Brands, partially offset by an increase in Sam Adams Light®. During the first quarter 2003, Sam Adams Light® was distributed in all of the Company's markets and comprised approximately 20% of the Company's volume. In contrast, during the first quarter 2002, Sam Adams Light® comprised approximately 8% of the Company's volume.

The Company believes that the declines experienced in Samuel Adams' flagship brand and other core brands were due to a combination of factors, including a weak economy, poor weather conditions in the Northeast, recent world events and cannibalization of other Samuel Adams® beers by Sam Adams Light®. The Company is actively working to minimize effects of cannibalization. Based on shipments to date and orders in hand, the Company expects volume to be down single digits for the first half of 2003 as compared to the same period 2002.

Selling Price. The selling price per barrel increased by approximately 1.1% to \$167.85 per barrel for the quarter ended March 29, 2003. This increase is due to changes in the packaging mix and normal price increases. The ratio of bottles to kegs increased, with bottles representing 72.7% of total shipments in the three months ended March 29, 2003, as compared to 70.4% for the same period last year. The shift in the mix to bottles from kegs increased revenue per barrel, as the selling price per equivalent barrel is higher for bottles than for kegs. This shift is primarily due to the national rollout of Sam Adams Light®, as this product is primarily available in bottles.

Gross Profit. Gross profit was 58.6% as a percentage of net sales or \$98.32 per barrel for the quarter ended March 29, 2003, as compared to 59.5% and \$98.72 for the quarter ended March 30, 2002. The decrease per barrel was primarily due to an increase in the returns allowance to reflect increased wholesaler inventories for Seasonal Brands and an increase in brewery operating costs at the Cincinnati Brewery. These increases were partially offset by normal price increases.

Cost of sales increased by \$2.21 per barrel to 41.4% as a percentage of net sales or \$69.53 per barrel for the quarter ended March 29, 2003, as compared to 40.5% as a percentage of net sales or \$67.32 per barrel for the quarter ended March 30, 2002. This was due primarily to increases in natural gas costs and sewerage charges incurred at the Cincinnati Brewery, and packaging mix changes. Assuming pricing stability, the Company anticipates realizing slightly higher margins for the full year 2003 than in 2002, through potential cost improvements.

Advertising, Promotional and Selling. As a percentage of net sales, advertising, promotional and selling expenses were 51.4% for the quarter ended March 29, 2003, as compared to 47.5% for the quarter ended March 30, 2002. Advertising, promotional and selling expenses increased by \$1.6 million or 7.5% to \$23.3 million for the three months ended March 29, 2003, compared to

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

\$21.7 million for the three months ended March 30, 2002. This increase is primarily due to the continued support of Sam Adams Light® and the entire Samuel Adams® brand. The Company's strategy is to maximize total growth through continued investment behind the Samuel Adams® brand. Recently, the Company introduced a new television campaign for Samuel Adams Boston Lager® and a new radio campaign for Sam Adams Light®.

General and Administrative. General and administrative expenses increased by 11.2% or \$384,000 to \$3.8 million for the quarter ended March 29, 2003 as compared to the same period last year, primarily due to normal wage increases, other employee-related costs and increases in insurance premiums.

Interest income, net. Interest income increased by 98.0% to \$394,000 for the quarter ended March 29, 2003 from \$199,000 for the quarter ended March 30, 2002. This increase is primarily due to the receipt of distributions from certain investments during the quarter ended March 29, 2003, as compared to the same period last year.

Provision for income taxes. The Company's effective tax rate decreased to 39.3% for the three months ended March 29, 2003 from 41.0% for the same period last year. This decline is due to shifting a significant portion of the Company's investments from taxable to tax-exempt instruments. The Company anticipates that its effective tax rate for the full year will be approximately the 39% rate recorded for the year ending December 27, 2003.

LIQUIDITY AND CAPITAL RESOURCES

The Company's financial condition continued to be strong during the first three months of 2003, though cash and short-term investments decreased by \$5.8 million to \$46.8 million as of March 29, 2003 from \$52.6 million as of December 28, 2002. For the three months ended March 29, 2003, the decrease in cash and short-term investments was primarily due to cash used in financing activities to repurchase the Company's Class A Common Stock.

During the first quarter, the Company repurchased 365,000 shares of its outstanding Class A Common Stock, for an aggregate purchase price of \$5.0 million. Effective April 1, 2003, the Company's Board of Directors authorized an additional \$10.0 million for the repurchase of the Company's Class A Common Stock, increasing the aggregate expenditure limitation to \$60.0 million. As of May 8, 2003, the Company has repurchased an additional 428,000 shares, for an aggregate repurchase price of \$5.5 million, under the newly authorized expenditure limitation. To date, the Company has repurchased a total of 5.8 million shares under this program, at a cost of \$55.4 million.

The Company utilized \$595,000 for the purchase of capital equipment during the three months ended March 29, 2003 as compared to \$570,000 during the same period last year. Purchases during the first three months of 2003 consisted primarily of kegs and computer equipment.

With working capital of \$54.8 million and \$45.0 million in unused bank lines of credit as of March 29, 2003, the Company believes that its existing resources should be sufficient to meet the Company's short-term and long-term operating and capital requirements. There were no amounts outstanding under the Company's credit facilities as of March 29, 2003 or as of the date of this filing.

THE POTENTIAL IMPACT OF KNOWN FACTS, COMMITMENTS, EVENTS AND UNCERTAINTIES

Brewery-Related Transactions

During the fourth quarter of 2002, Miller Brewing Company filed with the American Arbitration Association a demand for arbitration with respect to its legal right to terminate its obligation to continue production for the Company after May 30, 2004. In its response, the Company, in addition to denying that Miller has the right to terminate, also asserted certain counterclaims against Miller. While selection of the arbitrators has now been completed, discovery has not yet commenced. Accordingly, it is not possible to predict the actual outcome of the arbitration. Miller has also notified the Company of its intention to close the Tumwater Brewery as of July 1, 2003. Based on ongoing discussions with Miller, the Company believes that the Tumwater production will be moved to the Eden Brewery, with Miller assuming the cost of the incremental freight to the areas previously supplied by the Tumwater Brewery. The Company maintains ongoing discussions with suppliers and potential suppliers and continues to believe that, regardless of the outcome of the arbitration, it will be able to maintain sources of supply adequate to

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

meet the expected demand for the Company's products beyond May 2004. However, the Company is unable at this time to quantify any additional costs, capital or operating, if any, that it might incur in securing access to such capacity and ensuring that its products are produced to its quality and service requirements.

In March 2003, the Company entered into a contract brewing agreement with Matt Brewing Co., Inc. under which Matt Brewing has agreed to produce some of the Company's core products. During the first quarter 2003, a modest quantity of the Company's beer was produced by Matt Brewing at its Utica, New York brewery.

Contractual Obligations

The following table presents contractual obligations as of March 29, 2003.

| (in thousands) | Payments Due by Period | | | | |
|-------------------------------|------------------------|------------------|-----------|-----------|-------------------|
| | Total | Less Than 1 Year | 1-3 Years | 3-5 Years | More Than 5 Years |
| Advertising Commitments | \$ 14,498 | \$ 14,498 | \$ — | \$ — | \$ — |
| Hops Purchase Commitments | 11,136 | 3,498 | 4,830 | 2,309 | 499 |
| Operating Leases | 4,292 | 892 | 2,243 | 945 | 212 |
| Total Contractual Obligations | \$ 29,926 | \$ 18,888 | \$ 7,073 | \$ 3,254 | \$ 711 |

Critical Accounting Policies

The 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. The preparation of these financial statements requires us to make significant estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. These items are monitored and analyzed by management for changes in facts and circumstances, and material changes in these estimates could occur in the future. Changes in estimates are recorded in the period in which they become known. We base our estimates on historical experience and various other assumptions that we believe to be reasonable under the circumstances. Actual results may differ from our estimates if past experience or other assumptions do not turn out to be substantially accurate.

Inventory Reserves

The excess hop inventory reserve accounts for a significant portion of the inventory obsolescence reserve. The Company's accounting policy for hops inventory and purchase commitments is to recognize a loss by establishing a reserve to the extent inventory levels and commitments exceed forecasted usage requirements. The computation of the excess hop inventory and purchase commitment reserve is based on the age of the hops on-hand and requires management to make certain assumptions regarding future sales growth, product mix, cancellation costs, and supply, among others. The Company will continue to manage hop inventory and contract levels as necessary. The current levels are deemed adequate, based upon foreseeable future brewing requirements. Actual results may materially differ from management's estimates.

Promotional Activities Accrual

Throughout the year, the Company's sales force engages in numerous promotional activities, and this requires that management make certain estimates and assumptions that affect the reported amounts of related liabilities at the date of the financial statements and the reported amounts of expenditures during the reporting period. Actual results could differ from those estimates.

Distributor Promotional Discount Allowance

The Company enters into discount agreements with its various wholesalers. The agreed-upon discount rates are applied to the wholesalers' sales to retailers in order to determine the total discounted amount. The computation of the discount accrual requires that management make certain estimates and assumptions that affect the reported amounts of related assets at the date of the financial statements and the reported amounts of revenue during the reporting period. Actual results could differ from those estimates.

**Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(continued)**

FORWARD-LOOKING STATEMENTS

In this Form 10-Q and in other documents incorporated herein, as well as in oral statements made by the Company, statements that are prefaced with the words "may," "will," "expect," "anticipate," "continue," "estimate," "project," "intend," "designed" and similar expressions, are intended to identify forward-looking statements regarding events, conditions, and financial trends that may affect the Company's future plans of operations, business strategy, results of operations and financial position. These statements are based on the Company's current expectations and estimates as to prospective events and circumstances about which the Company can give no firm assurance. Further, any forward-looking statement speaks only as of the date on which such statement is made, and the Company undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date factor that may emerge, forward-looking statements should not be relied upon as a prediction of actual future financial condition or results. These forward-looking statements, like any forward-looking statements, involve risks and uncertainties that could cause actual results to differ materially from those projected or unanticipated. Such risks and uncertainties include the factors set forth below in addition to the other information set forth in this Form 10-Q.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Since December 28, 2002, there have been no significant changes in the Company's exposures to interest rate or foreign currency rate fluctuations. The Company currently does not enter into derivatives or other market risk sensitive instruments for the purpose of hedging or for trading purposes.

Item 4. CONTROLS AND PROCEDURES

On March 31, 2003 Richard P. Lindsay resigned as Treasurer and Chief Financial Officer of the Company. Effective April 1, 2003, Monica M. Martin, Director of Finance and Corporate Controller, was appointed as Interim Chief Financial Officer until the Company retains a new Chief Financial Officer. Also on April 1, 2003, Martin F. Roper, President and Chief Executive Officer, was appointed Treasurer of the Company.

Within the forty-five day period prior to the date of this report, the Company conducted an evaluation under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Interim Chief Financial Officer (its principal executive officer and principal financial officer, respectively) regarding the effectiveness of the design and operation of the Company's disclosure controls and procedures as defined in Rule 13a-14 of the Securities Exchange Act of 1934 (the "Exchange Act"). Based upon that evaluation, the Chief Executive Officer and Interim Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to them by others within those entities.

There were no significant changes in the Company's internal controls or in other factors that could significantly affect internal controls subsequent to the date the Company carried out its evaluation.

PART II. OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

Miller Brewing Company ("Miller") filed a Demand for Arbitration with the American Arbitration Association seeking a determination as to whether Miller has the right to terminate its existing contractual obligations to the Company, effective May 30, 2004. The Company has filed an answer to the Demand, asserting certain counterclaims. Discovery in the proceedings has not yet commenced and the Company is not able to determine the likely outcome of the proceedings.

The Company is party to certain claims and litigation in the ordinary course of business. The Company does not believe any of these proceedings will, individually or in the aggregate, have a material adverse effect upon its financial condition or results of operations.

Item 2. CHANGES IN SECURITIES

Not Applicable

Item 3. DEFAULTS UPON SENIOR SECURITIES

Not Applicable

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not Applicable

Item 5. OTHER INFORMATION

Not Applicable

Item 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

| Exhibit No. | Title |
|--------------------|--|
| 3.1 | Amended and Restated By-Laws of the Company, dated June 2, 1998 (incorporated by reference to Exhibit 3.5 to the Company's Form 10-Q filed on August 10, 1998). |
| 3.2 | Restated Articles of Organization of the Company, dated July 21, 1998 (incorporated by reference to Exhibit 3.6 to the Company's Form 10-Q filed on August 10, 1998). |
| 4.1 | Form of Class A Common Stock Certificate (incorporated by reference to Exhibit 4.1 to the Company's Registration Statement No. 33-96164). |
| 10.1 | Revolving Credit Agreement between Fleet Bank of Massachusetts, N.A. and Boston Beer Company Limited Partnership (the "Partnership"), dated as of May 2, 1995 (incorporated by reference to Exhibit 10.1 to the Company's Registration Statement No. 33-96162). |
| 10.2 | Loan Security and Trust Agreement, dated October 1, 1987, among Massachusetts Industrial Finance Agency, the Partnership and The First National Bank of Boston, as Trustee, as amended (incorporated by reference to Exhibit 10.2 to the Company's Registration Statement No. 33-96164). |
| 10.3 | Deferred Compensation Agreement between the Partnership and Alfred W. Rossow, Jr., effective December 1, 1992 (incorporated by reference to Exhibit 10.3 to the Company's Registration Statement No. 33-96162). |
| 10.4 | The Boston Beer Company, Inc. Employee Equity Incentive Plan, as adopted effective November 20, 1995 and amended effective February 23, 1996 (incorporated by reference to Exhibit 4.1 to the Company's Registration Statement No. 333-1798). |
| 10.5 | Form of Employment Agreement between the Partnership and employees (incorporated by reference to Exhibit 10.5 to the Company's Registration Statement No. 33-96162). |

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| <u>Exhibit No.</u> | <u>Title</u> |
|--------------------|---|
| 10.6 | Services Agreement between The Boston Beer Company, Inc. and Chemical Mellon Shareholder Services, dated as of October 27, 1995 (incorporated by reference to the Company's Form 10-K, filed on April 1, 1996). |
| 10.7 | Form of Indemnification Agreement between the Partnership and certain employees and Advisory Committee members (incorporated by reference to Exhibit 10.7 to the Company's Registration Statement No. 33-96162). |
| 10.8 | Stockholder Rights Agreement, dated as of December, 1995, among The Boston Beer Company, Inc. and the initial Stockholders (incorporated by reference to the Company's Form 10-K, filed on April 1, 1996). |
| +10.9 | Agreement between Boston Brewing Company, Inc. and The Stroh Brewery Company, dated as of January 31, 1994 (incorporated by reference to Exhibit 10.9 to the Company's Registration Statement No. 33-96164). |
| +10.10 | Agreement between Boston Brewing Company, Inc. and the Genesee Brewing Company, dated as of July 25, 1995 (incorporated by reference to Exhibit 10.10 to the Company's Registration Statement No. 33-96164). |
| +10.11 | Amended and Restated Agreement between Pittsburgh Brewing Company and Boston Brewing Company, Inc. dated as of February 28, 1989 (incorporated by reference to Exhibit 10.11 to the Company's Registration Statement No. 33-96164). |
| 10.12 | Amendment to Amended and Restated Agreement between Pittsburgh Brewing Company, Boston Brewing Company, Inc., and G. Heileman Brewing Company, Inc., dated December 13, 1989 (incorporated by reference to Exhibit 10.12 to the Company's Registration Statement No. 33-96162). |
| +10.13 | Second Amendment to Amended and Restated Agreement between Pittsburgh Brewing Company and Boston Brewing Company, Inc. dated as of August 3, 1992 (incorporated by reference to Exhibit 10.13 to the Company's Registration Statement No. 33-96164). |
| +10.14 | Third Amendment to Amended and Restated Agreement between Pittsburgh Brewing Company and Boston Brewing Company, Inc. dated December 1, 1994 (incorporated by reference to Exhibit 10.14 to the Company's Registration Statement No. 33-96164). |
| 10.15 | Fourth Amendment to Amended and Restated Agreement between Pittsburgh Brewing Company and Boston Brewing Company, Inc. dated as of April 7, 1995 (incorporated by reference to Exhibit 10.15 to the Company's Registration Statement No. 33-96162). |
| +10.16 | Letter Agreement between Boston Beer Company Limited Partnership and Joseph E. Seagram & Sons, Inc. (incorporated by reference to Exhibit 10.16 to the Company's Registration Statement No. 33-96162). |
| 10.17 | Services Agreement and Fee Schedule of Mellon Bank, N.A. Escrow Agent Services for The Boston Beer Company, Inc. dated as of October 27, 1995 (incorporated by reference to Exhibit 10.17 to the Company's Registration Statement No. 33-96164). |
| 10.18 | Amendment to Revolving Credit Agreement between Fleet Bank of Massachusetts, N.A. and the Partnership (incorporated by reference to Exhibit 10.18 to the Company's Registration Statement No. 33-96164). |
| 10.19 | 1996 Stock Option Plan for Non-Employee Directors (incorporated by reference to the Company's Form 10-K, filed on March 31, 1997). |

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| <u>Exhibit No.</u> | <u>Title</u> |
|--------------------|--|
| +10.20 | Production Agreement between The Stroh Brewery Company and Boston Beer Company Limited Partnership, dated January 14, 1997 (incorporated by reference to the Company's Form 10-K, filed on March 31, 1997). |
| +10.21 | Letter Agreement between The Stroh Brewery Company and Boston Beer Company Limited Partnership, dated January 14, 1997 (incorporated by reference to the Company's Form 10-K, filed on March 31, 1997). |
| +10.22 | Agreement between Boston Beer Company Limited Partnership and The Schoenling Brewing Company, dated May 22, 1996 (incorporated by reference to the Company's Form 10-K, filed on March 31, 1997). |
| 10.23 | Revolving Credit Agreement between Fleet Bank of Massachusetts, N.A. and The Boston Beer Company, Inc., dated as of March 21, 1997 (incorporated by reference to the Company's Form 10-Q, filed on May 12, 1997). |
| +10.24 | Amended and Restated Agreement between Boston Brewing Company, Inc. and the Genesee ` Brewing Company, Inc. dated April 30, 1997 (incorporated by reference to the Company's Form 10-Q, filed on August 11, 1997). |
| +10.26 | Fifth Amendment, dated December 31, 1997, to Amended and Restated Agreement between Pittsburgh Brewing Company and Boston Brewing Company, Inc. (incorporated by reference to the Company's Form 10-K, filed on March 26, 1998). |
| 10.27 | Extension letters, dated August 19, 1997, November 19, 1997, December 19, 1997, January 22, 1998, February 25, 1998 and March 11, 1998 between The Stroh Brewery Company and Boston Brewing Company, Inc. (incorporated by reference to the Company's Form 10-K, filed on March 26, 1998). |
| +10.28 | Employee Equity Incentive Plan, as amended and effective on December 19, 1997 (incorporated by reference to the Company's Form 10-K, filed on March 26, 1998). |
| +10.29 | 1996 Stock Option Plan for Non-Employee Directors, as amended and effective on December 19, 1997 (incorporated by reference to the Company's Form 10-K, filed March 26, 1998). |
| +10.30 | Glass Supply Agreement between The Boston Beer Company and Owens' Brockway Glass Container Inc., dated April 30, 1998 (incorporated by reference to the Company's Form 10-Q, filed on August 10, 1998). |
| 10.31 | Extension letters, dated April 13, 1998, April 27, 1998, June 11, 1998, June 25, 1998 and July 20, 1998 between The Stroh Brewery Company and Boston Brewing Company, Inc. (incorporated by reference to the Company's Form 10-Q, filed on August 10, 1998). |
| +10.33 | Amended and Restated Production Agreement between The Stroh Brewery Company and Boston Beer Company Limited Partnership, dated November 1, 1998 (incorporated by reference to the Company's Form 10-K, filed on March 25, 1999). |
| 10.34 | Agreement between Boston Beer Company Limited Partnership, Pabst Brewing Company and Miller Brewing Company, dated February 5, 1999 (incorporated by reference to the Company's Form 10-K, filed on March 25, 1999). |
| 10.35 | Amendment to Revolving Credit Agreement between Fleet Bank of Massachusetts, N.A. and The Boston Beer Company, Inc., dated March 30, 1999 (incorporated by reference to the Company's Form 10-Q, filed on May 10, 1999). |

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| Exhibit No. | Title |
|--------------------|--|
| +10.36 | Agreement between Boston Beer Company Limited Partnership and Landstar Logistics and Transportation, dated January 9, 1999 (incorporated by reference to the Company's Form 10-Q, filed on May 10, 1999). |
| +10.37 | Consent to Assignment of the Amended and Restated Agreement between Boston Brewing Company, Inc. and the Genesee Brewing Company, Inc. dated April 30, 1997 to Monroe Brewing Co., LLC (now known as High Falls Brewing Company, LLC) dated December 15, 2000 (incorporated by reference to the Company's 10-K, filed on March 30, 2001). |
| +10.38 | Guaranty of The Genesee Brewing Company, Inc. dated December 15, 2000 in favor of Boston Brewing Company, Inc., for itself and as the sole general partner of Boston Beer Company Limited Partnership in connection with the Consent of Assignment of the Amended and Restated Agreement between Boston Brewing Company, Inc. and the Genesee Brewing Company, Inc. dated April 30, 1997 to Monroe Brewing Co., LLC (now known as High Falls Brewing Company, LLC) dated December 15, 2000 (incorporated by reference to the Company's 10-K, filed on March 30, 2001). |
| +10.39 | Second Amended and Restated Agreement between Boston Beer Corporation and High Falls Brewing Company, LLC effective as of April 15, 2002 (incorporated by reference to the Company's 10-Q, filed on August 13, 2002). |
| +10.40 | Guaranty Release Agreement by and between GBC Liquidating Corp., formerly known as The Genesee Brewing Company, Inc., and Boston Beer Corporation, d/b/a The Boston Beer Company dated April 22, 2002 (incorporated by reference to the Company's 10-Q, filed on August 13, 2002). |
| 10.41 | Second Amended and Restated Credit Agreement between The Boston Beer Company, Inc. and Boston Beer Corporation, as Borrowers, and Fleet National Bank, effective as of July 1, 2002 (incorporated by reference to the Company's 10-Q, filed on August 13, 2002). |
| +10.42 | Brewing Services Agreement between Boston Beer Corporation and City Brewing Company, LLC, effective as of July 1, 2002 (incorporated by reference to the Company's 10-Q, filed on November 12, 2002). |
| +10.43 | Brewing Services Agreement between Boston Beer Corporation and Matt Brewing Co., Inc. dated as of March 15, 2003 (incorporated by reference to the Company's 10-K, filed on March 27, 2003). |
| *11.1 | The information required by exhibit 11 has been included in Note D of the notes to the consolidated financial statements. |
| 14.1 | Code of Business Conduct and Ethics adopted by the Board of Directors on December 17, 2002 (incorporated by reference to the Company's 10-K, filed on March 27, 2003). |
| 21.1 | List of subsidiaries of The Boston Beer Company, Inc. (incorporated by reference to the Company's Form 10-K, filed on March 28, 1997). |
| 21.2 | List of subsidiaries of The Boston Beer Company, Inc. effective as of December 30, 2000 (incorporated by reference to the Company's Form 10-K, filed on March 30, 2001) |
| 21.3 | List of subsidiaries of The Boston Beer Company, Inc. effective as of March 30, 2002 (incorporated by reference to the Company's Form 10-Q, filed on May 14, 2002). |
| 21.4 | List of subsidiaries of The Boston Beer Company, Inc. effective as of December 28, 2002 (incorporated by reference to the Company's Form 10-K, filed on March 27, 2003). |

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| Exhibit No. | Title |
|-------------|---|
| *99.1 | Certification of the President and Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| *99.2 | Certification of the Interim Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |

* Filed with this report.

+ Portions of this Exhibit were omitted pursuant to an application for an order declaring confidential treatment filed with the Securities and Exchange Commission.

(b) Reports on Form 8-K.

On April 2, 2003, the Company filed a report under Item 5 on Form 8-K with the Securities and Exchange Commission.

On April 15, 2003, the Company filed a report under Item 9 on Form 8-K with the Securities and Exchange Commission.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this Form 10-Q to be signed on its behalf by the undersigned thereunto duly authorized.

THE BOSTON BEER COMPANY, INC.
(Registrant)

Date: May 13, 2003

By: /s/ Martin F. Roper

Martin F. Roper
President and Chief Executive Officer
(principal executive officer)

Date: May 13, 2003

By: /s/ Monica M. Martin

Monica M. Martin
Interim Chief Financial Officer (principal
accounting and financial officer)

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I, Martin F. Roper, President and Chief Executive Officer of The Boston Beer Company, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of The Boston Beer Company, Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:
 - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this quarterly report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 13, 2003

/s/ Martin F. Roper

Martin F. Roper, President and Chief
Executive Officer
[Principal Executive Officer]

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I, Monica M. Martin, Interim Chief Financial Officer of The Boston Beer Company, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of The Boston Beer Company, Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:
 - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this quarterly report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 13, 2003

/s/ Monica M. Martin

Monica M. Martin, Interim Chief
Financial Officer
[Principal Financial Officer]

The Boston Beer Company, Inc.

Certification Pursuant To
18 U.S.C. Section 1350,
As Adopted Pursuant To
Section 906 of the Sarbanes/Oxley Act of 2002

In connection with the Quarterly Report of The Boston Beer Company, Inc. (the "Company") on Form 10-Q for the period ended March 29, 2003 as filed with the Securities and Exchange Commission (the "Report"), I, Martin F. Roper, President and Chief Executive Officer of the Company, certify, pursuant to Section 1350 of Chapter 63 of Title 18, United States Code, that this Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in this Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 13, 2003

/s/ Martin F. Roper

Martin F. Roper
President and Chief Executive
Officer

The Boston Beer Company, Inc.

Certification Pursuant To
18 U.S.C. Section 1350,
As Adopted Pursuant To
Section 906 of the Sarbanes/Oxley Act of 2002

In connection with the Quarterly Report of The Boston Beer Company, Inc. (the "Company") on Form 10-Q for the period ended March 29, 2003 as filed with the Securities and Exchange Commission (the "Report"), I, Monica M. Martin, Interim Chief Financial Officer of the Company, certify, pursuant to Section 1350 of Chapter 63 of Title 18, United States Code, that this Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in this Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 13, 2003

/s/ Monica M. Martin

Monica M. Martin,
Interim Chief Financial Officer