UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)
[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15 (D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended DECEMBER 26, 1998

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: 1-14092

THE BOSTON BEER COMPANY, INC.
(Exact name of registrant as specified in its charter)

MASSACHUSETTS	04-3284048
(State or other jurisdiction of incorporation or organization)	(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)

SECURITIES REGISTERED PURSUANT TO SECTION 12(B) OF THE ACT:

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
CLASS A COMMON STOCK................	NYSE.....................................

SECURITIES REGISTERED PURSUANT TO SECTION 12(G) OF THE ACT: 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 X No___

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulations S-K is not contained herein, and will not be contained, to the best of the 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. [_]

The aggregate market value of the Class A Common Stock ($.01 par value) held by non-affiliates of the Registrant totaled $130,294,142 (based on the closing price of the Company's Class A Common Stock on the New York Stock Exchange on March 12, 1999). All of the Registrant's Class B Common Stock ($.01 par value) is held by an affiliate.

As of March 12, 1999 there were 16,415,010 shares outstanding of the Company's

Class A Common Stock ($.01 par value) and 4,107,355 shares outstanding of the Company's Class B Common Stock ($.01 par value).

DOCUMENTS INCORPORATED BY REFERENCE

Certain parts of the Registrant's definitive Proxy Statement for its 1999 Annual Meeting to be held on June 1, 1999 are incorporated by reference into Part III of this report.

THE BOSTON BEER COMPANY, INC.
FORM 10-K FOR THE PERIOD ENDED DECEMBER 26, 1998

PART 1

ITEM 1. BUSINESS

GENERAL

The Boston Beer Company, Inc. ("Boston Beer" or the "Company") is the largest craft brewer and the seventh overall largest brewer in the United States. In fiscal 1998, Boston Beer sold 1,153,000 barrels of its proprietary products and brewed 74,000 barrels under contract for third parties.

The Company produced a total of eighteen beers under the Boston Beer Company name, four beers under the Oregon Beer and Brewing Company name and three cider products during 1998. In addition to Samuel Adams Boston Lager(R), the flagship brand, seventeen beers were produced under the Samuel Adams(R) label: Boston Ale(R), Lightship(R), Cream Stout, Honey Porter, Scotch Ale, Double Bock, Triple Bock(R), Octoberfest, Winter Lager(R), Cherry Wheat, Summer Ale, Cranberry Lambic, Golden Pilsner, White Ale, Boston Cream(TM), Spring Ale and Boston IPA. The Company produced four beers under the Oregon Original(TM) label: Indian Pale Ale, Nut Brown Ale, Raspberry Wheat and Honey Ale. Three cider products were produced under the HardCore(R) label: HardCore(R) Hard Crisp Cider, HardCore(R) Hard Cranberry Cider and HardCore(R) Black Cider.

Boston Beer brews its beers at five contract breweries and two Company-owned breweries. The Company-owned breweries are located in Cincinnati, Ohio (the "Cincinnati Brewery") and Boston, Massachusetts (the "Boston Brewery"). The five contract breweries are located in Lehigh Valley, Pennsylvania (the "Allentown Brewery"), Portland, Oregon (the "Portland Brewery"), Rochester, New York (the "Genesee Brewery"), Pittsburgh, Pennsylvania (the "Pittsburgh Brewery"), and Lake Oswego, Oregon (the "Saxer Brewery").

The Company's principal executive offices are located at 75 Arlington Street, 5th Floor, Boston, Massachusetts 02116, and its telephone number is (617) 368-5000.

INDUSTRY BACKGROUND

The Company's products are positioned in the "Better Beer" segment of the beer industry, which includes craft beers and most imports (excluding imported beers sold at lower, domestic prices primarily along the Canadian and Mexican border). Along with imports and other craft beers, the Company's beers are viewed as a more flavorful, higher priced and a more intriguing alternative to the domestic beers which make up approximately 90% of beer consumption in the United States. The Better Beer segment is approximately 10% of United States beer consumption and has been averaging approximately 5-10% compounded growth per year, over the last twenty years.

The Company is the largest craft brewer in the United States and Samuel Adams Boston Lager(R) is the third largest brand in the Better Beer segment of the United States brewing industry, trailing only Corona and Heineken. The craft beer segment is a sub-set of the Better Beer segment. The terms craft brewer and micro-brewer are often used interchangeably by consumers and within the industry to mean a small, independent brewer whose predominant product is brewed with only traditional brewing processes and ingredients. Craft brewers include contract brewers, small regional brewers, and brewpubs. Craft beers are full-flavored beers brewed by craft brewers with higher quality hops, malted barley, yeast and water, but without adjuncts such as rice, corn or stabilizers, and without water dilution used in mass-produced beer. The Company estimates that in 1998 the craft brew segment accounted for approximately 5 million barrels. Over the five-year period ended December 31, 1998, craft beer shipments have grown at a compounded annual rate of approximately 30%, while total beer industry shipments in the United States have remained substantially level. It should be noted, however, that growth rates experienced in 1993 and 1994 were significantly higher than recent years. During 1998, craft beer sales were relatively flat, while the growth of the overall Better Beer category continued in line with its historic trends.

The primary cause for the growth of Better Beers is consumers' rediscovery of and demand for more traditional, full-flavored beers. Before Prohibition, the United States beer industry consisted of hundreds of small breweries that brewed such full-flavored beers. Since the end of Prohibition, domestic brewers have shifted production to less flavorful, lighter beers, which use lower cost ingredients, and can be mass-produced to take advantage of economies of scale in production and advertising. This shift toward these mass-produced beers has coincided with consolidation in the beer industry. Today, three major brewers (Anheuser Busch, Miller Brewing Company, and Coors Brewing Company) control approximately 80% of all United States beer shipments.

Per capita beer consumption in the United States has declined from its peak in the early 1980's. Although consumers began to drink less beer, consumption was focused on more flavorful or otherwise distinctive beers. In the early 1980's, this demand was met by imported beers from Holland, Germany, Canada, and Mexico. Beginning in the late 1980's, domestic craft brewers began selling

richer, more full-flavored beers, usually in small, local geographic markets, and later, through their own brewpubs. When Samuel Adams Boston Lager(R) was first brewed in 1984, only a handful of craft breweries existed, few of which distributed outside their immediate geographical areas. In response to increased consumer demand for more flavorful beers, the number of craft-brewed beers has increased dramatically. Currently there are more than 500 craft brewers and approximately 900 brewpubs. In addition to the many independent brewers, the three major brewers have all entered this craft market, either through developing their own beers or by acquiring, in whole or part, or forming partnerships with, existing craft brewers.

BUSINESS STRATEGY

The Company's business goal is to become the leading brewer in the Better Beer segment by creating and offering a wide variety of the highest quality full-flavored beers. The Company strives to achieve this goal by increasing brand awareness through point-of-sale, advertising and promotional programs, supported by a large, well-trained sales organization.

QUALITY ASSURANCE

As of December 26, 1998 the Company employed nine brewmasters and retained a world recognized brewing authority as a consulting brewmaster to monitor the Company's contract brewing operations and control the production of its beers. Over 125 tests, tastings, and evaluations are typically required to ensure that each batch of Samuel Adams(R) beer conforms to the Company's standards. For Samuel Adams(R) products, the Company uses only high quality hops grown in Europe. In addition to on-site quality control labs, its brewing department is supported by a quality control lab at the Boston Brewery. In order to ensure that its customers enjoy only the freshest beer, the Company includes a "freshness" date on every bottle of its Samuel Adams(R) and Oregon Original(TM) products. Boston Beer was among the first craft brewers to follow this practice.

PRODUCT INNOVATIONS

The Company is committed to developing new products in order to introduce beer drinkers to different styles of beer, promote the Samuel Adams(R) product line and remain the leading innovator. These new products allow the Samuel Adams(R) drinker to try new styles of beer while remaining loyal to the Samuel Adams(R) brand. In 1998, Boston Beer added two new styles to the Samuel Adams(R) product line, Spring Ale, a seasonal brand and Boston IPA, a year-round brand . Hardcore(R) Black Cider, a new cider product, was also introduced during 1998. The Company did not add to its Oregon Original(TM) line in 1998.

The Company continuously evaluates the performance of its various beer and cider brands and the rationalization of its product line, as a whole. Periodically, the Company discontinues certain styles. Brands discontinued during 1998 include Oregon Original(TM) Honey Ale, HardCore(R) Hard Cranberry Cider and Samuel Adams Boston Cream(TM). In 1997, the Company discontinued four beers brewed under the Longshot(R) label and two seasonal brands and one year-round brand brewed under the Oregon Original(TM) label.

BREWING

The Company believes that its strategy of contract brewing, which utilizes the excess capacity of other breweries, gives the Company flexibility as well as quality and cost advantages over its competitors. The Company carefully selects breweries with (i) the capability of utilizing traditional brewing methods, and (ii) first rate quality control capabilities throughout brewing, fermentation, finishing, and packaging. Furthermore, by brewing in multiple locations, the Company reduces its distribution costs and is better able to deliver fresher beer to its customers than other craft brewers with broad distribution from a single brewery.

While the Company currently plans to continue its contract-brewing strategy, effective March 1, 1997, the Company acquired all of the equipment and other brewery related personal property of an independent brewing company located in Cincinnati, Ohio. The Company believes this acquisition complements the contract breweries currently utilized by providing greater flexibility for brewing production . The Cincinnati Brewery is currently managed by the Samuel Adams Brewery Company, Ltd., a wholly owned affiliate of the Company. The results of operations of the Cincinnati Brewery, since the date of acquisition are included in the accompanying consolidated financial statements. The Company will periodically evaluate the advantages of acquiring additional breweries.

In addition to the Company's breweries in Boston and Cincinnati, the Company currently has relationships with four brewers who produce Samuel Adams(R) and Oregon Original(TM) lines of beers in the United States, each of which is described in greater detail below. The Company believes that its breweries and its contract brewers have sufficient capacity to brew anticipated future volume over the next five years.

THE SAMUEL ADAMS BREWERY COMPANY, LTD. Since the Company acquired the equipment and other brewery-related personal property of a brewery in Cincinnati, Ohio, on March 1, 1997, the Company has been brewing a majority of its styles in Cincinnati as

well as producing certain products for contract customers. If and when certain preconditions are met with respect to the land on which the brewery in Cincinnati is located, the Company will purchase the real property. The Samuel Adams Brewery Company, Ltd. is a wholly owned affiliate of the Company.

THE STROH BREWERY COMPANY. In November 1998, the Company entered into a new brewing contract (the "Stroh Contract") with the Stroh Brewing Company ("Stroh") for the production of Samuel Adams(R) beer products at Stroh's Allentown Brewery and Portland Brewery (the "Stroh Breweries").

Under the Stroh Contract, the Company paid Stroh a contract fee in consideration of the capacity levels which Stroh has committed to the Company over an extended period of time. For use of the facilities, Stroh charges the Company a per unit rate for production and the Company bears the costs of raw materials, excise taxes and deposits for case pallets and kegs.

On February 8, 1999, Stroh announced that it had reached definitive agreements to sell certain beer brands and the Allentown Brewery to Pabst Brewing Company ("Pabst") and certain brands to Miller Brewing Company ("Miller") (collectively, the "Stroh Transactions"). See the "Potential Transaction between Stroh Brewing Company and Pabst Brewing Company" under Item 7 in Management's Discussion and Analysis for further discussion.

THE GENESEE BREWING COMPANY. In May, 1997, the Company amended and restated its brewing contract with the Genesee Brewing Company ("Genesee") related to the production of Samuel Adams(R) beer products at the Genesee Brewery. The Company is charged a per unit rate for the production of beer, as well as the costs of raw materials and excise taxes that Genesee is obligated to pay. This agreement caps the maximum number of barrels that Genesee is obligated to produce for the Company. This agreement expires in December 2016; however, Genesee has the right to terminate this agreement if the volume of production during the immediately preceding 12-month period falls below certain levels. The Company has the right to terminate immediately with cause and, subject to certain stated notice periods, also based on the volume of production during the prior 12-months.

PITTSBURGH BREWING COMPANY. The Company has agreed to extend the current brewing contract with Pittsburgh Brewing Company ("Pittsburgh") through March 31, 1999 and will continue to negotiate a potential on-going brewing relationship for production at Pittsburgh's facility. The Company is currently charged a per unit rate for brewing, fermenting, and packaging, as well as the cost of raw materials.

THE SAXER BREWING COMPANY. In July 1994, the Company's subsidiary, Oregon Beer and Brewing Company, Inc. ("Oregon Beer"), entered into a brewing contract with Saxer Brewing Company ("Saxer") relating to the production of certain products specified by Oregon Beer, bearing the Company's "Oregon Original(TM)" trademark. Oregon Beer is charged a per unit rate for the production of beer, as well as the costs of raw materials and excise taxes that Saxer is obligated to pay as a result of products brewed for Oregon Beer. This agreement expires on July 1, 2004; however, Oregon Beer has the right to terminate the agreement immediately with cause and otherwise upon providing 45 days notice. Saxer has the right to terminate the contract upon twelve months' notice.

THE BOSTON BEER COMPANY BREWERY. The Company uses the Boston Brewery to develop new types of innovative and traditional beers and to supply, in limited quantities, certain beers for the local market. All of its beers are typically brewed at the Boston Brewery in the course of a year. Product development entails researching market needs and competitive products, sample brewing and market taste testing.

STRONG SALES AND DISTRIBUTION PRESENCE

Boston Beer sells its products through a sales force of approximately 175 people, which the Company believes is the largest of any craft brewer and one of the largest in the domestic beer industry. The Company sells its beer to a network of approximately 450 wholesale distributors, who then sell to retailers such as pubs, restaurants, grocery chains, package stores, and other retail outlets. The Company's sales force has a high level of product knowledge and is trained in the details of the brewing process and the sales process. Sales representatives typically carry hops, barley, and other samples to educate wholesale and retail buyers as to the quality and taste of the Company's beers. The Company has developed strong relationships with its distributors and retailers, many of which have benefited from the Company's premium pricing strategy and growth.

ADVERTISING AND PROMOTION

The Company has historically invested in advertising and promotional programs in efforts to build brand equity. The Company uses television, radio, outdoor advertising and trade print media as means of advertising. The Company works closely with its distributors and customers to develop and implement promotions designed to increase consumer awareness and sales. On-premise promotions, where legal, include beer tastings, promotions, and extensive use of innovative, customized menu and table-top cards for visibility. Off-premise promotions, where legal, include sweepstakes, periodic discounts to retailers and other programs which often combine consumer, distributor, and retailer elements.

PRODUCTS MARKETED

The Company's product strategy is to create and offer a world class variety of traditional beers and to promote the Samuel Adams(R) product line. During 1998, the Company marketed twelve year-round and six seasonal beers under the Samuel Adams(R) brand name, four year-round beers under the Oregon Original(TM) brand name and three ciders under the HardCore(R) brand name. The Company's Samuel Adams Boston Lager(R) has historically accounted for the majority of the Company's sales. The following is a list of continuing styles as of December 26, 1998.

BEERS	YEAR FIRST BREWED OR INTRODUCED
Year-Round Beers	
Samuel Adams Boston Lager(R)	1984
Samuel Adams Boston Ale(R)	1987
Boston Lightship(R)	1987
Samuel Adams(R) Cream Stout	1993
Samuel Adams(R) Honey Porter	1994
Samuel Adams Triple Bock(R)	1994
Samuel Adams(R) Scotch Ale	1995
Samuel Adams Cherry Wheat(R)	1995
Samuel Adams(R) Golden Pilsner	1996
Samuel Adams(R) White Ale	1997
Samuel Adams(R) Boston I.P.A.	1998
Oregon Original(TM) India Pale Ale	1994
Oregon Original(TM) Nut Brown Ale	1994
Oregon Original(TM) Raspberry Wheat	1995
Seasonal Beers	
Samuel Adams(R) Double Bock	1988
Samuel Adams(R) Octoberfest	1989
Samuel Adams(R) Winter Lager(R)	1989
Samuel Adams(R) Cranberry Lambic	1989
Samuel Adams(R) Summer Ale	1996
Samuel Adams(R) Spring Ale	1998
CIDERS	
HardCore(R) Hard Crisp Cider	1997
HardCore(R) Black Cider	1998

The Company continuously evaluates the performance of its various beer and cider brands and the rationalization of its product line, as a whole. Periodically, the Company discontinues certain styles. Brands discontinued during 1998 include Oregon Original(TM) Honey Ale, HardCore(R) Hard Cranberry Cider and Samuel Adams Boston Cream(TM). Brands discontinued during 1997 included four beers brewed under the Longshot(R) label and two seasonal brands and one year-round brand brewed under the Oregon Original(TM) label.

INGREDIENTS AND PACKAGING

The Company has been successful to date in obtaining sufficient quantities of the ingredients used in the production of its beers. These ingredients include:

MALT. The Company plans to purchase the malt used in the production of its beer from two suppliers during 1999 as compared to four suppliers during 1998. The two-row varieties of barley used in the Company's malt are grown in the United States and Canada.

HOPS. The Company currently buys principally Noble hops for its Samuel Adams(R) beers. Noble hops are varieties from specific growing areas usually recognized for superior taste and aroma properties and include Hallertau-Hallertauer, Tettnang-Hallertauer, Tettnang-Tettnanger, and Spalt-Spalter from Germany, and Bohemian Saaz from the Czech Republic. Noble hops are rarer and more expensive than other varieties of hops. Traditional English hops, East Kent Goldings and English Fuggles, are used in the Company's ales. The Company has yet to find alternative hops which duplicate the flavor and aroma of the Noble hops and traditional English ale

hops. As a result, the Company must purchase sufficient quantities of these Noble hops to continue to meet its sales demands. The Company stores its hops in multiple cold storage warehouses to minimize the impact of a catastrophe at a single site.

The Company purchases its hops from hops dealers, the largest of which has accounted for between 41% and 57% of annual hop purchases over the past three years. The Company enters into purchase commitments for hops based upon forecasted future requirements, among other factors. In recent years the Company's rate of sales growth has declined, resulting in an increase in hops inventory. As a result, existing purchase commitments may exceed projected future needs over the life of such commitments. The Company recorded a provision of $2.8 million in 1998 to reserve for excess purchase commitments. In addition, in 1998 the Company recorded a $1.2 million charge associated with the cancellation of purchase commitment contracts. There were no reserves for hops contract losses required, or contract cancellation costs incurred, in 1997 or 1996. The Company will continue to make efforts to manage excess inventory levels and commitments. The computation of the excess purchase commitment reserve requires management to make certain assumptions regarding future sales growth, product mix, cancellation costs and supply, among others. Actual results may differ materially from management's estimates.

The Company's hops contracts are denominated in German marks or English pounds, depending on the location of the supplier. Prior to late 1996, the Company had, as a practice, not hedged the foreign currency risk associated with these contracts. Historically, the Company's gains and losses from exchange rate volatility were not material. In late 1996 and 1997, the Company hedged some of its currency risks. However, the Company's recent actions to reduce its excess hop commitments or defer its obligation to accept the hops resulted in foreign exchange losses of $471,000 for the year ended December 26, 1998. The Company had no foreign currency forward contracts outstanding as of December 26, 1998.

YEAST. The Company maintains a supply of proprietary strains of yeast that it supplies to its contract brewers. Since these yeasts would be impossible to duplicate if destroyed, the Company maintains supplies in several locations. In addition, the Company's contract brewers maintain a supply of yeasts that are reclaimed from the batches of beer brewed. The contract brewers are obligated by their brewing contracts to use proprietary strains of yeasts only to brew the Company's beers and such yeasts cannot be used without the Company's approval to brew any other beers produced at the respective breweries.

PACKAGING MATERIALS. The Company maintains competitive sources for the supply of packaging materials, such as shipping cases, six-pack carriers and crowns. Currently, glass and labels are each supplied by a single source, although the Company believes that alternative suppliers are available. The Company enters into limited term supply agreements with certain vendors in order to receive preferential pricing.

SALES AND MARKETING

The Company's products are sold to independent distributors through a large field sales force. With few exceptions, the Company's products are not the primary brands in the distributor's portfolio. Thus, the Company, in addition to competing with other beers for a share of the consumer's business, competes with other beers for a share of the distributor's attention, time, and selling efforts. The Company considers its distributors its primary customers and is focused on the relationship it has with its distributors.

Late in 1998, Miller Brewing Company introduced a new contract with its distributors that seeks to impose new requirements on distributors so as to focus the distributor's attention, time, selling effort and investment on Miller products. The Company distributes its products through independent distributors who may also distribute Miller products. These new contracts may affect the way distributors allocate selling effort and investment to the brands that they distribute and may adversely affect the distributors' support of the Company's brands. The effect on the Company of the new Miller contract is uncertain as Miller distributors represent a significant part of the Company's distribution network. The Company closely monitors these and other trends in its distributor network, and develops programs and tactics intended to best position its products in the market.

In addition to this distributor focus, the Company has set up its sales organization to include retail account specialists, both on-premise and off-premise. The sales organization is designed to develop and strengthen relations at each level of the three tier distribution system by providing educational and promotional programs encompassing distributors, retailers and consumers.

The Company has also engaged in extensive media campaigns, primarily radio, television, billboards and trade print. The Company will continue to use radio extensively due to the Company's historical success with that medium. A new television campaign was launched during 1998 and the development of a new campaign for 1999 is currently in process. In addition, its sales force complements these efforts by engaging in sponsorships of cultural and community events, local beer festivals, industry-related trade shows, and promotional events at local establishments for sampling and awareness, where legal. All of these efforts are designed to stimulate consumer demand by educating consumers, retailers, and distributors, on the qualities of the Company's beers and ciders. The Company uses a wide array of point-of-sale items (banners, neons, umbrellas, glassware, display pieces, signs and menu stands) designed to stimulate impulse sales and continued awareness.

DISTRIBUTION

The Company distributes its beers in every state in the United States, as well as the District of Columbia, Puerto Rico, the United States Virgin Islands and Guam. The Company distributes its beer through a network of over 450 distributors. During 1998, the Company's largest distributor accounted for approximately 5% of the Company's net sales. No other distributor accounted for more than 3% of the Company's net sales during 1998. In some states, the terms of the Company's contracts with its distributors may be affected by laws that restrict enforceability of some contract terms, especially those related to the Company's right to terminate the services of its distributors. The Company also distributes its beers to Canada, France, Germany, Hong Kong, Japan, Sweden, Switzerland, the United Kingdom, Australia and other Caribbean islands. Exports represented less than 1% of 1998 revenues.

The Company typically receives orders by the fifth of a month with respect to products to be shipped the following month. Products are shipped within days of completion and, accordingly, there has historically not been any significant product order backlog.

COMPETITION

The craft-brewed and Better Beer segments of the United States beer market are highly competitive due to continuing product proliferation from craft brewers and the recent gains in market share achieved by imported beers. The Company's products also compete with other alcoholic beverages, including other segments of the beer industry and low alcohol products. The Company competes with other beer and beverage companies not only for consumer acceptance and loyalty but also for shelf and tap space in retail establishments and for marketing focus by the Company's distributors and their customers. The principal factors of competition in the Better Beer segment of the beer industry include product quality and taste, brand advertising, trade and consumer promotions, pricing, packaging and the development of new products. The competitive advantage of the Company is enhanced by its uncompromising product quality, its development of new beer styles, innovative point of sale materials, a large sales force, tactical introduction of seasonal beers and pricing strategies generating above-average profits to distributors and retailers.

Since the Company began in 1984, there has been a dramatic increase of new entrants to the craft beer segment. The Company anticipates competition among craft brewers to intensify as existing craft brewers retrench to their key markets and core brands. While some of the smaller craft brewers have already left the marketplace, new entrants into the market continue and competition, overall, is high. In addition, large brewers have developed or are developing niche brands and are acquiring interests in small brewers to compete in the craft-brewed segment of the domestic beer market.

Imported beers have recently gained market share and volumes within the growing Better Beer segment as they continue to compete aggressively in the United States. These competitors may have substantially greater financial resources, marketing strength, and distribution networks than the Company. The Company believes that it may benefit from the success of the imported beers as they educate beer drinkers about the Better Beer segment and as they increase the pool of Better Beer drinkers.

The Company competes directly with craft beers, including those trademarked under Sierra Nevada, Pete's Wicked, Redhook, and Pyramid and import beers such as Corona, Heineken, Beck's and Guinness, among others. Niche beers produced by affiliates of certain major domestic brewers such as Anheuser-Busch, Miller Brewing Company and Coors Brewing Company, also compete with the Company's products.

Management believes that as the industry consolidates, Boston Beer will be in a position to leverage its strengths and successfully compete in a maturing market. The Company has competitive advantages over the regional craft brewers as a significant portion of the Company's products are produced utilizing a contract brewing strategy, which provides greater flexibility and lower initial capital costs. The use of contract brewing frees up capital for other uses and allows the Company to brew its beer closer to major markets around the country, while providing fresher beer to customers and affording lower transportation costs. The Company also believes that its acquisition of the Cincinnati Brewery, where it previously contract-brewed its beers, complements its strategy of contract brewing while providing added flexibility of production. The Company also believes that its products enjoy competitive advantages over imported beers, including lower transportation costs, no import charges, and superior product freshness.

ALCOHOLIC BEVERAGE REGULATION AND TAXATION

The manufacture and sale of alcoholic beverages is a highly regulated and taxed business. The Company's operations are subject to more restrictive regulations and increased taxation by federal, state, and local governmental entities than are those of non-alcohol related beverage businesses. Federal, state, and local laws and regulations govern the production and distribution of beer. These laws and regulations govern permitting, licensing, trade practices, labeling, advertising, marketing, distributor relationships, and related matters. Federal, state, and local governmental entities also levy various taxes, license fees, and other similar charges and may require bonds to ensure compliance with applicable laws and regulations. Failure by the Company to comply with applicable federal, state, or local laws and regulations could result in penalties, fees, suspension, or revocation of permits, licenses, or approvals. There can be no assurance that other or more restrictive laws or regulations will not be enacted in the future.

LICENSES AND PERMITS

The Company produces and sells its beers to distributors pursuant to a federal wholesaler's basic permit. Brewery and wholesale operations require various federal, state, and local licenses, permits, and approvals. In addition, some states prohibit wholesalers and/or retailers from holding an interest in any supplier, such as the Company. Violation of such regulations can result in the loss or revocation of existing licenses by the wholesaler, retailer, and/or the supplier. The loss or revocation of any existing licenses, permits, or approvals, and/or failure to obtain any additional or new licenses, could have a material adverse effect on the ability of the Company to conduct its business. On the federal level, brewers are required to file an amended notice with the Bureau of Alcohol, Tobacco and Firearms ("BATF") in the event of a material change in the brewing process, brewing equipment, brewery's location, brewery's management, or a material change in the brewery's ownership. The Company's operations are subject to audit and inspection by the BATF at any time.

On the state and local level, some jurisdictions merely require notice of any material change in the operations, management, or ownership of a permittee or licensee. Some jurisdictions require advance approvals and require that new licenses, permits, or approvals must be applied for and obtained in the event of a change in the management or ownership of the permittee or licensee. State and local laws and regulations governing the sale of beer within a particular state by an out-of-state brewer or wholesaler vary from locale to locale.

The BATF permits and brewer's registrations can be suspended, revoked, or otherwise adversely affected for failure to pay tax, keep proper accounts, pay fees, bond premises, abide by federal alcoholic beverage production and distribution regulations and to notify the BATF of any change (as described above), or if holders of 10% or more of the Company's equity securities are found to be of questionable character. Permits, licenses and approvals from state regulatory agencies can be revoked for many of the same reasons.

Because of the many and various state and federal licensing and permitting requirements, there is a risk that one or more regulatory agency could determine that the Company has not complied with applicable licensing or permitting regulations or does not maintain the approvals necessary for it to conduct business within its jurisdiction. There can be no assurance that any such regulatory action would not have a material adverse effect upon the Company or its operating results.

TAXATION

The federal government and all of the states levy excise taxes on alcoholic beverages, including beer. For brewers producing no more than 2.0 million barrels of beer per calendar year, the federal excise tax is $7.00 per barrel on the first 60,000 barrels of beer removed for consumption or sale during a calendar year, and $18.00 per barrel for each barrel in excess of 60,000. For brewers producing more than 2 million barrels of beer in a calendar year, the federal excise tax is $18.00 per barrel. As the brewer of record of its beers, the Company has been able to take advantage of this reduced tax on the first 60,000 barrels of its beers produced. Individual states also impose excise taxes on alcoholic beverages in varying amounts, which have also been subject to change. The state excise taxes are usually paid by the Company's distributors.

In addition, the federal government and each of the states levy taxes on hard cider. Prior to October 1997, hard cider had always been taxed as a wine under the Federal wine excise tax at the rate of $1.07 per gallon ($33.17 per barrel) for non-effervescent hard cider, which is the classification in which the Company's HardCore(R) product was included. However, effective October 1, 1997, the federal government passed an amendment modifying the tax treatment of hard cider, by lowering the federal excise tax rate on qualifying hard cider to 22.6 cents per gallon ($7.01 per barrel). Sales of the Company's HardCore(R) products represented less than 3% of the volume of all of the Company's products during 1998.

Congress and state legislators routinely consider various proposals to impose additional excise taxes on the production and distribution of alcoholic beverages, including beer and hard cider. Further increases in excise taxes on beer and/or hard cider, if enacted, could result in a general reduction of sales for the affected products.

TRADEMARKS

The Company has obtained United States Trademark Registrations for the marks Samuel Adams(R), the design logo of Samuel Adams, Samuel Adams Boston Lager(R), Boston Ale(R), Lightship(R), Winter Lager(R), Triple Bock(R), LongShot(R), HardCore(R), Oregon Original(TM) and other marks. The Samuel Adams(R) mark and the Samuel Adams Boston Lager(R) mark (including the design logo of Samuel Adams) and other Company marks are also registered or registration is pending in various foreign countries. The Company regards its "Samuel Adams" and other trademarks as having substantial value and as being an important factor in the marketing of its products. The Company is not aware of any infringing uses that could materially affect its current business or any prior claim to the trademarks that would prevent the Company from using such trademarks in its business. The Company's policy is to pursue registration of its marks whenever possible and to oppose vigorously any infringements of its marks.

The Company occasionally grants, where permissible, short-term trademark licenses to independent retailers of its products.

In 1996, the Company entered into a license arrangement with Whitbread PLC, the fourth largest brewery in the United Kingdom, pursuant to which a new hybrid brew was developed and marketed under the trademark, "Boston Beer". The recipe was developed by Whitbread Beer Company, a subsidiary of Whitbread PLC, with assistance from the Company's brewers. The Company owns the trademarks for the new product and has granted Whitbread an exclusive license to use that trademark in Great Britain and Ireland. The Company receives a royalty from the sale of "Boston Beer".

On March 19, 1996, the Company entered into a Trademark License and Technical Assistance Agreement (the "Trademark Agreement") with Joseph E. Seagram & Sons, Inc. ("Seagram"), pursuant to which the Company licensed the "Devil Mountain" trademarks for use by Seagram on beers which Seagram developed, with technical assistance from the Company. The Trademark Agreement was canceled during 1998 and the Company does not expect to receive any additional royalty payments during 1999.

In addition, the Company has licensed its trademark, "Samuel Adams Brew House(R)", "Sam Adams Brew House(R)" and various related marks to certain entities for purposes of establishing licensed Brew Houses at airport locations and elsewhere. The Company does not receive a royalty pursuant to these license arrangements.

ENVIRONMENTAL REGULATIONS AND OPERATING CONSIDERATIONS

The Company's operations are subject to a variety of extensive and changing federal, state, and local environmental laws, regulations, and ordinances that govern activities or operations that may have adverse effects on human health or the environment. Such laws, regulations or ordinances may impose liability for the cost of remediating, and for certain damages resulting from, sites of past releases of hazardous materials. The Company believes that it currently conducts, and in the past has conducted, its activities and operations in substantial compliance with applicable environmental laws, and believes that any costs arising from existing environmental laws will not have a material adverse effect on the Company's financial condition or results of operations. There can be no assurance, however, that environmental laws will not become more stringent in the future or that the Company will not incur costs in the future in order to comply with such laws.

The Company's operations are subject to certain hazards and liability risks faced by all brewers, such as potential contamination of ingredients or products by bacteria or other external agents that may be wrongfully or accidentally introduced into products or packaging. While the Company has never experienced a contamination problem in its products, the occurrence of such a problem could result in a costly product recall and serious damage to the Company's reputation for product quality, as well as give rise to product liability claims. The Company and its contract brewers maintain insurance which the Company believes is sufficient to cover any claims which might result from a contamination problem in its products.

EMPLOYEES

As of March 12, 1999, the Company employed approximately 335 employees, of which sixty-seven were covered by collective bargaining agreements at the Cincinnati Brewery. The representation involves three labor unions, all of whom are under contracts expiring in 2001 or 2002. The Company believes it maintains a good working relationship with those labor unions and has no reason to believe that a good working relationship will not continue. The Company has experienced no work stoppages and believes that its employee relations are good.

ITEM 2. PROPERTIES

The Company maintains its principal corporate offices and a brewery in Boston, Massachusetts and a brewery in Cincinnati, Ohio. The Company also maintains sales and administrative offices in California and Tennessee. The Company currently leases all of its facilities. However, upon satisfaction of certain pre-conditions, the Company is committed to purchase the brewery-related real estate in Cincinnati. The Company believes that its facilities are adequate for its current needs and that suitable additional space will be available on commercially acceptable terms as required.

ITEM 3. LEGAL 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 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There were no matters submitted to a vote of security holders during the fourth quarter ended December 26, 1998.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The Company's Class A Common Stock is listed for trading on the New York Stock Exchange. The Company's NYSE symbol is SAM. For the fiscal periods indicated, the high and low per share sales prices for the Class A Common Stock of the Boston Beer Company, Inc. as reported on the New York Stock Exchange-Composite Transaction Reporting System were as follows:

Fiscal 1998	HIGH	LOW
First Quarter	$10.0000	$7.6250
Second Quarter	$12.4380	$8.9380
Third Quarter	$12.7500	$6.5000
Fourth Quarter	$ 9.2500	$6.5000

Fiscal 1997	HIGH	LOW
First Quarter	$10.8750	$8.0000

Second Quarter	$10.6250	$8.1250
Third Quarter	$10.0000	$8.2500
Fourth Quarter	$11.0000	$7.8125

There were 17,626 holders of record of the Company's Class A Common Stock as of March 12, 1999. Excluded in the number of stockholders of record are stockholders who hold shares in "nominee" or "street" name. The closing price per share of the Company's Class A Common Stock as of March 12, 1999, as reported under the New York Stock Exchange-Composite Transaction Reporting System, was $7.94.

The Company's Class B Common Stock is not listed for trading. However, each share of Class B Common Stock is convertible, at any time, at the option of the holder thereof, into one share of Class A Common Stock. As of March 12, 1999, C. James Koch was the sole holder of record of all the Company's Class B Common Stock then issued and outstanding.

The holders of the Class A and Class B Common Stock are entitled to dividends, on a share-for-share basis, only if and when declared by the Board of Directors of the Company out of funds legally available for payment thereof. Since its inception, the Company has not paid dividends and does not currently anticipate paying dividends on its Class A or Class B Common Stock in the foreseeable future. It should be further noted that under the terms of the existing credit agreement dated March 21, 1997, the Company is prohibited from paying dividends.

ITEM 6. SELECTED FINANCIAL DATA

THE BOSTON BEER COMPANY, INC.
SELECTED FINANCIAL DATA

	Year Ended				
	Dec. 26, 1998	Dec. 27, 1997	Dec. 28, 1996	Dec. 31, 1995	Dec. 31, 1994
	(in thousands, except per share data)				
INCOME STATEMENT DATA:					
Sales	$205,020	$209,490	$213,879	$169,362	$128,077
Less excise taxes	21,567	25,703	22,763	18,049	13,244
Net sales	183,453	183,787	191,116	151,313	114,833
Cost of Sales	89,393	89,998	95,786	73,847	52,851
Gross Profit	94,060	93,789	95,330	77,466	61,982
Advertising, promotional and selling expenses	66,928	69,537	70,131	60,461	46,503
General and administrative	12,528	11,666	12,042	7,585	6,593
Total operating expenses	79,456	81,203	82,173	68,046	53,096
Operating income	14,604	12,586	13,157	9,420	8,886
Other (expense) income, net	(238)	695	1,714	959	199
Income before provision for income taxes	14,366	13,281	14,871	10,379	9,085
Provision (benefit) for income taxes (1)	6,442	5,723	6,486	(2,195)	-
Net income	$ 7,924	$ 7,558	$ 8,385	$ 12,574	$ 9,085
Pro forma data:					
Income before provision for income taxes	n/a	n/a	n/a	$ 10,379	$ 9,085
Pro forma provision for income taxes (unaudited) (2)	n/a	n/a	n/a	4,483	3,765
Pro forma net income (unaudited) (2)	n/a	n/a	n/a	$ 5,896	$ 5,320
Earnings per share - basic	$ 0.39	$ 0.37	$ 0.42	-	-
Earnings per share - diluted	$ 0.39	$ 0.37	$ 0.41	-	-
Pro forma earnings per share - basic (unaudited) (2)	-	-	-	$ 0.35	$ 0.32
Pro forma earnings per share - diluted (unaudited) (2)	-	-	-	$ 0.33	$ 0.29
Weighted average shares outstanding - basic (3)	20,486	20,324	19,970	16,991	16,642
Weighted average shares outstanding - diluted (3)	20,565	20,490	20,352	17,906	18,128
STATISTICAL DATA:					
Barrels sold	1,227	1,352	1,213	961	714
Net sales per barrel (4)	$ 150	$ 136	$ 158	$ 158	$ 161
Employees (4)	349	335	253	196	138
Net sales per employee (4)	$ 526	$ 549	$ 755	$ 772	$ 832
BALANCE SHEET DATA:					
Working capital	$ 52,049	$ 50,550	$ 47,769	$ 45,266	$ 3,996
Total assets	$122,689	$105,399	$ 97,115	$ 76,690	$ 31,776

Total long term obligations	$ 3,234	$ 10,789	$ 1,800	$ 1,875	$ 1,950
Total partners'/stockholders' equity	$ 82,028	$ 71,284	$ 64,831	$ 54,798	$ 6,600
Dividends	-	-	-	-	-

(1) In 1995, the Company recorded a one-time tax benefit of $2.0 million upon change in tax status of the entity, and a tax benefit of $235,000 for the period November 21, 1995 to December 31, 1995.

(2) Reflects pro forma provisions for income taxes using statutory federal and state corporate income tax rates that would have been applied had the Company been required to file income tax returns during the indicated period.

(3) Reflects weighted average number of common and common equivalent shares of the Class A and Class B Common Stock assumed to be outstanding during the respective periods. For the years ended December 31, 1995 and December 31, 1994, shares reflect pro forma weighted average numbers.

(4) On March 1, 1997, the Company acquired the equipment and other brewery-related property of a brewery in Cincinnati, Ohio.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

BUSINESS ENVIRONMENT

The Boston Beer Company is engaged in the business of brewing and selling beer, ale and cider products primarily in the domestic market and, to a lesser extent, in selected international markets. The alcoholic beverage industry is highly regulated at the federal, state and local levels. The Federal Treasury Department's Bureau of Alcohol, Tobacco, and Firearms ("BATF") enforces laws under the Federal Alcohol Administration Act. The BATF is responsible for enacting excise tax laws which directly affect the Company's results of operations. State and regulatory authorities have the ability to suspend or revoke the Company's licenses and permits or impose substantial fines for violations. The Company has established strict guidelines in efforts to ensure compliance with all state and federal laws. However, the loss or revocation of any existing license or permit could have a material effect on the Company's business, results of operations, cash flows and financial position.

Boston Beer competes in what the Company defines as the "Better Beer" category, also referred to as the Specialty Beer category. The defining factors for "Better Beer" includes price, quality, image and taste, and are representative of imports and craft beers. The Company prices its beers at a premium compared to domestic mass-produced beers but at a level consistent with other beers in the Better Beer category. The Company believes that this pricing is appropriate given the quality and reputation of its core brands, while realizing that economic pricing pressures may affect future pricing levels.

Prior to the acquisition of the Cincinnati Brewery, the Company operated primarily with the strategy of contract brewing, which utilizes the excess capacity of other breweries. During 1998, approximately 70% of the Company's products were produced by utilizing the excess capacity of non company-owned breweries. This strategy provides the Company with flexibility in addition to quality and cost advantages and increased cash flows. The Company follows strict guidelines in selecting the appropriate brewery and monitoring the production process in order to ensure that quality and control standards are attained. The on-going ownership and on-going operation of breweries currently owned by the Stroh Brewing Company, where the Company produces a significant amount of its beer, are in doubt due to the proposed Stroh Transactions (see further discussion below under "Potential Transaction between Stroh Brewing Company and Pabst Brewing Company"). The Company does not believe that its results of operations, cash flows or financial position will be materially affected as a result of the Stroh Transactions. The Company believes that it will have adequate capacity for the production of its products for at least five years.

The Company faces competition from considerably larger companies with more resources, and from many smaller craft brewers that typically operate in locally-contained markets. The Better Beer category has become increasingly competitive over the past few years due to two primary factors : 1) a significant number of new entrants, primarily in locally-contained markets and 2) existing companies, primarily imports, competing more aggressively. As a result, the Company has lost share in the Better Beer segment and its revenue growth rate has become stagnant. As the market matures and the Better Beer category continues to consolidate, the Company believes that companies that are well-positioned in terms of brand equity, marketing and distribution will prosper. With approximately 450 distributors nationwide and 175 salespeople, a commitment to maintaining brand equity, and the quality of its beer, the Company believes it is well-positioned to compete in a maturing market.

The demand for the Company's products is subject to changes in consumers' tastes. Since the Company began brewing beer, one trend regarding consumers' preferences has been a shift towards more flavorful, higher quality beers, which has increased the demand for Better Beer products. The Company's product strategy is in line with this trend. However, certain of its styles appear to be adversely affected by a counter-trend toward more mainstream lighter styles. A change in consumer tastes or in the demand for Better Beer products may affect the Company's future results of operations, cash flows and financial position. The Company cannot predict whether the trend towards full-bodied, more flavorful beers will continue.

1997 BREWERY ACQUISITION

Effective March 1, 1997, the Company acquired all of the equipment and other brewery-related personal property of an independent brewing company located in Cincinnati, Ohio. The Company believes that owning a brewery will complement the contract brewery arrangements currently in place by providing greater flexibility for brewing production and adding to the Company's existing brewing capacity. The Cincinnati Brewery is currently managed by the Samuel Adams Brewery Company, Ltd., a wholly owned affiliate of the Company. The results of operations of the Cincinnati Brewery, since the date of acquisition, are included in the accompanying consolidated financial statements.

RESULTS OF OPERATIONS

Please refer to pages 36 and 37 for quarterly financial results of the Company.

For purposes of this discussion, Boston Beer's "core brands" include all products sold under the Samuel Adams(R), Oregon Original(TM) or HardCore(R) 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". Boston Beer's flagship brand is Samuel Adams Boston Lager ("Boston Lager").

The following table sets forth certain items included in the Company's consolidated statements of income as a percentage of net sales:

	YEARS ENDED		
	12/26/98	12/27/97	12/28/96
Barrels Sold (in 000's)	1,227	1,352	1,213
	PERCENTAGE OF NET SALES		
Sales	111.8%	114.0%	111.9%
Less Excise Taxes	11.8%	14.0%	11.9%

Net Sales	100.0%	100.0%	100.0%
Cost of Sales	48.7%	49.0%	50.1%
Gross Profit	51.3%	51.0%	49.9%
Advertising, promotional, and selling expenses	36.5%	37.8%	36.7%
General and administrative expenses	6.8%	6.4%	6.3%
Total operating expenses	43.3%	44.2%	43.0%
Operating income	8.0%	6.8%	6.9%
Other (expense) income, net	(0.1)%	0.4%	0.9%
Income before provision for income taxes	7.9%	7.2%	7.8%
Provision for income taxes	3.5%	3.1%	3.4%
Net income	4.4%	4.1%	4.4%

YEAR ENDED DECEMBER 26, 1998 COMPARED TO YEAR ENDED DECEMBER 27, 1997

SALES. Volume. Volume decreased by 125,000 barrels, of which 110,000 barrels was due to a decline in the production of non-core products. Total volume relating to non-core products was 74,000 barrels for the year ended December 26, 1998 as compared to 184,000 barrels for the year ended December 27, 1997. Management anticipates a continued decline in volume relating to non-core products.

Volume for Boston Beer's core brands declined by 15,000 barrels to 1,153,000 barrels for the year ended December 26, 1998. This decline was due to continued sales declines of the Oregon Original(TM) brands and other year-round beer styles, offset by an increase in the sale of Boston Lager and ciders. Sales for seasonal brands were flat during 1998 as compared to 1997. The decline in Oregon Original brands is partially due to the discontinuance of certain styles during 1997 and 1998. The single-digit growth in Boston Lager shipments is encouraging as this is the flagship brand and represents over 60% of total shipments. The decline in the year-round styles is indicative of the market continuing to mature as consumers become less inclined to experiment with new styles.

Selling Price. The selling price per barrel increased by $13.52, or 10.0% to $149.53 per barrel for the year ended December 26, 1998. This is partially due to a decline in sales of non-core products. Revenue contributed from non-core products is significantly lower per barrel than revenue contributed from core brands. The decline of shipments of non-core products improved average net sales by $11.51 per barrel, or 7.1%. The remaining increase in net selling price per barrel is due to normal price increases and to a lesser extent, changes in the packaging mix.

Significant changes in the packaging mix would have a material effect on sales. The Company packages its core brands in bottles and kegs. Assuming the same level of production, a shift in the mix from kegs to bottles would effectively increase revenue per barrel, as the price per equivalent barrel is greater for bottles than for kegs. The ratio of kegs to bottles declined only slightly in core brands to 28.5% of total shipments relating to kegs during 1998 from 29.3% in the prior year and therefore did not have a significant effect on revenue per barrel during 1998.

GROSS PROFIT. Gross profit, as a percentage of net sales, increased to 51.3% for the year ended December 26, 1998, as compared to 51.0% for the year ended December 27, 1997. Cost of sales decreased to 48.7% as a percentage of net sales for the year ended December 26, 1998, as compared to 49.0% for the year ended December 27, 1997. This is primarily due to a decline in barrels shipped related to non-core products, improvements in the production process at the Cincinnati Brewery, and lower costs of certain raw materials. Increases in hop inventory-related expenses and depreciation expense partially offset these declines.

The gross profit margin on non-core products is significantly lower than for core brands. Therefore, the decline in the non-core product volume increased gross profit per barrel for the Company as a whole. The decline in volume relating to non-core products resulted in an increase in gross profit as a percentage of net sales of approximately 1.1%. The Company anticipates a continued decline in volume relating to non-core products.

The Company recognized an expense of $2.8 million during 1998 in order to accrue for anticipated losses from existing hops purchase commitments. Additionally, the Company incurred expenditures of $1.2 million during 1998 relating to the cancellation of certain hops contracts. See "Hops Purchase Commitments" below for further discussion.

Depreciation expense increased by $933,000, or 27.5%, during 1998 as compared to 1997. This increase results from the depreciation of several capital assets acquired during 1997 relating to keg purchases and modifications to kegging and bottling lines at various breweries. In accordance with the Company's depreciation policy, one-half of a year's worth of depreciation is recognized during the year of acquisition.

Additional factors which may affect gross profit include changes in the packaging and product mix . The Company packages its core brands in bottles and kegs. While gross profit as a percentage of net sales is higher for kegs than for bottles, the per equivalent barrel gross profit is higher for bottles than for kegs, in absolute terms. Therefore, an increase in kegs as a percentage of physical volume while increasing the overall gross profit margin as a percentage of net sales, will deliver fewer absolute gross profit dollars with which to run the business. In 1998 keg sales as a percentage of total equivalent barrels of core brands declined to 28.5% from 29.3% in 1997. However, the gross profit per equivalent barrel increased in absolute dollars for both kegs and bottles due to revenue increases and cost decreases for both types of packages. The net result of the packaging mix shift and the per unit profit improvement was an increase in gross profit per equivalent barrel in both absolute and percentage terms in the core business.

Gross profit was not significantly affected during 1998 due to a change in product mix from the previous year. Seasonal and year-round beers can be more expensive to produce and the additional expenses may not be offset by increased pricing.

Gross profit is not significantly affected by changes in brewing locations. The Company attempts to minimize total costs, including freight, by shifting production between plants. During 1998, the Company shifted production in order to maximize utilization in the Cincinnati Brewery, while ensuring cost efficient production. During 1999, production may shift between plants as a result of the pending Stroh Transactions (see discussion below under "Potential Transaction between Stroh Brewing Company and Pabst Brewing Company"). The Company does not anticipate a material impact on gross profit as a result of the Stroh Transactions.

ADVERTISING, PROMOTIONAL, AND SELLING. Advertising, promotional, and selling expenses decreased as a percentage of net sales to 36.5% for the year ended December 26, 1998 from 37.8% for the year ended December 27, 1997. This decrease is primarily due to a decline in total salaries, other employee-related expenditures, local marketing and point of sale expenditures, which were partially offset by an increase in advertising expenditures.

The decline in salaries, other employee-related expenditures and local marketing expenditures is primarily due to a decline in sales personnel headcount of approximately 10% from the previous year. The Company reorganized the sales division during the first quarter of 1998 in efforts to achieve improved efficiencies. The Company remains committed to maintaining a strong and efficient sales force. In addition, improved policies and controls relating to sales-related expenditures contributed to the decline. Point of sale expenditures declined primarily due to increased utilization of internally-developed promotional and marketing campaigns. This has served to increase the quality and efficiency of brand development activities.

In fiscal year 1998, the Company increased its advertising expenditures by approximately 29.0% over expenditures in the prior year. Boston Beer launched a national television advertising campaign during the third quarter of 1998, the results of which are not yet clear. The Company anticipates launching another television campaign during 1999.

GENERAL AND ADMINISTRATIVE. General and administrative expenses increased by $862,000 or 7.4% as compared to the prior year. This increase is primarily due to a change in bad debt expense from a recovery of $617,000 during fiscal year 1997 to an expense of $246,000 during fiscal year 1998. The cash collections process was significantly improved during 1997 which resulted in the recovery of previously written-off amounts. Net of this factor, general and administrative expenses were flat as compared to the prior year.

INTEREST INCOME. Interest income increased by $377,000 due to an increase in average cash and short-term investments from approximately $36.9 million during 1997 to $43.5 million during 1998.

OTHER EXPENSE, NET. Other expense increased from $318,000 for the year ended December 27, 1997 to $1.8 million for the year ended December 26, 1998. This increase was primarily due to a $1.4 million loss realized on the sale of a marketable security in fiscal year 1998.

INCOME TAXES. The effective income tax rate increased to 44.8% for the year ended December 26, 1998 as compared to 43.1% for the year ended December 27, 1997. This increase is primarily due to the $1.4 million loss realized on the sale of a marketable equity security during 1998, as the Company does not expect to fully realize the tax benefit associated with such loss.

YEAR ENDED DECEMBER 27, 1997 COMPARED TO YEAR ENDED DECEMBER 28, 1996

SALES. Volume increased by 11.5% to 1.4 million barrels in fiscal year 1997 from 1.2 million barrels in fiscal year 1996. This increase in 1997, was due to the inclusion of 184,000 barrels of non-core products. The Company's core brands sold 3.7% fewer barrels in 1997 than in 1996; however, sales of Samuel Adams Boston Lager(R) and seasonal brands, which make up 73% of the Company's core brand sales, continued to increase. Despite this, net sales decreased by 4% to $183.8 million in 1997 from $191.1 million in 1996 (core brand sales decreased to $181.7 million in 1997), as sales of non-core products are at prices much lower than those of the Company's core brands. Net sales price per barrel decreased $21.62 due primarily to sales of non-core products.

GROSS PROFIT. Gross profit decreased to $93.8 million in fiscal year 1997 from $95.3 million in fiscal year 1996. Cost of sales decreased $12.40 per barrel to 49.0% of net sales in 1997 from 50.1% of net sales in 1996. This decrease was due principally to the following: a decrease in raw material costs, reduced packaging costs (due to a shift in the core brands package mix towards kegs, resulting in decreased packaging material costs), lower packaging obsolescence expense and lower freight and warehousing costs, offset by an increase in depreciation (principally on kegs & the Cincinnati Brewery assets) and a reduction of savings from re-used glass.

ADVERTISING, PROMOTIONAL, AND SELLING. Advertising, promotional, and selling expenses decreased by 0.8% to $69.5 million in fiscal year 1997 from $70.1 million in fiscal year 1996. The per barrel expense decreased by $6.39 to $51.43 in 1997 from $57.82 in 1996 primarily as a result of the additional non-promoted barrels from the Cincinnati Brewery (core brand expenses were $59.35 per barrel in 1997). As a percentage of net sales, advertising, promotional, and selling expenses increased to 37.8% in 1997 from 36.7% in 1996. The 0.8% decrease in expenditures reflected a change in marketing mix with increased emphasis on selling expenses.

GENERAL AND ADMINISTRATIVE. General and administrative expenses decreased by 3.1% to $11.7 million in fiscal year 1997 from $12.0 million in fiscal year

1996. This net decrease was primarily caused by a $2.4 million reduction in bad debt expense. This was partially offset by the inclusion of general and administrative expense of the Cincinnati Brewery, as well as increases in personnel, salaries and related employee benefits.

OPERATING INCOME. Operating income decreased by 4.3% to $12.6 million in fiscal year 1997 from $13.2 million in fiscal year 1996. This decrease was due primarily to the inclusion of the Cincinnati Brewery which recorded a loss in 1997. This loss was partially offset by the savings in general and administrative expense and advertising, promotional and selling expenses as discussed above.

OTHER INCOME, NET. Other income, net, decreased by 59.5% to $695,000 in fiscal year 1997 from $1.7 million in fiscal year 1996. This decrease of $1.0 million is primarily due to an increase in interest expense due to borrowings against the revolving line of credit and the Company's long term note and a charge for the repurchase of an overseas distribution right in Western Europe.

NET INCOME. Net income decreased by 9.9% to $7.6 million in fiscal year 1997 from $8.4 million in fiscal year 1996. This decrease is due to a reduction in operating income of $571,000 and other income of $1.0 million, as discussed above, and is offset by a reduction in income tax expense of 11.8% in 1997 to $5.7 million from $6.5 million in 1996.

LIQUIDITY AND CAPITAL RESOURCES

The Company's financial condition continued to be strong during 1998. Cash and short-term investments increased to $53.9 million for the year ended December 26, 1998 from $35.8 million as of December 27, 1997. The Company's primary source of liquidity is net cash provided by operating activities, which was $22.4 million for the year ended December 26, 1998 as compared to $7.0 million for the year ended December 27, 1997. The cash provided by operating activities during 1998 represents net income of $7.9 million adjusted for depreciation and amortization of $5.2 million, a loss on the sale of a marketable equity security of $1.4 million, and changes in assets and liabilities of $7.4 million. The changes in assets and liabilities are due to a decline in accounts receivable of

$4.2 million resulting primarily from improved procedures in cash collections and various timing differences. Contract commitment fees paid and received substantially offset one another during 1998.

Cash used for capital expenditures declined to $5.2 million during 1998 as compared to $15.3 million during 1997. In addition, the Company used $4.4 million of cash in 1997 for the acquisition of certain assets of the Cincinnati Brewery. Factors that contributed to the decline primarily include a decrease in capital expenditures relating primarily to kegs, production line modifications and leasehold improvements to the Company's corporate office. The Company initiated a conversion from Hoff-Stevens kegs to Sankey kegs during 1996. The Company spent $249,000 in purchasing Sankey kegs during 1998 as compared to $6.1 million during 1997. During 1998 and 1997 the Company incurred $4.6 million and $6.4 million, respectively, in leasehold improvements and production line modifications at various brewery locations. The decline primarily relates to decreased expenditures incurred at the Cincinnati Brewery. During 1997, the Company significantly expanded its corporate office space located in Boston, Massachusetts. Capital expenditures incurred during 1997 relating to the expansion totaled approximately $1.1 million.

The Company invested $11.5 million of net positive cash flow in government securities during 1998 as compared to $1.6 million during 1997. The Company has historically invested its excess cash in money market funds, short-term treasury and agency bills, and more recently, high grade commercial paper. During 1996, the Company purchased a marketable equity security at a cost of $4.3 million. This security was sold during the second quarter of 1998 at a loss of $1.4 million.

During fiscal year 1997, net cash provided by financing activities was $8.7 million, resulting from net borrowings of $10.0 million and $577,000 of proceeds received from stock option exercises, offset by $1.9 million of payments on long-term debt. This compares to $107,000 of cash provided by financing activities during fiscal year 1998. On March 31, 1999, the existing $15.0 million line of credit expires and the balance outstanding under the $30.0 million line of credit converts to a term note. As of December 26, 1998, $10.0 million was outstanding under the $30.0 million line of credit. Principal payments on the term note are payable either in twenty quarterly installments or upon expiration of the line. The Company currently expects to repay the outstanding balance on the line of credit during 1999.

Effective October 15, 1998, the Board authorized management to implement a stock repurchase, subject to an aggregate expenditure limitation of $10.0 million. There were no stock repurchases under this program as of December 26, 1998.

With working capital of $52.0 million at December 26, 1998, resources should be sufficient to meet the Company's short-term and long-term operating, capital and debt service requirements.

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

YEAR 2000

As has been widely publicized, many computer systems and microprocessors are not programmed to accommodate dates beyond the year 1999. The Company's exposure to this year 2000 ("Y2K") problem comes not only from its own internal computer systems and microprocessors, but also from the systems and microprocessors of its key vendors, including by way of illustration its contract breweries, raw material suppliers, utility companies, payroll services and banks, and its distributors and other customers. A failure of any of these internal or external systems could adversely affect the Company's ability to brew, package, sell, ship and bill for products and to collect on invoices and account for collections. In effect, any significant computer failure could have a material adverse effect on the Company's operations. With this in mind, the Company commenced a comprehensive review of potential Y2K issues, both with respect to the Company's internal systems and those of third parties with which it has significant relationships.

The Company currently believes that all of its internal systems will be year 2000 compliant by the end of the first quarter of fiscal year 1999, with the exception of the depletions tracking system which is expected to be compliant by the end of the second quarter. This belief is based on its own internal evaluations and testing and on assurances from its systems vendors. Current estimates are that the total cost to achieve internal year 2000 compliance, other than at the Cincinnati Brewery, will not exceed $125,000, exclusive of amounts to be expended on contingency plans. Approximately $12,000 of this amount was spent on an e-mail system migration during the fourth quarter of fiscal year 1998. This $125,000 anticipated upgrade cost is in addition to other planned information technology ("IT") projects. While the intensive effort expected to achieve Y2K compliance has caused and may continue to cause delays in other IT projects, the Company does not expect that any of these delays will have a significant effect on the Company's business or that any of the Company's other IT projects will be canceled or postponed to pay for the Y2K upgrades.

The Company evaluated all of its microprocessors and control systems at the Cincinnati Brewery in light of the Y2K problem. As part of this process, the Company has conducted an inventory of the brewery's automated machinery and other computerized equipment and has contacted applicable vendors for information regarding Y2K compliance. The Company has upgraded or modified the brewery's microprocessors and control systems, to the extent necessary. The Company is currently developing applicable contingency plans. Testing of all brewery systems has been completed. Preliminary estimates of the cost to bring all brewery systems into Y2K compliance at the Cincinnati Brewery do not exceed $25,000. The Company continues to evaluate and test all brewery equipment.

Process controls at the brewery are integral to the brewery's operations. A failure of any of these controls could adversely affect the Company's ability to continue brewing operations; however, because many of the brewing processes can be controlled manually, the actual risk that the Company will be unable to brew is low. In addition, the Company currently plans to shut the brewery down for the first several days of January 2000 for testing purposes and will be able to operate much of the brewery equipment manually, if necessary.

The Company relies extensively on its suppliers and contract breweries. Because their systems are not directly under the Company's control, the Company is at risk that all required external Y2K compliance efforts will not be completed on time and significant business disruptions will result. The Company has formed a committee to assure that all vendor and other relationship Y2K issues are analyzed and addressed. Under the direction of this committee, the Company compiled a list of all of its vendors and, as to each vendor, assessed the impact that a Y2K failure would likely have on the Company's business and operations. The Company then sent a Y2K questionnaire to each vendor believed to present a possible critical risk, in order to ascertain the Y2K compliance status of each. The Company is currently in the process of compiling and analyzing the information submitted by these vendors. To date, questionnaires have been sent to 37 critical vendors. All critical vendors have responded and all have asserted that they are addressing the Y2K problem or are already in compliance. The Company intends to continue to identify potential critical vendors and to monitor the progress toward compliance of those not yet compliant. The Company has also issued questionnaires to non-critical vendors and is conducting the same analysis with them.

In addition to obtaining and assessing information concerning vendor Y2K status, the Company is requiring all new vendors and all existing vendors entering into new contracts with the Company to warrant Y2K compliance. Management understands the potentially serious consequences of a system failure and also understands that not all vendors may be Y2K compliant prior to January 1, 2000. For this reason, the Company is developing contingency plans for all critical services and supplies. As part of this contingency planning, the Company is assessing the cost of vendor shutdown, understanding that, because of the complex nature of the Company's supply chain and the lack of clarity as to the effect of multiple vendor failure, any assessment process is imprecise.

The Company believes that the most significant threats to its ability to operate are presented by possible disruptions of brewing operations at its contract breweries, and its supply of glass and malt. Because the Company brews its products at multiple facilities, management believes that it has significant operating risk only if more than one of these facilities is unable to produce. In addition, management expects that, as is the case with the Cincinnati brewery, in the event of a system failure at a contract brewery, the brewery would be able to recommence operations fairly rapidly, but on an inefficient, manual basis.

A systems failure at the Company's glass supplier could significantly affect the Company's ability to package and ship products. The Company's current supplier is one of the world's largest and the Company believes that finding alternate sources of supply would be problematic. Because of the nature of this risk, the Company has worked closely with its supplier on this issue and has received assurances that Y2K compliance will be achieved on time. A similar situation exists with respect to malt. If the Company's supply of malt were interrupted, the Company's ability to meet production schedules could be affected, although alternate sources of supply might be available, albeit at a higher cost. The Company also believes that its current vendors could run the malting process manually and that, accordingly, the risk of a significant disruption is slight.

In the unlikely event that the Company is unable to produce or ship any product (the "Worst Case Scenario"), the Company estimates its financial exposure to be in the range of $3.6 million per week of lost net revenue, over the short term. Using forward planning ratios, this lost revenue translates into lost variable gross profit, in the absence of mitigating cost cutting, of $1.9 million per week. A production disruption for an extended period is likely to affect the availability of the Company's products to consumers, leading to a decline in brand equity, the financial consequences of which are not susceptible to estimation. The Company does not expect to encounter the Worst Case Scenario. The financial consequences of a less significant disruption are difficult to predict, as they will depend on the exact circumstances and duration of the disruption.

It is possible that the conclusions reached by the Company from its analysis to date will change, with the result that the cost estimates and target completion dates outlined above will change. The Company will continue to explore contingency plans, so as to be in a position to mitigate the consequences of any disruption resulting from the Y2K issue.

POTENTIAL TRANSACTION BETWEEN STROH BREWING COMPANY AND PABST BREWING COMPANY

On February 8, 1999, Stroh Brewing Company ("Stroh") announced that it had reached definitive agreements to sell a majority of its beer brands and the Allentown Brewery to Pabst Brewing Company ("Pabst") and certain of its brands to Miller Brewing Company ("Miller") (collectively, the "Stroh Transactions"). It is anticipated that the Stroh Transactions will be completed during the second quarter of 1999; however, they are subject to review by the United States Department of Justice and the Company has been advised by Stroh that it cannot be sure that the Stroh Transactions will be completed. The Company brews approximately 40% of its production at the Stroh Breweries. Pabst has agreed to assume Stroh's obligations under the Stroh Contract in the event that the proposed Stroh Transactions are completed, and Miller has agreed to guarantee Pabst's contract brewing commitment. The Company's volume brewed at the Allentown Brewery is anticipated to remain substantially unchanged as a result of the Stroh

Transactions. Stroh has indicated that it will continue to operate its remaining five breweries, including the Portland Brewery after completion of the Stroh Transactions, until production can be transferred to a Pabst or Miller-owned brewery. It is anticipated that the Company's production will be transferred from the Portland Brewery to a Pabst or Miller-owned brewery during the 1999 fiscal year. The Company has completed, to its satisfaction, detailed inspections of the potential breweries that are likely to assume the volume that is currently brewed at the Portland Brewery.

The Company does not anticipate any significant problems during the transition period or thereafter, as a result of the Stroh Transactions, and does not believe that it will have material effect on its results of operations, statement of financial position or statement of cash flows during 1999. However, the exact timing and completion of the Stroh Transactions are dependent on many external factors, and the Company cannot be certain that the Stroh Transactions will occur, or proceed as the Company expects. In the event that the Stroh Transactions do not occur and the production capacities at the Stroh Breweries becomes unavailable to the Company, the Company believes that it would have access to sufficient brewery options to produce the volume that is currently brewed at the Stroh Breweries. However, a shift in production between plants may result in incremental costs, primarily freight.

HOPS PURCHASE COMMITMENTS

The Company enters into purchase commitments for hops based upon forecasted future requirements, among other factors. In recent years the Company's rate of sales growth has declined (and was negative during 1997 and 1998), resulting in an increase in hops inventory. As a result, existing purchase commitments may exceed projected future needs over the life of such commitments. The Company recorded a provision of $2.8 million in 1998 to reserve for excess purchase commitments. In addition, in 1998 the Company recorded a $1.2 million charge associated with the cancellation of purchase commitment contracts. There were no reserves for hops contract losses required, or contract cancellation costs incurred, in 1997 or 1996.

The computation of the excess purchase commitment reserve requires management to make certain assumptions regarding future sales growth, product mix, cancellation costs and supply, among others. Actual results may materially differ from management's estimates.

RECENT ACCOUNTING PRONOUNCEMENTS

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standard No. 133, "Accounting for Derivative Instruments and Hedging Activities" (SFAS 133). This statement requires that all derivative financial instruments be reflected on the balance sheet at fair value, with changes in fair value recognized periodically in earnings or as a component of equity, depending on the nature of the underlying instrument being hedged. In the event that an entity does not effectively hedge against the underlying derivative, changes in the fair market value of the underlying derivative will be recognized currently in the income statement.

The Company typically enters into commitments to purchase hops that extend six years with various hop growers. These purchase contracts, which extend through crop 2004, are denominated in the foreign currency, respective to the location where the hops are grown. Additionally, the Company enters into commitments to purchase apple juices which typically extend less than one year and are denominated in a foreign currency. In the event that the Company does not effectively hedge against fluctuations in the respective foreign currency, the impact of the currency fluctuation on the purchase price will be recognized in the income statement. Currently, it is the Company's policy not to hedge against foreign currency fluctuations. SFAS 133 is required to be adopted no later than the beginning of fiscal year 2000. Management is currently evaluating the effects that this statement is expected to have on the Company's financial statements.

OTHER RISKS AND UNCERTAINTIES

Changes in general economic conditions could result in numerous events that may have a material adverse effect on the Company's results of operations, cash flows and financial position. Numerous factors that could adversely affect the Company's operating income, cash flows and financial position, include but are not limited to (1) a slowing of the growth rate of the Better Beer category; (2) share-of-market erosion of Boston Lager and seasonal beers due to increased competition; (3) more rapid decline than experienced recently in Oregon Original(TM) beers and other Samuel Adams(R) year-round styles (4) an unexpected decline in the brewing capacity available to the Company; (5) increased advertising and promotional expenditures that are not followed by higher sales volume; (6) higher-than-planned costs of operating the Cincinnati Brewery; (7) adverse fluctuations in raw material or packaging costs which cannot be passed along through increased prices; (8) world hop market conditions affecting the Company's ability to buy or sell hops or cancel existing excess hop commitments; (9) poor weather conditions, resulting in an inadequate supply of raw materials that are agriculturally grown; (10) adverse fluctuations in foreign currency exchange rates; (11) changes in control or ownership of the current distribution network which leads to less support of the Company's products; (12) increases in the costs of distribution; and (13) slower-than-planned market acceptance of HardCore(R) cider.

The Company continues to brew its Samuel Adams Boston Lager(R) at each of its brewing sites but does not brew all of its other products at each site, except for the Boston Brewery. Therefore, at any particular time, the Company may be relying on only one

supplier for its products other than Samuel Adams Boston Lager(R). The Company believes that it has sufficient capacity options that would allow for a shift in production locations if necessary.

In the event of a labor dispute, governmental action or other events that would prevent either the Cincinnati Brewery or any of the contract breweries from producing the Company's beer, management believes that it would be able to shift production between breweries so as to meet demand for its beer. In such event, however, the Company may experience temporary shortfalls in production and/or increased production or distribution costs, the combination of which could have a material adverse effect on the Company's results of operations, cash flows and financial position.

Historically, the Company has not experienced material difficulties in obtaining timely delivery from its suppliers. Although the Company believes that there are alternate sources available for the ingredients and packaging materials, there can be no assurance that the Company would be able to acquire such ingredients or packaging materials from substitute sources on a timely or cost effective basis in the event that current suppliers could not adequately fulfill orders. The loss of a supplier could, in the short-term, adversely affect the Company's results of operations, cash flows and financial position until alternative supply arrangements were secured. Hops and malt are agricultural products and therefore many outside factors, including weather conditions, crop production, government regulations and legislation affecting agriculture, could effect both price and supply.

As previously discussed, Miller introduced a new contract with its distributors that seeks to impose new requirements on distributors so as to focus the distributor's attention, time, selling effort and investment on Miller products. These new contracts may affect the way distributors allocate selling effort and investment to the brands that they distribute and may adversely affect the distributors' support of the Company's brands. The Company is uncertain of the effect this may have on its results of operations, cash flows and financial position as Miller distributors represent a significant part of the Company's distribution network.

FORWARD-LOOKING STATEMENTS

In this Form 10-K 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-K.

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ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

In the ordinary course of business, the Company is exposed to the impact of fluctuations in foreign exchange rates and interest rates. The Company does not enter into derivatives or other market risk sensitive instruments for the purpose of speculation or for trading purposes. Market risk sensitive instruments include derivative financial instruments, other financial instruments and derivative commodity instruments. Such instruments that are exposed to rate or price changes should be included in the sensitivity analysis disclosure. The only purchased ingredient or material which the Company would consider a commodity for the purpose of measuring market risk is two-row malt, which is made from two-row barley. The Company has entered into a contract which guarantees a fixed price for the purchase of two-row malt based upon need and therefore is not at risk to potential short-term market fluctuations. The Company does not enter into derivative commodity instruments (i.e. futures, forwards, swaps, options, etc.).

The Company enters into hops purchase contracts in foreign denominated currencies, as described above under "Hops Purchase Commitments". The purchase price changes as foreign exchange rates fluctuate. During 1997 and 1998, the Company used foreign currency forward contracts to hedge against the impact of such foreign exchange rate fluctuations. As of December 26, 1998, the Company had no foreign currency forward contracts outstanding.

As of December 26, 1998, the Company had $10.0 million of debt outstanding under a $30.0 million line of credit. On March 31, 1999, the line of credit expires and the balance outstanding is payable either upon expiration of the line or in twenty quarterly installments. In the latter case, interest will accrue at the Prime Rate or the applicable Adjusted LIBOR plus .75%, after March 31, 1999. For financial statement purposes, the value of our debt approximates fair value as interest rates are variable.

SENSITIVITY ANALYSIS

The Company applies a sensitivity analysis to reflect the impact of a 10% hypothetical adverse change in the foreign currency rates and interest rates. The estimated potential one-day loss in fair value of the Company's debt and the estimated potential loss in pretax earnings from a potential one-day adverse fluctuation in foreign currency exchange rates as of December 26, 1998 is as follows:

	Earnings Impact	Fair Value Impact
	(in thousands)	
Instruments sensitive to:		
Foreign currency rates	$ (3,497)	$ -
Interest rates	$ -	$ (177)

It should be noted that the potential earnings impact from fluctuations in foreign currency exchange rates relates to contracts that extend six years. Therefore, the above reflects the maximum potential pretax earnings impact over a six year period, under current accounting principles.

There are many economic factors that can affect volatility in foreign exchange rates and interest rates. As such factors cannot be predicted, the actual impact on earnings and fair value due to an adverse change in the respective rates and prices could vary substantially from the amounts calculated above.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Stockholders of
The Boston Beer Company, Inc.

We have audited the accompanying consolidated balance sheets of The Boston Beer Company, Inc. as of December 26, 1998, and the related consolidated statements of income, stockholders' equity and cash flows for the year then ended. 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 audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards 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. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Boston Beer Company, Inc. as of December 26, 1998, and the results of its operations and its cash flows for the year then ended, in conformity with generally accepted accounting principles.

/s/ Arthur Andersen LLP

Boston, Massachusetts
February 5, 1999

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Stockholders of
The Boston Beer Company, Inc.

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, shareholders' equity and cash flows present fairly, in all material respects, the financial position of The Boston Beer Company, Inc. at December 27, 1997, and the results of their operations and their cash flows for each of the two fiscal years in the period ended December 27, 1997, in conformity with generally accepted accounting principles. 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 generally accepted auditing standards 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 the opinion expressed above.

/s/ PricewaterhouseCoopers LLP

Boston, Massachusetts
February 13, 1998

THE BOSTON BEER COMPANY, INC.
CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARE DATA)

	December 26, 1998	December 27, 1997
ASSETS		
Current Assets:		

Cash and cash equivalents	$ 8,650	$ 13
Short-term investments	45,256	35,787
Accounts receivable, net of the allowance for doubtful accounts of $1,309 and $1,153, respectively	12,062	16,483
Inventories	15,835	13,675
Prepaid expenses	1,125	4,344
Deferred income taxes	4,511	2,266
Other current assets	2,037	1,308
Total current assets	89,476	73,876
Property, plant and equipment, net of accumulated depreciation of $15,460 and $10,871, respectively	28,165	28,781
Other assets	5,048	2,742
Total assets	$ 122,689	$ 105,399
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	$ 13,194	$ 9,556
Accrued expenses	14,233	13,770
Current maturities of long-term debt	10,000	-
Total current liabilities	37,427	23,326
Long-term debt, less current maturities	-	10,000
Long-term deferred income taxes	1,116	789
Other long-term liabilities	2,118	-
Commitments and Contingencies (Note I)	-	-
Stockholders' Equity:		
Class A Common Stock, $.01 par value; 22,700,000 and 20,300,000 shares authorized as of December 26, 1998 and December 27, 1997, respectively; 16,394,245 and 16,337,744 issued and outstanding as of December 26, 1998 and December 27, 1997, respectively	164	163
Class B Common Stock, $.01 par value; 4,200,000 shares authorized; 4,107,355 issued and outstanding as of December 26, 1998 and December 27, 1997, respectively	41	41
Additional paid-in-capital	56,548	56,445
Unearned compensation	(219)	(423)
Unrealized loss on investments in marketable securities	(1)	(2,223)
Unrealized loss on forward exchange contracts	-	(290)
Retained earnings	25,495	17,571
Total stockholders' equity	82,028	71,284
Total liabilities and stockholders' equity	$ 122,689	$ 105,399

The accompanying notes are an integral part of the consolidated financial statements.

THE BOSTON BEER COMPANY, INC.
CONSOLIDATED STATEMENTS OF INCOME
(IN THOUSANDS, EXCEPT PER SHARE DATA)

	For the Years Ended		
	December 26, 1998	December 27, 1997	December 28, 1996
Sales	$205,020	$209,490	$213,879
Less excise taxes	21,567	25,703	22,763
Net sales	183,453	183,787	191,116
Cost of sales	89,393	89,998	95,786
Gross profit	94,060	93,789	95,330
Operating expenses:			
Advertising, promotional and selling expenses	66,928	69,537	70,131
General and administrative expenses	12,528	11,666	12,042
Total operating expenses	79,456	81,203	82,173
Operating income	14,604	12,586	13,157
Other (expense) income:			
Interest income	2,149	1,772	1,932
Interest expense	(633)	(759)	(236)
Other (expense) income, net	(1,754)	(318)	18
Total other (expense) income	(238)	695	1,714
Income before provision for income taxes	14,366	13,281	14,871
Provision for income taxes	6,442	5,723	6,486
Net income	$ 7,924	$ 7,558	$ 8,385

Net income per common share - basic	$ 0.39	$ 0.37	$ 0.42
Net income per common share - diluted	$ 0.39	$ 0.37	$ 0.41
Weighted average number of common shares - basic	20,486	20,324	19,970
Weighted average number of common shares - diluted	20,565	20,490	20,352

The accompanying notes are an integral part of the consolidated financial statements.

THE BOSTON BEER COMPANY, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
For the three years ended December 26, 1998, December 27, 1997, and December 28, 1996
(in thousands)

	Class A Common Shares	Class B Common Shares	Class A Common Stock	Class B Common Stock	Additional Paid in Capital	Unearned Compensation
Balance December 31, 1995	15,644	4,107	$156	$ 41	$53,482	$ (509)
Net income						
Unearned compensation					197	(157)
Forfeiture of unvested stock options					(144)	144
Stock options exercised	328		4		556	
Tax benefit related to exercise of stock options					1,376	
Repurchase of Investment Shares					(103)	
Amortization of unearned compensation					27	159
Unrealized loss on short-term investments						
Unrealized gain on forward exchange contract						
Total fiscal 1996 comprehensive income						
Balance December 28, 1996	15,972	4,107	160	41	55,391	(363)
Net income						
Unearned compensation					430	(430)
Stock options exercised	366		3		574	
Amortization of unearned compensation					50	370
Unrealized loss on short-term investments						
Unrealized loss on forward exchange contract						
Total fiscal 1997 comprehensive income						
Balance December 27, 1997	16,338	4,107	163	41	56,445	(423)
Net income						
Unearned compensation					117	(41)
Forfeiture of unvested stock options					(40)	40
Stock options exercised	56		1		37	
Repurchase of Investment Shares					(11)	4
Amortization of unearned compensation						201
Realized loss on short-term investments						
Realized loss on forward exchange contract						
Total fiscal 1998 comprehensive income						
Balance December 26, 1998	16,394	4,107	$164	$ 41	$56,548	$ (219)

	Accumulated Other Comprehensive Income	Retained Earnings	Total Stockholders' Equity	Comprehensive Income
Balance December 31, 1995	$ -	$ 1,628	$ 54,798	$ -
Net income		8,385	8,385	8,385
Unearned compensation			40	
Forfeiture of unvested stock options			-	
Stock options exercised			560	
Tax benefit related to exercise of stock options			1,376	
Repurchase of Investment Shares			(103)	
Amortization of unearned compensation			186	
Unrealized loss on short-term investments	(442)		(442)	(442)
Unrealized gain on forward exchange contract	31		31	31
Total fiscal 1996 comprehensive income				7,974
Balance December 28, 1996	(411)	10,013	64,831	
Net income		7,558	7,558	7,558

Unearned compensation			-	
Stock options exercised			577	
Amortization of unearned compensation			420	
Unrealized loss on short-term investments	(1,781)		(1,781)	(1,781)
Unrealized loss on forward exchange contract	(321)		(321)	(321)
Total fiscal 1997 comprehensive income				5,456
Balance December 27, 1997	(2,513)	17,571	71,284	
Net income		7,924	7,924	7,924
Unearned compensation			76	
Forfeiture of unvested stock options			-	
Stock options exercised			38	
Repurchase of Investment Shares			(7)	
Amortization of unearned compensation			201	
Realized loss on short-term investments	2,222		2,222	2,222
Realized loss on forward exchange contract	290		290	290
Total fiscal 1998 comprehensive income				$ 10,436
Balance December 26, 1998	$ (1)	$ 25,495	$ 82,028	

The accompanying notes are an integral part of the consolidated financial statements.

THE BOSTON BEER COMPANY, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

	Years ended		
	December 26, 1998	December 27, 1997	December 28, 1996
Cash flows from operating activities:			
Net income	$ 7,924	$ 7,558	$ 8,385
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	5,232	4,501	3,030
Loss on sale of marketable equity security	1,435	-	-
Gain on disposal of fixed assets	(67)	(23)	(4)
Bad debt expense (recovery)	246	(617)	1,832
Stock option compensation expense	201	420	186
Changes in assets and liabilities:			
Accounts receivable	4,246	313	(1,921)
Inventories	(2,160)	287	(3,722)
Prepaid expenses	3,219	(2,995)	(799)
Other current assets	(439)	2,253	(1,993)
Deferred income taxes	(1,919)	1,642	(331)
Other assets	(2,115)	727	(743)
Accounts payable	3,638	(8,227)	7,990
Accrued expenses	462	1,144	3,853
Other long-term liabilities	2,471	-	-
Total adjustments	14,450	(575)	7,378
Net cash provided by operating activities	22,374	6,983	15,763
Cash flows for investing activities:			
Acquisition of certain assets of the Cincinnati Brewery	-	(4,438)	
Purchases of property, plant and equipment	(5,169)	(15,286)	(11,359)
Proceeds on disposal of fixed assets	14	23	4
Net (purchases) maturities of government securities	(11,540)	(1,642)	2,648
Proceeds on sale of marketable securities	2,851	-	-
Purchase of marketable securities	-	-	(4,286)
Purchases of restricted investments	-	(625)	(1,225)
Maturities of restricted investments	-	1,236	1,216
Net cash used in investing activities	(13,844)	(20,732)	(13,002)
Cash flows from financing activities:			
Proceeds from exercise of stock options	38	577	560
Proceeds from sale of stock under stock purchase plan	76	-	40
Repurchase of shares under employee investment and incentive share plans	(7)	-	(103)
Principal payments on long-term debt	-	(1,875)	(75)
Net borrowings of long-term debt	-	10,000	-
Net cash provided by financing activities	107	8,702	422
Net increase (decrease) in cash and cash equivalents	8,637	(5,047)	3,183
Cash and cash equivalents at beginning of year	13	5,060	1,877
Cash and cash equivalents at end of year	$ 8,650	$ 13	$ 5,060
Supplemental disclosure of cash flow information:			
Interest paid	$ 671	$ 687	$ 224

Taxes paid	$ 3,390	$ 7,243	$ 5,992

The accompanying notes are an integral part of the consolidated financial statements.

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

A. ORGANIZATION AND BASIS OF PRESENTATION

The Boston Beer Company, Inc. (the "Company") is engaged in the business of brewing and selling beer, ale and cider products throughout the United States and in selected international markets.

The Company conducts its operations principally through Boston Beer Company Limited Partnership, a Massachusetts limited partnership (the "Partnership") and certain affiliates of the Partnership. On November 20, 1995, in connection with the initial public offering of the Company's Class A Common Stock effected that date, the Company acquired certain limited partner interests in the Partnership and all of the outstanding capital stock of certain corporate partners, including the general partner, in exchange for 12,534,385 shares of the Company's Class A Common Stock and 4,107,355 shares of the Company's Class B Common Stock. All of the Class B shares were issued to C. James Koch, the sole stockholder of the Partnership's general partner. As a result of this exchange, the Company holds, directly and indirectly, all of the outstanding partner interests in the Partnership. These November 20, 1995 transactions are sometimes collectively referred to as the "Recapitalization."

Effective March 1, 1997, the Company acquired all of the equipment and other brewery related personal property of an independent brewing company located in Cincinnati, Ohio (the "Cincinnati Brewery") at a purchase price of approximately $4.4 million, which approximates the fair value of the assets acquired. Substantially all of the acquired assets were brewing, bottling and other fixed assets. The Cincinnati Brewery is currently managed by the Samuel Adams Brewery Company, Ltd., a wholly owned subsidiary of the Company. The results of operations of the Cincinnati Brewery, since the date of acquisition, are included in the accompanying consolidated financial statements. The pro forma effect of this acquisition was immaterial.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION
The consolidated financial statements include the accounts of the Company, its subsidiaries and the Partnership. All intercompany accounts and transactions have been eliminated.

REVENUE RECOGNITION
Revenue is recognized when goods are shipped to customers.

CASH AND CASH EQUIVALENTS
Cash and cash equivalents include cash on-hand and short-term, highly liquid investments with original maturities of three months or less at the time of purchase.

CONCENTRATIONS OF CREDIT RISK
Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of short-term investments and trade receivables. The Company places its short-term investments with high credit quality financial institutions. The Company sells primarily to independent beer and ale distributors across the United States. Receivables arising from these sales are not collateralized; however, credit risk is minimized as a result of the large and diverse nature of the Company's customer base. The Company establishes an allowance for doubtful accounts based upon factors surrounding the credit risk

of specific customers, historical trends and other information.

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

USE OF ESTIMATES
The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

PROPERTY, PLANT AND EQUIPMENT
Property, plant and equipment are recorded at cost. Expenditures for maintenance, repairs and renewals are charged to expense and major improvements are capitalized. Upon retirement or sale, the cost of the assets disposed of and the related accumulated depreciation are removed from the accounts and any resulting gain or loss is included in the determination of net income. Certain of the Company's equipment is used by other brewing companies to produce the Company's products under contract (see Note I). The Company considers the life of such assets to be ten years or the life of the contract, whichever is shorter. Provision for depreciation is

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

computed on the straight-line method based upon the estimated useful lives of the underlying assets as follows:

Kegs	3 to 5 years
Plant and machinery	10 years, or the life of the production agreement, whichever is shorter
Office equipment and furniture	3 to 5 years
Leasehold improvements	5 years, or the life of the lease, whichever is shorter

DEPOSITS
The Company recognizes a liability for estimated refundable deposits in kegs and for unclaimed deposits on bottles which are subject to state regulations. Total redemptions associated with reusable bottles during the years ended December 26, 1998, December 27, 1997 and December 28, 1996 were $2.1 million, $2.3 million and $3.1 million, respectively.

FAIR VALUE OF FINANCIAL INSTRUMENTS
The carrying amount of the Company's long-term debt, including current maturities, approximates fair value because the interest rates on these instruments change with market interest rates. The carrying amounts for accounts receivable and accounts payable approximate their fair values due to the short-term maturity of these instruments.

ADVERTISING AND SALES PROMOTIONS
Advertising and sales promotional programs are charged to expense during the period in which they are incurred. Total advertising and sales promotional expense for the years ended December 26, 1998, December 27, 1997 and December 28, 1996, were $35.0 million, $33.4 million and $35.7 million, respectively.

FORWARD EXCHANGE CONTRACTS
The hops purchase commitments described in Note I and the apple juice purchase commitments are typically denominated in a foreign currency. The Company previously entered into foreign currency forward exchange contracts to mitigate

the risks associated with adverse currency rate fluctuations on foreign currency commitments entered into in the ordinary course of business. These commitments were for terms of less than one year. The foreign currency forward exchange contracts were executed with creditworthy banks and denominated in German marks, English pounds and French francs. The gains and losses relating to these foreign currency exchange contracts were deferred and included in the measurement of the foreign currency transaction subject to the hedge.

Unrealized gains and losses on contracts designated as hedges of existing purchase commitments were recorded as exchange rates fluctuate and included as a component of stockholders' equity. Realized gains and losses were recognized when the contracts were exercised or upon expiration. Losses recorded during fiscal years 1998, 1997 and 1996 totaled $471,000, $0 and $0, respectively. There were no forward exchange contracts outstanding as of December 26, 1998.

INCOME TAXES

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to the differences between the financial statement carrying value of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured by applying enacted tax rates that are applicable to the future years in which deferred tax assets or liabilities are expected to be realized or settled (see Note H).

EARNINGS PER SHARE

The Company follows Statement of Financial Accounting Standards No. 128, "Earnings Per Share" ("SFAS 128"). In accordance with this statement basic earnings per share (EPS) is calculated by dividing net income by the weighted average common shares outstanding. Dilutive EPS is calculated by dividing net income by the weighted average common shares and potentially dilutive securities outstanding during the period (see Note N).

COMPREHENSIVE INCOME

The Company adopted Statement of Financial Accounting Standards No. 130 ("SFAS 130"), "Reporting Comprehensive Income" for the year ended December 26, 1998. This statement established standards for reporting and displaying comprehensive income and its components. The components of comprehensive income include revenues, expenses, gains and losses that are excluded from net income under current accounting standards, including foreign currency translation items and unrealized gains and losses on certain investments in debt and equity securities. Amounts have been reclassified for prior periods in order to conform with this statement. The Company has presented the information required by SFAS 130 in the accompanying consolidated statement of stockholders' equity.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

SEGMENT REPORTING

The Company adopted Statement of Financial Accounting Standard No. 131 ("SFAS 131"), "Disclosures about Segments of an Enterprise and Related Information" for the year ended December 26, 1998. SFAS 131 established standards for reporting certain information about operating segments of an enterprise. Operating segments are defined based upon the way that management organizes financial information within the enterprise for making operating decisions and assessing performance.

Management organizes financial information by metropolitan market and by product line for purposes of making operating decisions and assessing performance. A key unit of measure used to assess performance and determine the appropriate allocation of resources is distributors' sales volume, or depletions. With the exception of the volume produced at the Cincinnati Brewery under contract arrangement with third parties, the Company has determined that the metropolitan market and product line operating segments share similar long-term financial performance and other economic characteristics. Accordingly, these operating segments have been aggregated as a single operating segment. The volume produced at the Cincinnati Brewery under contract arrangement falls below the quantitative thresholds of SFAS 131 and accordingly the disclosure requirements of SFAS 131 do not apply to this segment. Substantially all of the Company's sales and assets are within the United States.

NEW ACCOUNTING PRONOUNCEMENTS

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standard No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133"). This statement requires that all derivative financial instruments be reflected on the balance sheet at fair value, with changes in fair value recognized periodically in earnings or as a component of equity, depending on the nature of the underlying instrument being hedged. In the event that an entity does not effectively hedge against the underlying derivative, changes in the fair market value of the underlying derivative will be recognized currently in the income statement.

The Company typically enters into commitments to purchase hops that extend six years with various hop growers. These purchase contracts are denominated in a foreign currency, respective to the location where the hops are grown. Additionally, the Company enters into commitments to purchase apple juice which typically extends less than one year and are denominated in a foreign currency. In the event that the Company does not effectively hedge against fluctuations in the respective foreign currency, the impact of the currency fluctuation on the hops purchase price will be recognized in the income statement. It is the Company's current policy not to hedge against foreign currency fluctuations. SFAS 133 is required to be adopted no later than the beginning of fiscal year 2000. Management is currently evaluating the effects that this statement is expected to have on the Company's financial statements.

RECLASSIFICATIONS

Certain prior period amounts have been reclassified to conform with the current year's presentation.

C. SHORT-TERM INVESTMENTS

All short-term investments are classified as available-for-sale with unrealized gains and losses included in stockholders' equity as of the respective balance sheet date. At December 26, 1998, short-term investments consist of investments in money market funds backed by United States government securities and investments in United States government bonds having a cost of $43.7 million and $1.6 million, respectively, which approximates fair value. At December 27, 1997, short-term investments consisted of investments in money market funds backed by United States government securities having a cost of $33.7 million, which approximates fair value, and a marketable security having a cost of $4.3 million and a market value of $2.1 million. The Company realized a loss of $1.4 million upon the sale of the marketable equity security during 1998.

D. INVENTORIES

Inventories consist of the following:

	December 26, 1998	December 27, 1997
Raw materials, principally hops	$14,464	$12,481
Work in process	778	511
Finished goods	593	683
	$15,835	$13,675

E. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following:

	December 26, 1998	December 27, 1997
Kegs	$18,553	$18,606
Plant and machinery	18,120	14,323
Office equipment and furniture	4,209	4,257
Leasehold improvements	2,743	2,466
	$43,625	$39,652
Less accumulated depreciation	15,460	10,871
	$28,165	$28,781

The Company recorded depreciation expense related to these assets of $5.5 million, $4.5 million and $2.9 million for the years ended December 26, 1998, December 27, 1997 and December 28, 1996, respectively.

F. ACCRUED EXPENSES

Accrued expenses consist of the following:

	December 26, 1998	December 27, 1997
Advertising, promotional and selling expenses	$ 3,187	$ 6,334
Hops purchase commitments (see Note I)	2,800	-
Keg deposits	2,505	2,245
Employee wages and reimbursements	2,449	2,506
Other accrued liabilities	3,292	2,685
	$14,233	$13,770

G. LONG-TERM DEBT AND LINE OF CREDIT

On March 21, 1997, the Company entered into a credit agreement to increase its existing $14.0 million line of credit to $15.0 million ("the $15.0 million line") and to establish an additional $30.0 million line of credit ("the $30.0 million line"). On March 31, 1999, the $15.0 million line expires and the balance outstanding under the $30.0 million line converts to a term note. Principal payments on the term note are payable in twenty quarterly installments, with the final payment due at maturity, December 31, 2003. Through March 31, 1999, interest is payable either quarterly or upon expiration of the original loan at the Prime Rate (7.75% and 8.50% at December 26, 1998 and December 27, 1997, respectively) or the applicable Adjusted LIBOR plus .50%, respectively. After March 31, 1999, interest on the term note is payable quarterly at either the Prime Rate or the applicable Adjusted LIBOR plus .75%. The Company has evaluated its options and expects to repay the outstanding balance of $10.0 million on the line during 1999.

As of December 26, 1998 and December 27, 1997, $0 was outstanding under the $15.0 million line and $10.0 million was outstanding under the $30.0 million line. The Company must pay a commitment fee of .15% per annum on the average daily unused portion of the total $45.0 million commitment. Additionally, the Company is obligated to meet certain financial covenants, including the maintenance of specified levels of tangible net worth and net income. The Company was in compliance with such covenants as of December 26, 1998.

H. INCOME TAXES

INCOME TAXES

Significant components of the Company's deferred tax assets and liabilities as of December 26, 1998 and December 27, 1997 are as follows:

H. INCOME TAXES (CONTINUED)

	(In thousands) 1998			1997		
	Current	Long-Term	Total	Current	Long-Term	Total
Total						
- -----						
DEFERRED TAX ASSETS:						
Incentive/investment unit and option plan	$ 11	$ 471	$ 482	$ 11	$ 892	$ 903
Accrued expenses not currently deductible	2,309	-	2,309	1,160	-	1,160
Reserves	2,100	-	2,100	1,253	-	1,253
Deferred compensation	-	145	145	-	117	117
Long-term contracts	-	1,122	1,122	-	-	-
Capital loss carryforward	-	263	263	-	-	-
Other	216	74	290	(94)	8	(86)
Deferred tax assets	4,636	2,075	6,711	2,330	1,017	3,347
Less: Valuation allowance	-	(263)	(263)	-	-	-
Total deferred tax assets	4,636	1,812	6,448	2,330	1,017	3,347
DEFERRED TAX LIABILITIES:						
Depreciation	-	(2,928)	(2,928)	-	(1,693)	(1,693)
Tax installment sale	-	-	-	(64)	(113)	(177)
Other	(125)	-	(125)	-	-	-
Net deferred tax assets (liabilities)	$4,511	$(1,116)	$ 3,395	$2,266	$ (789)	$ 1,477

Based upon prior earnings history and expected future taxable income, the Company does not believe that a valuation allowance is required for the net deferred tax asset, except for the asset pertaining to the capital loss carryforward.

Significant components of the income tax provision (benefit) for income taxes for the years ended December 26, 1998, December 27, 1997 and December 28, 1996 are as follows:

	1998	(In thousands) 1997	1996
Current:			
Federal	$ 6,367	$3,096	$5,261
State	1,994	985	1,556
Total current	8,361	4,081	6,817
Deferred:			
Federal	(1,464)	1,286	(251)
State	(455)	356	(80)
Total deferred	$(1,919)	$1,642	$ (331)
Total income tax provision	$ 6,442	$5,723	$6,486

	1998	1997	1996
Statutory rate	35.00%	35.00%	35.00%
State income tax, net of federal benefit	6.96%	6.57%	6.50%
Meals & entertainment	1.30%	2.62%	1.83%

Valuation allowance on capital loss carryforward	1.55%	-	-
Other	.04%	(1.10%)	.27%
	44.85%	43.09%	43.60%

I. COMMITMENTS AND CONTINGENCIES:

PURCHASE COMMITMENTS

In the normal course of business, the Company enters into various supply agreements with brewing companies. These agreements are cancelable by the Company and by the brewing companies with advanced written notice. Title to beer products brewed under these arrangements remains with the brewing company until shipped by it and accordingly, the liquid is not reflected as inventory by the Company in the accompanying financial statements. The Company is required to reimburse the supplier for all unused material and beer products on termination of the agreements and under certain conditions to purchase excess materials. At December 26, 1998 and December 27, 1997, there was approximately $2.0 million and $3.2 million of material and beer products in process at the brewing companies which had not yet been transferred to the Company. Purchases under these agreements for the years ended December 26, 1998, December 27, 1997 and December 28, 1996 were approximately $32.6 million, $43.1 million and $57.8 million, respectively. The reduction of purchases under the agreements are attributed to production being done at the Cincinnati Brewery.

The Company has entered into contracts for the supply of a portion of its hops requirements. These purchase contracts, which extend through crop 2004, specify both the quantities and prices to which the Company is committed. The prices are denominated in German marks and English pounds sterling. Hop purchase commitments outstanding at December 26, 1998 totaled $34.9 million. Purchases under these contracts for the years ended December 26, 1998, December 27, 1997 and December 28, 1996 were approximately $8.3 million, $8.9 million and $10.0 million, respectively. The performance of the dealers under such contracts may be materially affected by factors such as adverse weather, crop conditions, the imposition of export restrictions and unfavorable fluctuations in foreign currency exchange rates.

The Company enters into purchase commitments for hops based upon forecasted future requirements, among other factors. In recent years the Company's rate of sales growth has declined, resulting in an increase in hops inventory. As a result, existing purchase commitments may exceed projected future needs over the life of such commitments. The Company recorded a provision of $2.8 million in 1998 to reserve for excess purchase commitments. In addition, in 1998 the Company recorded a $1.2 million charge associated with the cancellation of purchase commitment contracts. There were no reserves for hops contract losses required, or contract cancellation costs incurred, in 1997 or 1996. The computation of the excess purchase commitment reserve requires management to make certain assumptions regarding future sales growth, product mix, cancellation costs and supply, among others. Actual results may differ materially from management's estimates.

At December 26, 1998, the Company had outstanding purchase commitments of approximately $2.9 million principally related to advertising contracts. The Company's contracts with its supplying breweries periodically requires it to make capital contributions in support of brewery operations. Capital contributions at certain brewery locations during the next 12 months are anticipated to be $2.3 million. Additionally, the Company is committed to purchase the land that is occupied by the Cincinnati Brewery, contingent upon the completion of certain events. The estimated net purchase price for the land is $3.0 million of which $1.8 million has been paid as of December 26, 1998.

LEASE COMMITMENTS

The Company has various operating lease agreements primarily involving real estate. Terms of the leases include purchase options, renewals and maintenance costs, and vary by lease. These lease obligations expire at various dates through 2009.

Minimum annual rental payments under these agreements are as follows:

	(in thousands)
1999	$ 811
2000	805
2001	657
2002	234
2003	234
Thereafter	971
	$ 3,712

Rent expense for the years ended December 26, 1998, December 27, 1997 and December 28, 1996 was approximately $870,000, $760,000 and $512,000, respectively.

I. COMMITMENTS AND CONTINGENCIES (CONTINUED)

LITIGATION

The Company is subject to legal proceedings and claims which arise in the ordinary course of business. In the opinion of management, the amount of ultimate liability with respect to these actions will not materially affect the financial position or results of operations of the Company.

J. COMMON STOCK

STOCK COMPENSATION PLAN

On November 20, 1995, the Company adopted the Employee Equity Incentive Plan (the "Equity Plan") which provided for the grant of Management Options, Discretionary Options and Investment Shares. The Equity Plan was, in part, the successor to the Partnership's 1995 Management Option Plan, which was, in turn, the successor to a series of the Partnership's Incentive Share Plans. In connection with the Recapitalization, the grants under the Partnership's Incentive Share Plans, as adjusted for the one and one half conversion of partnerships' units, became grants to acquire Class A Common Stock. The Equity Plan was amended effective December 19, 1997 to delete the provision which had permitted the grant of Management Options which had been granted at $.01 per share and to provide for an additional 1.0 million authorized shares. The Plan is administered by the Board of Directors, based on recommendations received from the Compensation Committee of the Board of Directors, including with respect to grants of Discretionary Options. The Compensation Committee consists of nonemployee directors.

The Investment Shares feature of the Equity Plan permits employees who have been with the Company for at least one year to purchase shares of Class A Common Stock at a discount from current market value of 0% to 40%, based on the employee's tenure with the Company. Investment Shares vest ratably over a five-year period. Participants may pay for these shares either up front or through payroll deductions over an eleven-month period.

Information related to the Management Options and Discretionary Options granted under the Equity Plan is as follows:

	Shares	Option Price	Weighted Average Exercise Price
Outstanding at December 28, 1996	1,131,127	$.01 - $25.56	$ 8.00
Granted	267,857	$.01 - $9.53	$ 9.25
Canceled	(61,314)	$.01 - $25.56	$15.31
Exercised	(369,958)	$.01 - $2.00	$ 1.65
Outstanding at December 27, 1997	967,712	$.01 - $25.56	$10.32
Granted	94,366	$7.91 - $11.19	$ 8.34
Canceled	(49,298)	$.01 - $20.00	$10.92
Exercised	(42,012)	$.01 - $2.00	$ .88
Outstanding at December 26, 1998	970,768	$.01 - $20.69	$10.58

Under the Equity Plan, Investment Shares purchased and vested were as follows:

	As of December 26, 1998	As of December 27, 1997
Purchased	57,332	42,539
Vested	35,823	31,100

The Company has reserved 1.0 million and 1.1 million shares of Class A Common Stock for issuance pursuant to the Equity Plan at December 26, 1998 and December 27, 1997, respectively.

In October 1995, the FASB issued SFAS 123, "Accounting for Stock-Based Compensation." SFAS 123 was effective for periods beginning after December 15, 1995. The Company adopted the disclosure provisions of SFAS 123 in 1996 and has applied APB Opinion 25 and related interpretations for the Equity Plan. Had compensation cost for the Company's stock-based compensation plans been determined based on the fair value at the grant dates as calculated in accordance with SFAS 123, the Company's net income and earnings per share for the years ended December 26, 1998, December 27, 1997 and December 28, 1996 would have been reduced to the pro forma amounts indicated below:

J. COMMON STOCK (CONTINUED)

(in thousands, except per share amounts)

	1998		1997		1996	
	Net Income	Earnings Per Share	Net Income	Earnings Per Share	Net Income	Earnings Per Share
As Reported - Basic	$7,924	$0.39	$7,558	$0.37	$8,385	$0.42
As Reported - Diluted	$7,924	$0.39	$7,558	$0.37	$8,385	$0.41
Pro forma - Basic	$7,492	$0.37	$7,117	$0.35	$8,305	$0.42
Pro forma - Diluted	$7,492	$0.36	$7,117	$0.35	$8,305	$0.41

The fair value of each stock option is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions:

	1998	1997	1996
Volatility	39.0%	45.0%	45.0%
Expected life of option	6.5 years	5.5 years to 6.5 years	5.5 years to 6.5 years
Risk free interest rate	4.80%	5.43% to 7.79%	5.43% to 7.79%
Dividend yield	0%	0%	0%

The weighted average fair value of stock options granted and investment shares purchased in 1998, 1997 and 1996 was $3.94, $5.46 and $7.06, respectively.

Because some options vest over several years and additional awards may be made each year, the pro-forma amounts above may not be representative of the effects on net income for future years.

The following table summarizes information about stock options outstanding at December 26, 1998:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$ 0.01 - $ 0.01	71,719	4.14 years	$ 0.01	60,731	$ 0.01
$ 7.91 - $11.19	410,386	9.13 years	$ 9.19	128,720	$ 9.46
$12.06 - $14.00	453,663	8.92 years	$12.78	239,111	$12.97
$18.56 - $20.69	35,000	7.61 years	$20.08	23,500	$19.78
$0.01 - $20.69	970,768	8.61 years	$10.58	452,062	$10.59

The Company recognized compensation expense of $201,000, $420,000 and $186,000 under the described programs for the years ending December 26, 1998, December 27, 1997 and December 28, 1996, respectively.

STOCK REPURCHASE PROGRAM
Effective October 15, 1998, the Board authorized management to implement a stock repurchase program, subject to an aggregate expenditure limitation of $10.0 million. There were no stock repurchases under this program as of December 26, 1998.

K. FINANCIAL INSTRUMENTS

The Company has entered into forward exchange contracts to reduce exposure relating to currency fluctuations affecting existing foreign currency denominated firm commitments. The future value of the contracts and the related currency position were subject to offsetting market risk resulting from foreign currency exchange rate volatility. There were no forward exchange contracts outstanding at December 26, 1998. The carrying amounts of the contracts and the unrealized loss recognized as a component of Stockholders' Equity totaled $9.3 million and $290,000, respectively, at December 27, 1997.

L. RELATED PARTY TRANSACTIONS

The Company has a deferred compensation agreement with its Chief Financial Officer that calls for specific payments upon retirement on or after April 1, 2000 with prorated annual payments called for upon early retirement. The Company recorded as an expense approximately $70,000, $61,000, and $59,000 for the three years ended December 26, 1998, December 27, 1997 and December 28, 1996, respectively, in connection with such a deferred compensation agreement.

M. 401 (K) SAVINGS PLAN AND MULTI EMPLOYER BENEFIT PLANS

During 1993, the Company established the Boston Beer Company 401(k) Savings Plan (the "Plan"). The Plan is a defined contribution plan that covers a majority of the Company's employees. Participants may make voluntary contributions of their annual compensation. The Company made contributions to the Plan in each of the three years ended December 26, 1998, December 27, 1997, and December 28,1996 of $363,000, $356,000, and $280,000, respectively.

Certain hourly paid workers in Cincinnati are covered by the Samuel Adams Local Union #1199 Defined Benefit Pension Plan. The Company contributes approximately

$50,000 per year to this plan. Certain hourly paid workers in Cincinnati are also covered by two Multi-Employer Retirement Plans. The Company contributes approximately $20,000 per year to these plans.

N. NET INCOME PER SHARE

The following table sets forth the computation of basic and diluted earnings per share in accordance with SFAS 128:

	(in thousands) 1998	1997	1996
Net income	$ 7,924	$ 7,558	$ 8,385
Shares used in net income per common share - basic	20,486	20,324	19,970
Dilutive effect of common equivalent shares	79	166	382
Shares used in net income per common share - diluted	20,565	20,490	20,352
Net income per common share - basic	$ 0.39	$ 0.37	$ 0.42
Net income per common share - diluted	$ 0.39	$ 0.37	$ 0.41

O. VALUATION AND QUALIFYING ACCOUNTS

The information required to be included in Schedule II, Valuation and Qualifying Accounts, for the years ended December 26, 1998, December 27, 1997 and December 28, 1996 is as follows:

(in thousands)	Balance at Beginning of Period	Additions Charged to Costs and Expenses	Net Additions (Deductions)	Balance at End of Period
Allowance for Doubtful Accounts				
1996	175	1,832	(77)	1,930
1997	1,930	(617)	(160)	1,153
1998	1,153	246	(90)	1,309

Deductions from allowance for doubtful accounts represent the write-off of uncollectable balances.

P. QUARTERLY RESULTS (UNAUDITED)

In management's opinion, this unaudited information includes all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation of the information for the quarters presented. The operating results for any quarter are not necessarily indicative of results for any future quarters.

P. QUARTERLY RESULTS (UNAUDITED) (CONTINUED)

For Quarters Ended (in 000s)	December 26, 1998	September 26, 1998	June 27, 1998	March 28, 1998	December 27, 1997	September 27, 1997	June 28, 1997	March 29, 1997
Barrels Sold	282	310	324	311	327	357	387	281
Sales	$47,347	$52,205	$53,808	$51,660	$49,869	$55,664	$ 57,158	$46,799
Less excise taxes	5,044	5,341	5,848	5,334	6,392	7,047	7,320	4,944
Net sales	42,303	46,864	47,960	46,326	43,477	48,617	49,838	41,855
Cost of sales	20,540	22,686	23,661	22,506	21,420	22,000	24,671	21,907

Gross profit	21,763	24,178	24,299	23,820	22,057	26,617	25,167	19,948
Advertising, promotional and selling expenses	17,613	17,382	18,393	13,540	17,735	17,415	19,829	14,558
General and administrative expenses	3,248	2,842	3,214	3,224	2,449	3,190	3,097	2,930
Total operating expenses	20,861	20,224	21,607	16,764	20,184	20,605	22,926	17,488
Operating income	902	3,954	2,692	7,056	1,873	6,012	2,241	2,460
Other income (expenses), net	430	426	1,166	(2,260)	284	(243)	304	350
Income before provision for taxes	1,332	4,380	3,858	4,796	2,157	5,769	2,545	2,810
Provision for income taxes	453	1,743	1,526	2,720	862	2,521	1,110	1,230
Net income	$ 879	$ 2,637	$ 2,332	$ 2,076	$ 1,295	$ 3,248	$ 1,435	$ 1,580
Earnings per share - basic	$ 0.05	$ 0.13	$ 0.11	$ 0.10	$ 0.06	$ 0.16	$ 0.07	$ 0.08
Earnings per share - diluted	$ 0.05	$ 0.13	$ 0.11	$ 0.10	$ 0.06	$ 0.16	$ 0.07	$ 0.08
Weighted average shares - basic	20,501	20,495	20,489	20,459	20,445	20,425	20,325	20,099
Weighted average shares - diluted	20,580	20,573	20,612	20,551	20,574	20,557	20,475	20,356

Q. SUBSEQUENT EVENT

On February 8, 1999, Stroh Brewing Company ("Stroh") announced that it had reached definitive agreements to sell a majority of its beer brands and Allentown Brewery to Pabst Brewing Company ("Pabst") and certain of its brands to Miller Brewing Company ("Miller") (collectively, the "Stroh Transactions"). It is anticipated that the Stroh Transactions will be completed during the second quarter of 1999; however, they are subject to review by the United States Department of Justice and the Company has been advised by Stroh that it cannot be sure that the Stroh Transactions will be completed. The Company brews approximately 40% of its production at the Stroh Breweries. Pabst has agreed to assume Stroh's obligations under the Stroh Contract in the event that the proposed Stroh Transactions are completed, and Miller has agreed to guarantee Pabst's contract brewing commitment. The Company's volume brewed at the Allentown Brewery is anticipated to remain substantially unchanged as a result of the Stroh Transactions. Stroh has indicated that it will continue to operate its remaining five breweries, including the Portland Brewery after completion of the Stroh Transactions, until production can be transferred to a Pabst or Miller-owned brewery. It is anticipated that the Company's production will be transferred from the Portland Brewery to a Pabst or Miller-owned brewery during the 1999 fiscal year. The Company has completed, to its satisfaction, detailed inspections of the potential breweries that are likely to assume the volume that is currently brewed at the Portland Brewery. The Company does not anticipate any significant problems during the transition period or thereafter, as a result of the Stroh Transactions, and does not believe that it will have material effect on its results of operations, statement of financial position or statement of cash flows during 1999. However, the exact timing and completion of the Stroh Transactions are dependent on many external factors, and the Company cannot be certain that the Stroh Transactions will occur, or proceed as the Company expects.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON FINANCIAL DISCLOSURES

Effective June 15, 1998, the Company appointed Arthur Andersen LLP as the independent auditors for the fiscal year ending December 26, 1998 and disengaged Coopers & Lybrand LLP as its independent auditors. Such change was not the result of any disagreement between the Company and Coopers & Lybrand LLP relating to any accounting, financial reporting, or disclosure issue.

PART III

ITEM 10. DIRECTOR AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information required by Item 10 is hereby incorporated by reference from the Registrant's definitive Proxy Statement for the 1998 Annual Meeting to be held on June 1, 1999.

ITEM 11. EXECUTIVE COMPENSATION

The Information required by Item 11 is hereby incorporated by reference from the Registrant's definitive Proxy Statement for the 1998 Annual Meeting to be held on June 1, 1999.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required by Item 12 is hereby incorporated by reference from the Registrant's definitive Proxy Statement for the 1998 Annual Meeting to be held on June 1, 1999.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by Item 13 is hereby incorporated by reference from the Registrant's definitive Proxy Statement for the 1998 Annual Meeting to be held on June 1, 1999.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) The financial statements and financial statement schedules are contained in Item 8 of Part II to this report on Form 10-K.

(b) During the fourth quarter of the fiscal year ended December 26, 1998, the Registrant filed no Current Reports on Form 8-K.

(c) Exhibits

The following is a list of exhibits filed as part of this Form 10-K:

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).

EXHIBIT NO.	TITLE
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).
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).
+10.10	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).
+10.11	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).
+10.12	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).
10.13	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).
+10.14	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).
+10.15	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).

10.16	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).
+10.17	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).

EXHIBIT NO.	TITLE
10.18	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).
10.19	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).
10.20	1996 Stock Option Plan for Non-Employee Directors (incorporated by reference to the Company's Form 10-K, filed on March 27, 1998).
+10.21	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 27, 1998).
+10.22	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 27, 1998).
+10.23	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 27, 1998).
10.24	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).
+10.25	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 27, 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 27, 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 27, 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 27, 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).
10.32	Extension letters, dated July 31, 1998, August 28, 1998, September 28, 1998, October 13, 1998, October 20, 1998 and October 23, 1998 between The Stroh Brewery Company and Boston Brewing Company, Inc. (incorporated by reference to the Company's Form 10-Q, filed on November 4, 1998).

EXHIBIT NO.	TITLE
*10.33	Amended and Restated Production Agreement between The Stroh Brewery Company and Boston Beer Company Limited Partnership, dated November 1, 1998.
*10.34	Agreement between Boston Beer Company Limited Partnership, Pabst Brewing Company and Miller Brewing Company, dated February 5, 1999.
*11.1	The information required by exhibit 11 has been included in Note N of the notes to the consolidated financial statements.
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).
*23.1	Consent of Arthur Andersen LLP, independent accountants with respect to the Company.
*23.2	Consent of Pricewaterhouse Coopers LLP, former independent accountants with respect to the Company.
*27.1	Financial Data Schedule (electronic filing only).

* Filed with this report.

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

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities and Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on this 25th of March, 1999.

THE BOSTON BEER COMPANY, INC.

/s/ C. James Koch
President, Chief Executive Officer, Clerk and Director
(principal executive officer)

Pursuant to the requirements of the Securities and Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

SIGNATURE	TITLE
/s/ C. JAMES KOCH	President, Chief Executive Officer, Clerk and Director (principal executive officer)
/s/ ALFRED W. ROSSOW, JR	Treasurer, Chief Financial Officer (principal financial officer and Director)
/s/ RICHARD P. LINDSAY	Vice President - Finance (principal accounting officer)
/s/ PEARSON C. CUMMIN, III	Director
/s/ ROBERT N. HIATT	Director
/s/ RHONDA L. KALLMAN	Director
/s/ JAMES C. KAUTZ	Director
/s/ CHARLES JOSEPH KOCH	Director
/s/ JOHN B. WING	Director

Exhibit 10.33

AMENDED AND RESTATED PRODUCTION AGREEMENT BETWEEN THE STROH BREWERY COMPANY AND BOSTON BEER COMPANY LIMITED PARTNERSHIP

AGREEMENT entered into effective as of the 1st day of November, 1998 (the "Effective Date"), by and between THE STROH BREWERY COMPANY, an Arizona corporation ("Stroh", which term shall also include each Permitted Assignee, as hereinafter defined, as the context admits), and BOSTON BEER COMPANY LIMITED PARTNERSHIP, a Massachusetts limited partnership ("Boston Beer"). Boston Beer and Stroh are sometimes referred to herein individually as a "Party" and collectively as the "Parties".

Stroh and Boston Beer are currently parties to an Agreement dated as of January 14, 1997, as amended, pursuant to which Stroh agreed to brew, package and sell certain Boston Beer products to Boston Beer ("1997 Production Agreement") at Stroh's Allentown (Lehigh Valley), Pennsylvania brewery. Stroh also produces products for Boston Beer at the Portland, Oregon brewery (formerly, the "Heileman Brewery"), sometimes referred to hereinafter as the "Portland" brewery. When Stroh acquired the Heileman Brewery, it assumed certain production arrangements contained in an Agreement between Boston Beer and G. Heileman Brewing Company, Inc., dated as of November 29, 1995 (the "Heileman Agreement"), as well as the terms and conditions of each of the Sankey Project agreement, dated July 5, 1995, (the "Sankey Agreement") and the Wort Clarifier Project agreement, dated July 6, 1995 (the "Wort Clarifier Agreement"). Copies of the Sankey Agreement and the Wort Clarifier Agreement are attached hereto as Exhibits A and B, respectively. Stroh and Boston Beer are also parties to a certain Letter Agreement dated January 14, 1997, as amended, which related to certain potential investments ("Letter Agreement"). Stroh and Boston Beer now desire to enter into a new production agreement, effective as of the Effective Date, to supersede the existing arrangements, and which will govern the production of products by Stroh for Boston Beer, provide Boston Beer with greater control over the production process, and give Boston Beer access to greater brewing capacity through the inclusion of other Stroh breweries.

ACCORDINGLY, in consideration of the mutual agreements contained in this Agreement, the Parties, intending to be legally bound, hereby agree, as follows:

1. Scope of Agreement.

a. During the Term, as defined in Section 7, and in accordance with the terms and conditions set forth herein, Stroh shall give Boston Beer access to the Stroh production facilities identified in subsection (c), below, and make available to Boston Beer Stroh's production personnel to allow Boston Beer to produce Boston Beer's proprietary Beer Products.

b. For purposes of this Agreement, Boston Beer's "Beer Products" shall include those products set forth in Exhibit C attached hereto, together with certain specially ordered and seasonal malt beverage products identified as such by Boston Beer ("Special Orders and Seasonals") and such other beer products as Boston Beer may introduce from time to time. Boston Beer shall periodically provide to Stroh an updated schedule of all Boston Beer products which Boston Beer deems to be Beer Products, subject to this Agreement. Boston Beer agrees, however, that Stroh need not permit in excess of * or in excess of * . The Parties agree that they may subsequently mutually agree in writing to amend the foregoing specifications with respect to the maximum number of *.

c. The breweries that are subject to this Agreement (individually a "Brewery" and collectively the "Breweries") are as set forth in the following chart. *

*: * *
-

Allowed Locations
- -----------------

Initial Allowed Location: Lehigh Valley, PA Portland, OR

* * *
- - -

The foregoing Breweries are sometimes hereinafter referred to simply as "Lehigh Valley", "Portland", *, * and * respectively. For purposes hereof, the terms "Brewery" and "Breweries" shall include (i) other breweries owned by Stroh at which it may be proposed

by Stroh that Beer Products be produced pursuant to this Agreement and (ii) except as otherwise agreed between Boston Beer and a Permitted Assignee at the time a Permitted Assignee takes on production responsibilities for Boston Beer, all breweries owned by a Permitted Assignee (all of which shall be deemed to be Allowed Locations), whether or not acquired from Stroh.

2. Control of Production of Beer Products: Public Statements.

a. All Beer Products shall be brewed and packaged according to Boston Beer's specifications, including the maintenance of standards and quality control programs. Boston Beer shall have ultimate responsibility and authority over every detail of the production process for Beer Products at each of the Breweries, with such responsibility and authority as to those parameters affecting beer taste and quality to be the same as if Boston Beer were the owner of the Brewery. Boston Beer shall have the right, at any time, to monitor and review the practices and procedures of Stroh in the production and packaging of Beer Products and to inspect each of the Breweries and any other Brewery at which it is proposed by Stroh that Beer Products be produced. If a decision made by Boston Beer in the exercise of its authority under this Section 2(a) results in additional costs over and above the costs of the then current operations, Stroh shall be entitled to be reimbursed by Boston Beer for such costs. In addition, in the exercise of its authority under this Section 2(a), Boston Beer shall not interfere with Stroh's production processes for its own proprietary brands.

b. Consistent with the provisions of paragraph (a), Stroh and Boston Beer will, in any and all public statements or comments, recognize that Boston Beer controls the ingredients, recipe, brewing processes and procedures and quality and taste parameters for all Beer Products produced at Breweries and that Boston Beer is the brewer of all such Beer Products. Neither party will make any public statements inconsistent with the foregoing.

3. Committed Capacity: Commitment Fee.

a. During the Term, Stroh shall, except as otherwise provided herein, make the following minimum production capacities available to Boston Beer for the production of Beer Products:

Brewery	Committed Capacity
*	*
*	*

The Committed Capacity at each Initial Location or at subsequent Allowed Locations is based on anticipated tank usage and availability and shall be increased or decreased in inverse proportion to the extent that actual average tank usage varies from *. Boston Beer will, however, endeavor, to the extent reasonably possible, to provide Stroh with * advance written notice of any expected increase or decrease in its expected production requirements which varies more than * from any previously submitted monthly forecasts for the period in question, in order to allow Stroh to plan its capacity utilization at any Brewery. Beer Products shall primarily be produced in units consisting of (i) twenty-four 12-ounce bottles, whether packaged as a 24 bottle loose case, a four 6-pack case or a two 12-pack case (each a "12-oz. Case Unit"), (ii) twelve 22-ounce bottles (a "22 oz. Case Unit"), (iii) 7.75 U.S. gallons (a "Half-Keg"), and (iv) 15.50 U.S. gallons (a "Keg").

b. Commitment Fee. In consideration of Stroh's willingness to (i) enter into this Agreement, (ii) waive its rights under the Letter Agreement, and (iii) commit the Committed Capacity to Boston Beer, Boston Beer shall pay to Stroh, *, which shall be non-refundable except in the event of a Stroh Production Default (as defined in Section 8(b)), and assign to Stroh Boston Beer's ownership interest in the Wort Clarifier, as set forth in and subject to the provisions of Section 14 hereof.

c. Packaging. * Stroh agrees to comply with such specifications mutually agreed to between Stroh and Boston Beer regarding the sterilization process for use of used glass and inspection of used glass to insure, to the maximum extent possible, that no foreign objects remain following the sterilization of such used glass. The Parties agree that a copy of such specifications shall be attached hereto as Exhibit D.

4. Closure or Sale of Breweries.

a. Non-Final Closure. In the event that Stroh proposes to close ("Close" or a "Closure", which terms shall include a sale of a Brewery to a party not intending to continue brewing operations at the location in question) a Brewery at which Beer Products are then being produced (the "Closed Brewery"), at a time when Stroh continues to operate a Brewery or Breweries * Stroh shall:

(i) provide written notice to Boston Beer (the "Closure Notice") at least * prior to the effective date of any such proposed Closure and shall advise Boston Beer in its Closure Notice of the Incremental Costs (hereinafter defined), if any, arising out of a relocation to each potential Allowed Location;

(ii) offer to make all arrangements necessary to relocate Boston Beer's displaced business to an Allowed Location, which, if there is more than one remaining Allowed Location, shall be the Allowed Location that represents the closest geographic location * that is a Brewery which can meet the quality, taste and service requirements of this Agreement; and

(iii) if such offer is accepted, insure that the displaced production of Beer Products shall continue to be supplied without disruption.

b. Final Closure. In the event that Stroh proposes a Closure at a time when Stroh no longer operates another Brewery *, but does operate another Brewery, Stroh shall:

(i) provide written notice to Boston Beer (the "Final Closure Notice") of Stroh's intent to close the current location; and

(ii) offer replacement production at any other brewery owned or operated by Stroh during the Final Closure Period, which is defined as the longest of * or * after the date of the actual Closure of the Closed Brewery or through *, such production to be provided by Stroh in a manner which is economically equivalent to the then economic arrangements for production of Beer Products at the Brewery then subject to Closure (i.e., Stroh shall pay any capital or Incremental Costs, including any increase in freight costs to Boston Beer associated with Stroh continuing to supply Boston Beer with Beer Products during the Final Closure Period, over and above those amounts already being paid by Boston Beer prior to and as of the date of the Final Closure Notice), and in a manner that, in the reasonable judgement of Boston Beer, provides the same level of quality, taste and service as was enjoyed by Boston Beer at the Closed Brewery; provided that if Boston Beer accepts such replacement production for periods beyond the Final Closure Period, Boston Beer shall pay any Incremental Costs (defined below) and the brewery at which such replacement production shall occur shall then be deemed to be an "Allowed Location" *

If Stroh proceeds with the actions contemplated by this subsection (b), Stroh would have the right to move the production of Boston Beer's Beer Products from the Initial Location subject to Closure to any other Stroh location approved by Boston Beer, such approval not to be unreasonably withheld or delayed, provided, however, that there shall be no disruption in the supply of Beer Products to Boston Beer during the Final Closure Period.

c. Continuing Option. In the event that Boston Beer elects not to accept an offer of replacement production capacity for Beer Products made by Stroh in connection with a Closure, then, in such event, Stroh agrees that its offer of replacement production capacity to Boston Beer (the "Option for Replacement Production") shall remain open until the expiration of *. In the event that Boston Beer fails to elect, during such *, to have Beer Products produced in accordance with the Option for Replacement Production made by Stroh, then such failure shall be deemed to be a termination of this Agreement solely with respect to production of Beer Products *, and as referred to in the Closure Notice pursuant to which Stroh has offered the replacement production capacity. If, on the other hand, Boston Beer should elect, subsequent to Closure but prior to expiration of the Option for Replacement Production, to have Stroh produce Beer Products in accordance with the replacement production capacity outlined in the Option for Replacement Production, then, in such event, Boston Beer shall be responsible for all Incremental Costs with no Contribution Allocation (as hereinafter defined) to be credited against Incremental Costs. Nothing contained in this subsection (c) shall require Stroh to refrain from Closing a Brewery.

d. Partial Sale. In the event that Stroh proposes to sell ("Sell" or a "Sale") a Brewery at which Beer Products are then being produced (the "Sold Brewery"), in a transaction not involving all Breweries owned by Stroh, Stroh shall:

(i) provide written notice to Boston Beer (the "Sale Notice") at least * prior to the effective date of any such proposed Sale;

(ii) cause the proposed purchaser of the Sold Brewery to offer in writing to assume all of Stroh's obligations to Boston Beer at the Sold Brewery; and

(iii) offer to relocate production from the Sold Brewery to another Allowed Location or another Brewery then owned by Stroh, in accordance with and subject to the provisions of subsections (a) and (b), above, as applicable.

Boston Beer shall have the right, in its reasonable discretion, to approve an assignment of Stroh's obligations at the Sold Brewery, so that production remains at the Sold Brewery, or permit relocation of such production to another Stroh Brewery, in accordance with subsections (a) and (b), above.

e. Sale of All Breweries. In the event that Stroh proposes a Sale of its Breweries or a planned combination of Sales and/or Closures involving all Breweries owned by Stroh, Stroh shall:

(i) provide written notice to Boston Beer (the "Sale Notice") at least * prior to the effective date of any such proposed Sale or Closure; and

(ii) cause all of Stroh's obligations to Boston Beer to be assumed by one or more Permitted Assignees for the balance of the Term (as defined in Section 7).

f. Approval of Assignees. Notwithstanding any implication to the contrary arising out of Stroh's obligations under subsections (d)(ii) and (e)(ii) of this Section 4, Stroh may not assign any of its rights and obligations hereunder other than to a Permitted Assignee. For all purposes of this Agreement, a "Permitted Assignee" is an entity that:

(i) is actively engaged in the business of producing beer or other malt beverages at one or more breweries owned by it;

(ii) conducts its brewing operations generally in accordance with service and quality standards reasonably acceptable to Boston Beer, which in any event shall be consistent with the levels of service and quality and product taste enjoyed by Boston Beer in its relationship with Stroh, as discussed in Section 27 hereof;

(iii) is, in the reasonable judgment of Boston Beer, able to meet those of Stroh's obligations hereunder to be assigned to it, including producing Beer Products to Boston Beer's product specifications, including quality and product taste;

(iv) is also, in the reasonable judgment of Boston Beer, financially able to meet those of Stroh's obligations hereunder to be assigned to it, it being understood that Boston Beer reserves the right to reasonably request a performance bond or other assurances of such financial ability; and

(v) executes a written instrument, in form and substance reasonably acceptable to Boston Beer, pursuant to which it formally undertakes to carry out and perform all of Stroh's obligations hereunder with respect to those Stroh obligations being assigned to it (except to the extent otherwise provided in this Agreement).

g. Lehigh Valley Equipment. In the event of the Closure of Lehigh Valley, unless the equipment identified on Exhibit E attached hereto, all of which was originally purchased for Lehigh Valley by Boston Beer, is then relocated to another Brewery at which Beer Products are to be produced, Boston Beer shall have the option, exercisable at any time within * after receipt of the Closure Notice with respect to Lehigh Valley, to purchase any or all of such equipment for the aggregate price of * provided that Boston Beer shall bear all dismantling and moving costs.

h. Timing of * Closures. Stroh agrees that, if it Closes * and production of Beer Products is relocated to *, and it subsequently determines to * prior to the expiration of at least * after the relocation from Portland, Stroh shall pay any incremental freight costs incurred by Boston Beer during the balance of said *, as a result of the second relocation. This subsection (h) shall not apply to a Permitted Assignee that purchases * Portland * from Stroh.

i. Effect of Contract Brewing. A decision by Stroh to Close a Brewery and enter into a contract to produce its products at a brewery owned by a third party shall be deemed to be a Sale to the third party, subject to subsections (d) and (e), and the brewery at which the Stroh products are to be contract brewed shall be deemed to be a Sold Brewery for purposes of the application of such subsections.

5. Incremental Costs.

a. For purposes hereof, Incremental Costs shall include those incremental capital and operating costs incurred by Stroh specifically to accommodate Boston Beer's production at a facility other than *. Incremental operating costs ("Incremental Operating Costs") shall include any incremental freight costs ("Incremental Freight") incurred by Stroh due to displaced Stroh product volume caused by Boston Beer's volume at the new location, and shall also include variable costs incurred by Stroh over and above the normal

operating costs associated with the direct production of Beer Products (where normal operating costs are equivalent to those operating costs under the current arrangements and processes at *). Incremental capital costs shall include any specific equipment needed in order to meet Boston Beer's liquid process specifications or package configurations, and any reasonable capacity expansions of the brewery tankage required to economically accommodate Boston Beer's production. Incremental capital costs must be approved by Boston Beer in writing prior to commencement of the capital project, and shall in no event exceed * and *, each in the aggregate, during the period *. Boston Beer and Stroh shall make all reasonable efforts to minimize Incremental Costs to Boston Beer.

b. Incremental Costs arising as a result of each Closure by Stroh shall be estimated and presented to Boston Beer and included in the Closure Notice. In connection with such Incremental Costs, Stroh shall contribute the following in reduction of such Incremental Costs to be borne by Boston Beer: * of the Price for actual displaced production for the * after each Closure, and * of actual displaced production for the * of such actual displaced production following the Closure (hereinafter collectively referred to as the "Contribution Allocation"). The Contribution Allocation shall be credited against the Incremental Operating Costs on a * basis, and the balance of the Incremental Costs, subject to approval by Boston Beer as set forth in subparagraph 4(a) above, shall be invoiced by Stroh to Boston Beer * with a full reconciliation prepared by Stroh and submitted to Boston Beer within * following the close of each * in which Incremental Costs have been incurred. If Boston Beer continues to have Beer Products produced at the Allowed Location where Incremental Costs are required in order to meet the production requirements for the Beer Products, then Boston Beer shall continue to pay the Incremental Costs, less the Contribution Allocation of Stroh. If, however, the normal operating costs of producing the Beer Products of Boston Beer at the replacement or Allowed Location shall be less than those normal operating costs of producing the Beer Products at *, the amount of the reduction (the "Reduction in Cost") will be added to the Contribution Allocation to be credited against Incremental Costs, and the Reduction in Cost shall remain in effect as a credit by Stroh to Boston Beer during the first * following the Closure described above.

c. In no event shall Boston Beer be obligated to pay a Permitted Assignee more than * in Incremental Freight with respect to the Permitted Assignee's own displaced volume.

d. In no event shall Incremental Costs to be borne by Boston Beer with respect to * relocation exceed the costs that would have arisen (whether or not passed through) out of a relocation from * to *

e. In the event of the Sale or Closure of a Brewery, or termination by a Permitted Assignee pursuant to Sections 8(h) and (i) that terminates production at a Brewery, in which Boston Beer previously made a capital investment from and after the Effective Date, upon such Sale or Closure, the owner of such Brewery shall pay to Boston Beer an amount equal to the unamortized portion of its investment, based on an amortization period of * from the date on which the equipment purchased with each investment was first placed in service.

f. If, as a result of a proposed Closure or Sale, production of Beer Products is relocated to another Brewery, but the Closure or Sale that was the subject of the Closure Notice or Sale Notice is not consummated within * after the date on which it was to have been consummated, Boston Beer shall be entitled to an immediate repayment of any Incremental Costs it may have paid as a result of the relocation and production at the successor Brewery shall continue but on the same cost basis, including Boston Beer's own freight costs, as Boston Beer enjoyed at the predecessor Brewery for so long as the predecessor Brewery remains in operation and for a further period of * thereafter.

6. Price and Manner of Payment.

a. Boston Beer shall pay Stroh for Beer Products an amount (the "Price") equal to the sum of *. The Fixed Charge for other packaging units shall be set by the Parties based on proportionate volume and packaging efficiencies relative to the units described above. Stroh shall be entitled to increase each Fixed Charge applicable to each Brewery, effective as of * in each year while the Agreement remains in effect, with the first such increase pursuant to this Agreement to be effective as of * at a rate equal to *.

b. The Price is F.O.B. the carrier's trucks at Stroh's dock (i.e., the Price includes the cost and risk of loading trucks at Stroh's dock) and includes labor, overhead, profit, and other costs incurred in the production of packaged Beer Products suitable for shipment by truck.

c. The Price excludes any federal and state excise taxes, which Stroh may pass along to Boston Beer, if Stroh pays such taxes in compliance with Federal and state laws.

In those instances where there is an alternating proprietorship between Boston Beer and Stroh with Boston Beer being the brewer of record, Boston Beer is required to submit reports to the Federal Alcohol, Tobacco and Firearms Department ("ATF") on Form 5000.24 (or any substitute form hereafter adopted by ATF) and to pay the required excise tax, which such tax is based upon the number of barrels, or fraction thereof, that leave the Brewery premises. In order to complete Form 5000.24 and to timely pay the excise taxes on such production, Stroh agrees to provide Boston Beer, to the Attention of its Tax Manager, with the following number of barrels of Beer Products so produced by Stroh and which have left the Brewery ("Production/Tax Data"), on or before the following dates: (i) With respect to Production/Tax Data during each calendar month, except for September, Stroh shall provide such information within no more than five calendar days following the fifteenth and last day of each month in order that Boston Beer may submit and pay the applicable excise taxes which are due within fourteen days following the 15th and last day of each month (or which is due on the preceding business day if the fourteenth day, as aforesaid, should fall on a Saturday, Sunday or legal holiday); (ii) With respect to Production/Tax Data for the month of September in each year, Stroh agrees to provide Boston Beer with Production/Tax Data for the following periods within the time frames hereinafter set forth: For the period from September 1 through September 15, such Production/Tax Data must be received by Boston Beer no later than September 20; for the period from September 16 through September 26, Production/Tax Data must be received by Boston Beer no later than September 28; and for the period from September 27 through September 30, Stroh agrees to provide the Production/Tax Data no later than October 5. In the event that the provisions of 27 CFR, Subpart K are amended, Boston Beer shall supply Stroh with written notice of any changes required in the reporting schedule set forth above.

d. Assuming Boston Beer uses pallets interchangeable with Stroh, the

Price also excludes any charge for Boston Beer's use of pallets owed by Stroh. Stroh shall invoice Boston Beer on * for Boston Beer's proportionate share (based on pallets shipped) of the cost of pallets incurred at each Brewery during *. Such invoices shall be paid by Boston Beer promptly in the ordinary course.

e. Stroh will invoice Boston Beer electronically * for the Price of Beer Products shipped * and Boston Beer shall pay such invoices * by wire or other mutually agreed upon method. All other amounts otherwise chargeable to Boston Beer hereunder shall be invoiced by Stroh reasonably promptly in accordance with normal business *. Such timely invoices shall similarly be paid by Boston Beer promptly in the ordinary course in accordance with normal business practices. Neither party shall be liable for any liability if such notification and invoice is issued more than * following the date on which such expense is incurred.

f. Stroh shall have the right to increase the Price to reflect Stroh's actual incremental cost for any Special Orders or Seasonals which use a more expensive brewing process or longer time frames or which have more expensive packaging processes than used to produce Samuel Adams Boston Lager. Other pricing and payment terms for Special Orders or Seasonals shall be in accordance with the foregoing provisions of this Section 5, including the timely invoicing requirements of paragraph (e), above.

g. Boston Beer shall also be entitled to a proportional reduction in the Fixed Charge to the extent that Stroh is able to achieve variable cost savings through changes in production *

7. Term.

The term of this Agreement (the "Term") shall commence as of * and shall continue until terminated pursuant to Section 8 hereof. The Parties acknowledge that either Party's obligations pursuant to this Agreement to make payments to the other Party and the Parties' respective obligations under Sections 8(g), 18 and 19, and Stroh's obligations under Sections 14, 17 and 31 shall survive the termination of this Agreement.

8. Termination.

a. Either Party may terminate this Agreement for any reason whatsoever on not less than * prior written notice to the other Party, effective at any time on or after *

b. Boston Beer may also terminate this Agreement effectively immediately upon written notice in the event that Stroh is in default of any of its obligations to brew, package and ship any Beer Products, which default continues for a period of * following receipt by Stroh of written notice from Boston Beer regarding such default or if Stroh is the subject of an acquisition of substantially all of its business or assets by an acquirer who Boston Beer reasonably believes will not be a Permitted Assignee [each such event is hereinafter referred to as a "Stroh Production Default".] Stroh shall not be deemed to be in default of its obligations for purposes of this Section 8(b), if it is in good faith both seeking to correct the circumstances giving rise to its failure to brew, package and ship Beer Products and honoring its obligations under Section 16 hereof, to the extent applicable.

c. Stroh may terminate this Agreement on * prior written notice to Boston Beer, in the event that Boston Beer is in arrears in payment of undisputed amounts representing * and such arrearage has remained outstanding for in excess of * after written demand for payment was made by Stroh. Normal credit terms are as defined in Section 5(e).

d. Stroh may also terminate this Agreement on * prior written notice provided to Boston Beer not later than * following the effective date of the following described event, *.

e. In the event that Stroh should fail to become Year 2000 Compliant, as set forth in Section 15 hereof, and such failure shall disrupt the production of the Beer Products by Stroh, then, in such event, Boston Beer shall provide * written notice of its intention to so terminate this Agreement, unless within * Stroh cures or demonstrates to Boston Beer's reasonable satisfaction that Stroh is using its best efforts to cure the problems arising from its failure to be Year 2000 Complaint.

f. In the event of bankruptcy by either party, the non-bankruptcy party shall have the right to terminate this Agreement.

g. Upon termination of this Agreement, Boston Beer shall (i) promptly pay to Stroh all unpaid invoices in full and all unpaid costs incurred by Stroh pursuant to this Agreement in the brewing, packaging, shipping and storage of Beer Products, and (ii) purchase from Stroh at Stroh's cost all Stroh's inventory of (i) work in process of Beer Products, (ii) ingredients and raw materials unique to the Beer Products, and (iii) Packaging Materials. Stroh will use all reasonable efforts to minimize such costs upon termination, and Boston Beer will have the right to review documentation evidencing such costs.

h. A Permitted Assignee * obligations may terminate such obligations on not less * notice, effective at any time after the expiration of * from the date of the first assignment of such obligations to a Permitted Assignee; provided that Boston Beer shall be relieved of any obligation to pay Incremental Costs during the notice period.

i. A Permitted Assignee * obligations may terminate such obligations on not less *, effective at any time after the expiration of * from the date of the first assignment of such obligations to a Permitted Assignee; provided that Boston Beer shall be relieved of any obligation to pay Incremental Costs during the notice period.

j. In the event of a Stroh Production Default, whether or not Boston Beer then terminates this Agreement pursuant to subsection (b), or termination by Boston Beer pursuant to subsection (e) or (f), in addition to such other rights and remedies it may have at law or in equity, Boston Beer shall be entitled to repayment of the Commitment Fee, *.

9. Packaging, Deposits and Minimum Orders.

a. Packaging of Beer Products shall consist of twelve ounce (12 oz.) bottles, twenty-two ounce (22 oz.) bottles, Half-Kegs and Kegs, and such other units as Boston Beer may from time to time require, exclusive of any units which are proprietary to Stroh and which are not then being produced for Boston Beer by Boston Beer or any third party. Except for one way pallets paid for by Boston Beer, a deposit per pallet and per keg as set forth in Section 6(a) hereof shall be charged to Boston Beer with corresponding credit applied upon the safe return in good working order of the pallets or kegs to Stroh. *

b. Boston Beer shall order at any given time not less than *. Boston Beer acknowledges and agrees that the minimum order applies to each beer style, individually, rather than in combination; provided, however, that orders for the bottling line may consist of * of the Beer Products in combination and any bottling line order shall not be less than * of each beer style, except that for twenty-two ounce (22 oz.) bottles, an order may be comprised of as many as * of at least * each.

10. Packaging Materials and Hops.

Crowns, bottles, labels, six-packs, cases, partitions and other packing materials for Beer products (collectively, "Packaging Materials"), or any applicable federal or state taxes (but specifically excluding any taxes in the nature of a tax on income or profits) are not included in the Fixed Charge and shall be borne directly by Boston Beer. All Packaging Materials and all hops to be used in the brewing of Beer Products ("Hops") shall be (i) purchased directly by Boston Beer at its cost for delivery to Stroh, (ii) the property solely and exclusively of Boston Beer, and (iii) segregated and identified as such. Boston Beer shall be responsible for the storage of Hops and shall release Hops to Stroh for production on a bi-weekly basis. Stroh acknowledges that Boston Beer shall be afforded unrestricted 24-hour access to all Packaging Materials and Hops when under Stroh control for purposes of removal or otherwise. Delivery of Packaging Materials and Hops (on such bi-weekly basis) to Stroh shall be coordinated between Stroh and Boston Beer, provided that Stroh shall be ultimately responsible for coordinating the timely delivery of Packaging Materials and Hops to the appropriate Breweries and other Breweries. *. All vendors shall be selected by Boston Beer, in its discretion, subject only to meeting Stroh's customary quality and performance requirements.

11. Risk of Loss.

Stroh and Boston Beer acknowledge and agree that, consistent with the F.O.B. pricing terms, the risk of loss in loading the carrier's trucks shall be borne by Stroh. However, the carrier's driver shall have the right to inspect each shipment for damage prior to leaving the loading dock and, accordingly, Boston Beer shall bear the risk of loss on any shipment of Beer Products, once the carrier's truck leaves Stroh's loading dock.

12. Brewery of Record.

a. To the extent requested by Boston Beer and consistent with applicable laws and regulations, Stroh shall provide all Beer Products brewed hereunder under the name of "The Boston Beer Company" as the Brewer of Record. Stroh shall, to the fullest extent permissible, secure any permits, licenses, approvals and the like related to the production of beer, required by any federal, state or local governmental agency on behalf of Boston Beer. Boston Beer agrees to reimburse Stroh promptly for any reasonable out-of-pocket costs, including, without limitation, legal expenses and increased clerical costs, incurred in connection therewith.

b. To the extent requested by Boston Beer, Stroh shall use all commercially reasonable efforts to establish and maintain an alternating proprietorship at each of the Initial Allowed Locations and at such other Breweries to which production of Beer Products has been transferred, if necessary, and, subject to and in compliance with all applicable federal, state or local laws, rules and regulations, to identify Boston, Massachusetts, as the sole label source for Beer Products. Boston Beer agrees to reimburse Stroh promptly for its reasonable out-of-pocket costs, including, without limitation, legal expenses and increased clerical costs, incurred in connection therewith.

c. Boston Beer's obligation to reimburse Stroh for its reasonable out-of-pocket costs shall not apply to costs incurred by Stroh with respect to establishing an alternating proprietorship at a brewery to which production hereunder is relocated because of Stroh's decision to Sell or Close a Brewery.

13. Storage.

The Price shall include storage of reasonable quantities of packaged Beer Products for up to thirty (30) days. Stroh shall be entitled to charge Boston Beer a reasonable fee for the storage of Beer Products beyond thirty (30) days.

14. The Wort Clarifier Project.

Stroh's obligations under the Wort Clarifier Agreement are hereby terminated, except that Boston Beer shall continue to enjoy the benefit of material yield savings for its own beers resulting from the Wort Clarifier Project. In addition, Boston Beer hereby assigns to Stroh all of Boston Beer's right, title and interest in and to the Wort Clarifier, subject to the following:

(i) for so long as this Agreement remains in effect, in the absence of a Stroh Production Default, the Wort Clarifier shall remain in the possession of Stroh at Portland or such other Brewery as Stroh and Boston Beer shall jointly agree; and

(ii) in the event of a Stroh Production Default, if so instructed by Boston Beer, Stroh shall reassign ownership of the Wort Clarifier to Boston Beer and shall deliver the Wort Clarifier to Boston Beer, in accordance with Boston Beer's instructions, the dismantling and transportation costs of which would be borne by Stroh.

15. Year 2000 Compliance.

a. Stroh has heretofore advised Boston Beer that its software, firmware, equipment and systems (collectively, hereinafter referred to as "Systems") is not as yet Year 2000 Compliant and that the System is not designed to be used immediately prior to, during and after the calendar year 2000 and thus cannot warrant that the Systems will operate consistently, predictably and accurately, without interruption or manual intervention, and in accordance with all requirements to facilitate the production of the Beer Products under the terms of this Agreement, including, without limitation, all specifications and/or functionality and performance requirements, during each such time period, and the transitions between them, in relation to dates it encounters or processes. Stroh hereby represents that it is taking and shall continue to take steps to become Year 2000 Compliant.

b. Boston Beer is in the process of reviewing all of its internal Systems, with a view to assuring that such Systems are or will in a timely fashion be Year 2000 Compliant, and Boston Beer currently has no reason to believe that Year 2000 Compliance will not be achieved.

c. Stroh and Boston Beer agree to communicate periodically regarding their respective Year 2000 Compliance status.

16. Force Majeure.

a. If Stroh is unable, by reason of a labor dispute, governmental action, act of God or the like, to produce Beer Products at any Brewery to the extent contemplated by this Agreement, it shall, in any event, to the extent it is still able to maintain production at such Brewery, continue to produce Beer Products at such Brewery in proportion to the capacity at such Brewery dedicated to Beer Products prior to the occurrence of the event in question. For purposes hereof, disruptions caused by the failure of Stroh to be Year 2000

Compliant (as further discussed in Section 15 hereof) shall not be deemed to be an event of force majeure. In addition, Stroh shall advise Boston Beer of the terms on which Stroh is then willing to produce Beer Products at other Breweries while the reduction in capacity at the affected Brewery continues.

b. If Boston Beer is unable, by reason of a labor dispute, governmental action, act of God or the like, to produce Beer Products at any brewery not owned by Stroh but at which from time to time Boston Beer produces Beer Products, and at that time Stroh has available production capacity at any of its Breweries, Stroh shall make such production capacity available to Boston Beer at a price equal to Stroh's variable out-of-pocket cost plus standard margin under this Agreement for such production.

17. Change Parts and Brewery Modifications.

Except as otherwise provided in Section 4 and 5 of this Agreement in connection with a Closure, Boston Beer will pay for all change parts and Brewery modifications that are unique to running Boston Beer's package Beer Products, provided that (i) Stroh does not have such parts existing at the Brewery in question, and (ii) Stroh notifies Boston Beer in advance of making any such expenditures. Boston Beer shall be entitled to be reasonably compensated for any such investment, whether made prior to or after the date hereof, to the extent that any change parts and/or modifications are used in the production of products other than Beer Products, such compensation to be as agreed from time to time to time by Stroh and Boston Beer. Boston Beer shall be entitled to a refund of any investment made pursuant to this Section 17, if the Brewery in which the investment was made is Closed or Sold prior to the expiration of * after the change parts or Brewery modifications were placed in service.

18. Product Liability.

a. Stroh and Boston Beer shall each maintain product liability insurance of not less than */* and in the amount of * combined single limit in the aggregate relating to the Beer Products produced by Stroh for Boston Beer.

b. Stroh shall indemnify and hold harmless Boston Beer and all of its affiliates from and against any and all loss, liability, cost or expense of any nature whatsoever, including reasonable attorneys' fees (collectively, "Product Liability Damages"), arising out of or associated with all claims made against Boston Beer by any party or parties for personal injury or property damage caused by impurities, defects, or adulteration of any kind in the Beer Products manufactured and packaged by Stroh, regardless of when manufactured or packaged; except that Stroh shall have no such indemnification obligations with respect to (i) Product Liability Damages when caused by (i) Boston Beer's improper storage, handling, or alteration of the Beer Products in question or (ii) Packaging Materials or ingredients purchased, specified or otherwise approved by Boston Beer subsequent to written notice from Stroh reasonably advising that such Packaging Materials or ingredients should not be used in the Beer Products for health and safety reasons, it being understood that Stroh's sole obligation with respect to providing any such notice shall be to inform Boston Beer of matters which come to Stroh's attention and Stroh shall have no independent duty to analyze any Boston Beer Packaging Materials, ingredients or specifications, and (iii) Product Liability Damages resulting from inherent properties and/or characteristics of the Beer Products, including, by way of example and not of limitation, health and intoxicating effects of the Beer Products.

c. Boston Beer shall indemnify and hold Stroh and all of its affiliates harmless from and against any and all Product Liability Damages to the extent arising out of the courses excepted from Stroh's indemnification obligations under paragraph (b), above.

d. Notwithstanding the provisions of subparagraphs (b) and (c) of this Paragraph 18, in no event shall either Party be liable to indemnify the other Party for consequential damages other than consequential damages arising out of willful managerial misconduct (including an arbitrary refusal by a Party to honor its obligations hereunder) suffered by the other Party or through material default by reason of the failure of either Party to be Year 2000 Compliant, and even in such events, the Party so liable shall not be liable in an amount greater than *.

19. Trademarks.

a. Stroh acknowledges that no trademark or trade name rights in any of the trademarks, trade names, service marks, or logos owned by Boston Beer, including specifically but without limitation those identified on the Trademark Schedule attached hereto as Exhibit G (collectively, the "Trademarks") are granted by this Agreement.

b. Boston Beer hereby represents, warrants and covenants that it has and will maintain the right to use the Trademarks and will indemnify and hold harmless Stroh from any claim of alleged infringement brought by any party against Stroh, including, but not limited to, Stroh's reasonable costs of legal expenses.

20. Successors and Assigns: Future Potential Acquisitions.

a. The Agreement shall be binding upon and insure to the benefit of the Parties and their respective successors and assigns, but shall not be assigned by Boston Beer without the prior written consent of Stroh, which consent will not be unreasonably withheld, and shall not be assigned by Stroh or any successor-in-interest to Stroh, in whole or in part, except to a Permitted Assignee.

b. A transaction or series of transactions, as a result of which a majority voting control of Stroh is acquired by a person or persons not currently holding an equity interest in Stroh shall be deemed to be an assignment requiring that, after such transaction or series of transactions, Stroh meets the requirements of a Permitted Assignee.

c. Except in the case of an assignment by Stroh of all of its rights and obligations hereunder in connection with this Agreement to a Permitted Assignee in connection with a sale of all or substantially all of its business and assets, no assignment of this Agreement by Stroh shall relieve it of its financial obligations hereunder, including its indemnification obligations, if an assignee defaults in the performance of its assigned obligations.

d. In the event that Boston Beer shall acquire substantially all of the business and assets of another company which produces and/or distributes beer, or, shall acquire all right, title and interest in and to the brands and trademarks of another company (hereinafter the "Acquired"), then, in such event, if the Acquired has products already being produced by Stroh, then Stroh agrees to make available to Boston Beer, for the same period of time that Stroh has pre-existing commitments for the Acquired, such additional capacity which is equivalent to that with the Acquired; provided, *.

e. If Stroh acquires substantially all of the business and assets of another company which produces beer or acquires an additional brewery facility (hereinafter a "Stroh Acquired Brewery"), then, in such event, if the Stroh Acquired Brewery has a pre-existing agreement with Boston Beer for the production of Beer Products, Stroh agrees to continue to make available to Boston Beer, for the same period of time which existed under the pre-existing agreement between Boston Beer and the Stroh Acquired Brewery, the same capacity as had been committed to Boston Beer by the Stroh Acquired Brewery; provided, *.

21. Governing Law.

This Agreement shall be interpreted and construed in accordance with the laws of the State of New York.

22. Arbitration.

Any disagreement, dispute, controversy or claim with respect to the validity of this Agreement or arising out of or in relation to the Agreement, or breach hereof, shall be finally settled by arbitration in New York, New York, in accordance with the articles of the American Arbitration Association for Commercial Arbitration. The arbitrators shall have the right to assess costs, including legal expenses, in favor of the prevailing Party, including, if applicable, Stroh travel costs. Notwithstanding the foregoing, the Parties may have recourse to the courts of the United States of America for the purpose of obtaining preliminary injunctive relief.

23. Execution in Counterparts.

This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original but all of which together shall constitute one and the same document.

24. Amendments.

No amendment, change, or modification of any of the terms, provisions or conditions of this Agreement shall be effective unless made in writing and signed or initialed on behalf of the parties hereto by their duly authorized representatives.

25. No Third Party Beneficiaries.

Stroh and Boston Beer agree that this Agreement is solely for their benefit and does not nor is it intended to create any rights in favor of, or obligations owing to, any person not a party to this Agreement.

26. Merger: Separability.

Subject to the provisions of Section 27(a) below, this Agreement terminates and supersedes all prior formal or informal understandings among the parties with respect to the subject matter contained herein, except that the provisions in the Heileman Agreement, entitling Boston Beer to indemnification for product liability claims and the Sankey Agreement shall remain in full force and effect. Should any provision or provisions of this Agreement be deemed ineffective or void for any reason whatsoever, such provision or provisions shall be deemed separable and shall not effect the validity of any other provision.

27. Current Practice: Cooperation.

a. Except as set forth in this Agreement, the Parties agree to continue their current business practices with respect to the Beer Products produced by Stroh for Boston Beer, subject to modification from time to time as the parties, exercising reasonable business judgment, shall mutually agree in writing. The Parties agree to use all commercially reasonable efforts to maintain the current service standards enjoyed by Boston Beer in the various service factors described on Exhibit H attached hereto.

b. Stroh agrees to provide consulting and technical services to Boston Beer, as reasonably requested by Boston Beer, with respect to projects in which Boston Beer may from time to time be engaged at non-Stroh facilities, for which services Stroh shall be compensated on a reasonable direct time, out-of-pocket expenses and materials basis.

c. The Parties also agree to cooperate with one another, consulting on a regular basis, with a view to achieving further financial economies, e.g., through joint purchasing efforts for the purchase of raw materials and supplies to be used by either of the Parties, whether at Lehigh Valley, Portland or any of the other Allowed Locations, or otherwise.

d. Stroh shall advise Boston Beer of opportunities that may from time to time become available to purchase from Stroh any breweries or any brewing, bottling or packaging equipment. In addition, if Stroh embarks on a strategy to Close or Sell Breweries , Stroh shall, to the extent not inconsistent with Stroh's own prudent business management practices or confidentiality agreements with third parties, afford Boston Beer an opportunity to purchase any such equipment.

e. All publicity concerning this Agreement shall be subject to the restrictions contained in Section 2(b) of this Agreement and otherwise as approved by the Parties.

28. Lab Tests.

Stroh will perform at its expense all lab tests currently performed by Stroh for Boston Beer on all Beer Products.

29. Non-Exclusive Nature of Agreement.

Nothing contained in this Agreement shall require Boston Beer to avail itself of the Committed Capacity or preclude Boston Beer from engaging any other brewer for the purpose of producing and distributing Beer Products.

30. Competing Products.

a. Except as hereinafter set forth, for so long as this Agreement remains in effect, without the prior written consent of Boston Beer, Stroh shall not, on behalf of any unaffiliated person, produce at * a beer or other "micro-brewery" or "craft" beer brand malt beverage product, which is substantially similar in taste, color, and marketing position to any of the Beer Products at any of the Breweries, except for products brewed by Stroh at either of such Breweries as of the Effective Date of this Agreement. In the event that * undergoes an event of Closure, and product on the *, is moved to a new facility, Boston Beer agrees to waive the exclusivity provision set forth above as it applies to any competing brand produced at the new facility at the time that production of Beer Products of Boston Beer is so moved. In addition, Boston Beer agrees to waive the exclusivity provision set forth above in connection with any competing brand to be produced on * and for which Stroh obtains export licensing rights; provided, however, that the foregoing waiver shall only apply to export shipments for such competing brand, with such exports to be made pursuant to Stroh's export license and conditioned further upon such exports being in the Canadian returnable bottle (also known as the T-bottle). *, and the production at the Brewery so subject to Closure is moved to *, then, in such event, Boston Beer agrees to waive the exclusivity clause set forth above, but only to the extent of any competing brands produced at * at the time on which the Closure Notice is issued. Stroh's obligations under this Section 30(a) shall not apply to a Permitted Assignee.

b. Boston Beer acknowledges that Stroh's business includes brewing craft and specialty malt beverage products, including products that may compete directly with, use the same brewing ingredients and formulae as, and/or are of the same style as one or more of the Beer Products. Boston Beer agrees that nothing contained in this Section 30 shall in any manner prevent, limit, restrict or otherwise affect Stroh's right to continue and expand such aspect of its business, including by introducing new products that compete directly with existing Beer Products, so long as Stroh does not intentionally (i) copy the identical brewing formulae and ingredients of any Beer Product, (ii) use any proprietary yeast specifically supplied to Stroh by Boston Beer solely for use in producing Beer Products; or (iii) use labeling or other packaging which infringes any of Boston Beer's Trademarks or copies Boston Beer's marketing position and strategy.

31. Yeast Strains.

Stroh will not use yeast strains supplied by Boston Beer to brew any beers other than the Beer Products. The obligations of Stroh under this Section 31 shall survive any termination of this Agreement.

32. Confidentiality.

The Parties agree that, except as they shall otherwise mutually determine from time to time, the terms of this Agreement and any notices given hereunder or other communications with respect to the substance of the relationship between them shall be maintained in confidence; provided that each Party shall be permitted to make such disclosures of confidential information to such courts and other public or governmental agencies as their counsel shall deem necessary to maintain compliance with and to prevent violation of applicable federal or state laws.

33. Notices.

All notices required herein shall be given by registered airmail, return receipt requested, or by overnight courier service, to the following addresses (unless change thereof - has previously been given to the party giving notice) and shall be deemed effective when received:

If to Boston Beer:

C. James Koch, President
Martin F. Roper, Chief Operating Officer
The Boston Beer Company, Inc.
75 Arlington Street, 5th Floor
Boston, MA 02116

with a copy to:

Frederick H. Grein, Jr., Esq.
Hutchins, Wheeler & Dittmar
101 Federal Street
Boston, MA 02110

If to Stroh:

James R. Avery, Executive Vice President-Operations
and Christopher T. Sortwell, Executive Vice President
and Chief Financial Officer
The Stroh Brewery Company 100 River Place
Detroit, MI 48207

with a copy to:

George E. Kuehn, Executive Vice President and General
Counsel
The Stroh Brewery Company
100 River Place
Detroit, MI 48207

34. Rights of Offset.

Stroh and Boston Beer agree that, to the extent that either of them is at any time owed money by the other Party, including on regular invoices sent as provided herein, such Party may set off such amount against any undisputed monies owed by it to such Party from time to time, any such set-off to be accomplished by written notice to the owing Party, effective upon being sent.

35. Deliveries to joint Wholesalers.

To the extent permitted by applicable law, if so requested by Boston Beer, Stroh will combine Beer Products with Stroh products in single truckloads for delivery to joint Wholesalers, in which case freight costs shall be appropriately pro-rated. For this purpose, a "Joint Wholesaler" is a licensed beer wholesaler that has been duly authorized by both Boston Beer and Stroh to distribute their respective products. Stroh and Boston Beer will cooperate with each other in the coordination of order entry so as to facilitate such single truckload deliveries.

36. Adverse Product Statements.

Each Party agrees to take all commercially reasonable steps to prevent any of its personnel from making disparaging or otherwise adverse remarks about the products of the other Party.

37. Limitation on Period of Claims.

Except as otherwise provided in this Agreement with respect to specific issues, all claims hereunder must be brought no later than one year after such claim arose or the Party having such claim shall be deemed to have waived or forever released it; provided that, for purposes of this Section 37, a claim based on a claim by a third party shall be deemed to have arisen at the time that the Party asserting a claim first became aware of it.

IN WITNESS WHEREOF, Stroh and Boston Beer have executed this Agreement as of the date first above written.

BOSTON BEER COMPANY LIMITED PARTNERSHIP
By: Boston Brewing Company, Inc., its General Partner

By: /s/ James Koch
President

THE STROH BREWERY COMPANY

By: /s/ Christopher T. Sortwell,
Executive Vice President and Chief
Financial Officer

EXHIBIT A

THE BOSTON BEER COMPANY
The Brewery, 30 Germania St.
Boston, MA 02130
617-522-3400
617-338-0765 - Martins fax

TO RANDY HULL

FROM JIM KOCH

DATE 7/5/95

RE SANKEY PROJECT

This memo confirms Boston Beer Company's interest in proceeding immediately with the installation of a Sankey line at the Blitz facility in Portland.

We propose the following financial arrangements.

1. Boston Beer will pay up to * of the capital and installation costs of the project on the following timetable -

I) Upon commencement of project *
II) Upon evidence of project being *
III) Upon evidence of project being *
IV) Upon completion and successful operation of project - final installment of balance of projects cost not to exceed *

Before payment of final installment, Heileman to provide documentation of project expenses if requested by Boston Beer.

2. a). In return for Boston Beer financing the project, Heileman agrees to rebate Boston Beer * at the rate of $*for the first *.

b). Therefore, Heileman agrees to rebate Boston Beer * of the operational savings, up to a maximum of *, generated in running Sankey's versus Hoff-Stevens.

3. In the event that Heileman cancels the contract between Heileman and Boston Beer, then Heileman will pay to Boston Beer * less all amounts theretofore paid to Boston Beer under paragraph 2(a).

4. To secure its obligation to make rebates to Boston Beer under Section 2 and to make payments to Boston Beer upon cancellation under Section 3, Heileman grants Boston Beer a security interest in the Sankey equipment installed at Blitz, Portland, and in the event that Heileman defaults on any of such obligations, Boston Beer, in addition to any other rights it might have, shall be entitled to take physical possession of the Sankey equipment.

If this is acceptable, please sign and return this to us.

Accepted by:

Jim Koch
Boston Beer Company

G. Heileman Brewing Company

EXHIBIT B

THE BOSTON BEER COMPANY
The Brewery, 30 Germania St.
Boston, MA 02130
617-522-3400
617-338-0765 - Martins fax

TO RANDY HULL

FROM JIM KOCH

DATE 7/6/95

RE WORT CLARIFIER PROJECT

This memo confirms Boston Beer Company's interest in proceeding immediately with the installation of a Wort Clarifier (Trub Handling Equipment) at the Blitz facility in Portland.

We propose the following financial arrangements.

1. Boston Beer will pay up to * of the capital and installation costs of the project on the following timetable -

I) * upon receipt of equipment invoice
II) Upon completion and successful operation of project - final installment of balance of projects, total cost not to exceed*

Before payment of final installment, Heileman to provide documentation of project expenses if requested by Boston Beer.

2. In return for Boston Beer financing the project, Heileman agrees to rebate Boston Beer an amount representing Heileman's verified ongoing operational savings incurred through use of the Wort Clarifier to brew Boston Beer's products.

These savings are designed to represent the operational savings reflected in reduced sewer costs, increased output from brewhouse per brew, increased capacity of the brewery etc.....

3. In the event Heileman cancels the contract between Heileman and Boston Beer, then Heileman will pay to Boston Beer * less all amounts theretofore paid to Boston Beer under paragraph 2.

4. To secure its obligation to make rebates to Boston Beer under Section 2 and to make payments to Boston Beer upon cancellation under Section 3, Heileman grants Boston Beer a security interest in the Wort Clarifier installed at Blitz, Portland, and in the event that Heileman defaults on any of such obligations, Boston Beer, in addition to any other rights it might have, shall be entitled to take physical possession of the Wort Clarifier equipment.

If this is acceptable, please sign and return this to us.

Accepted by:

Jim Koch
Boston Beer Company

G. Heileman Brewing Company

EXHIBIT C

List of Beer Products

Samuel Adams(R) Products	Oregon Ale & Beer -- Oregon Originals(R) Products
Boston Lager	IPA
Boston Ale	NBA
Cream Stout	ESB
Scotch Ale	Raspberry Wheat
Honey Porter	Honey Red
Cherry Wheat	Honey Ale
White Ale	
Double Bock	
Summer Ale	
Octoberfest	
Winter Lager	
Old Fezziwig	
Golden Pilsner	

EXHIBIT D

Specifications for Cleaning and Use of Used Glass

To be mutually agreed upon by Stroh and Boston Beer and to be consistent with current specifications adhered to by Stroh in its facilities.

EXHIBIT E

THE STROH BREWERY COMPANY MAJOR EXPENDITURE AUTHORIZATION - SCHEDULE A	NO. 04-5425	DATE 1-24-96
PROJECT TITLE AUTOMATE BOSTON BEER'S 2/12/12 PACK PRODUCTION	PLANT LEHIGH	
DEPARTMENT OR COST CENTER PACKAGING	BUILDING	FLOOR

DESCRIPTION AND ALTERNATIVES CONSIDERED

The Lehigh plant will automate BBC's 2/12/12 oz. production by receiving and installing existing equipment from *.

JUSTIFICATION

Senior Management direction. Boston Beer Company has requested these modifications and has agreed to reimburse Stroh for the cost of this project *.

ALTERNATIVES

Continue producing this package with the current system and cost structure. *.

PREPARED BY	DATE
F.R. Toporowski	1/17/96

THE STROH BREWERY COMPANY MAJOR EXPENDITURE AUTHORIZATION - SCHEDULE B	NO. 04-5425	DATE 1-24-96
PROJECT TITLE AUTOMATE BOSTON BEER'S 2/12/12 PACK PRODUCTION	PLANT LEHIGH	
DEPARTMENT OR COST CENTER PACKAGING	BUILDING	FLOOR

CALCULATION OF EXPENDITURE REQUIRED

ITEM	EQUIPMENT COSTS	LABOR COSTS	SPARE PARTS	MATERIAL COSTS	LABOR COSTS	RUN-IN	TOTALS

PREPARED BY
F.R. Toporowski

DATE
1/17/96

EXHIBIT F

Pricing Schedule
[SUBJECT TO INCREASE BASED ON * PER (S)6(A)]

PRICING SCHEDULE 1

in effect for * or in event termination notice is given

	*	*
BULK GLASS, PER 12 OZ CASE UNIT		
Loose, 4/6 packs, 2/12 packs	*	*
2/12 packs in tray	*	*
PACKAGED GLASS, PER 12 OZ CASE UNIT	*	*
* *	*	*
BULK GLASS, PER 22 OZ CASE UNIT	*	*
PACKAGED GLASS, PER 22 OZ CASE UNIT	*	*
KEGS per 1/4 keg	*	*
per 1/2 keg	*	*

NOTE 12 oz Case Unit = 24 bottles 12 oz

22 oz Case Unit = 12 bottles 22 oz

Above pricing does not include Sankey Keg Rebate at Portland
- Pricing net of Sankey Keg Rebate at Portland is *

Exhibit F (continued)

PRICING SCHEDULE 2

takes effect * but is not in effect during termination notice

	*	*
BULK GLASS, PER 12 OZ CASE UNIT		
Loose, 4/6 packs, 2/12 packs	*	*
2/12 packs in tray	*	*
PACKAGED GLASS, PER 12 OZ CASE UNIT	*	*
* *	*	*
BULK GLASS, PER 22 OZ CASE UNIT	*	*
PACKAGED GLASS, PER 22 OZ CASE UNIT	*	*
KEGS per 1/4 keg	*	*
per 1/2 keg	*	*

NOTE 12 oz Case Unit = 24 bottles 12 oz

22 oz Case Unit = 12 bottles 22 oz

Above pricing does not include Sankey Keg Rebate at Portland
- Pricing net of Sankey Keg Rebate at Portland is *

Exhibit G

SCHEDULE OF TRADEMARKS

Trademark	Reg./App.No.	Date Issued
Samuel Adams Boston Lager(R)	Reg. #1,522,026	01/24/89
Samuel Adams Boston Ale(R)	Reg. #1,610,302	08/14/92
Lightship(R)	Reg. #1,639,234	03/26/91
Samuel Adams(R) Cream Stout		
Samuel Adams(R) Cherry Wheat		
Samuel Adams(R) Cranberry Lambic		
Samuel Adams(R) Double Bock		
Samuel Adams(R) Honey Porter		
Samuel Adams(R) Golden Pilsner		
Samuel Adams(R) Octoberfest		
Samuel Adams(R) Scotch Ale		
Samuel Adams(R) Spring Ale		
Samuel Adams(R) Summer Ale		
Samuel Adams(R) White Ale		
Samuel Adams Winter Lager(R)	Reg. #1,623,925	11/20/90
Samuel Adams Triple Bock(R)	Reg. #2,052,984	04/15/97
Oregon Original(TM)	App. #74/730,463	09/18/95
Oregon Original(TM) India Pale Ale		
Oregon Original(TM) Raspberry Wheat		
Hardcore(R)	Reg. #2,109,887	10/28/97
Hardcore(R) Crisp Hard Cider		
Hardcore(R) Apple Cranberry Cider		
Hardcore(R) Black Cider		
Novemberfest(TM)	App. #75/007,625	10/19/95
Samuel Adams Portrait Logo	App. #75/478,992	05/04/98

Exhibit H

SERVICE STANDARDS

The following factors are illustrative but not necessarily exhaustive of the factors that define "service": brewing frequency, frequency of packaging, shipping hours, carrier selection, customer service, warehouse space, multi-stop loads, arrangements for order submission and changes and order fulfillment, electronic access to order status, billing and shipment information, pallets/cooperage handling, material release to Boston Beer suppliers, inventory reports and physical inventory frequency, analysis of in process and finished Beer Products, and production to Boston Beer quality specifications and consistent taste matches with other production locations of the same style.

Exhibit 10.34

AGREEMENT TO ASSUME AND PERFORM CONTRACTUAL OBLIGATIONS

Agreement entered into by and among Boston Beer Company Limited Partnership ("Boston Beer"), Pabst Brewing Company ("Pabst") and Miller Brewing Company ("Miller").

Effective as of November 1, 1998, Boston Beer entered into an Amended and Restated Production Agreement (the "Production Agreement") with The Stroh Brewery Company, an Arizona corporation ("Stroh"). In connection with a proposed transaction or transactions among Stroh, Pabst and Miller, Stroh, Pabst and Miller have requested that Boston Beer confirm that each of Pabst and Miller is a Permitted Assignee. Boston Beer has agreed to provide such confirmation, on and subject to the terms and conditions set forth in this Agreement.

Accordingly, in consideration of the premises and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound, Boston Beer, Pabst and Miller agree as follows:

1. Pabst hereby agrees to assume and agree to carry out and perform such of Stroh's obligations under the Production Agreement as Boston Beer may request, subject to the Sale and Closure provisions of Section 4 of the Production Agreement, excepting only such obligations of Stroh under the Production Agreement that, by their specific terms, apply only to Stroh.

2. Miller hereby guarantees to Boston Beer the performance by Pabst in all material respects of the obligations assumed by Pabst under the Production Agreement and agrees to assume and perform such obligations if so requested by Boston Beer.

3. In specific reliance on the foregoing representations, warranties and covenants of Pabst and Miller, Boston Beer hereby consents to the assignment of Stroh's obligations under the Production Agreement by Stroh to Pabst and, conditionally, to Miller and agrees that each of Pabst and Miller is a "Permitted Assignee."

Executed effective as of the 5th day of February, 1999.

BOSTON BEER COMPANY LIMITED PARTNERSHIP
By: Boston Brewing Company, Inc.,
its sole general partner

By: /s/ C. James Koch

PRESIDENT

PABST BREWING COMPANY

By: /s/ Dan Campbell

CHIEF FINANCIAL OFFICER

MILLER BREWING COMPANY

By: /s/ Paul Napieralski

VICE PRESIDENT-FINANCE

Exhibit 23.1
- ------------

CONSENT OF INDEPENDENT ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our report included in this Form 10-K, into the Company's previously filed Registration Statements on Form S-8 (File No.333-12221 and File No. 333-68531).

/s/ Arthur Andersen LLP

Boston, Massachusetts
March 22, 1999

Exhibit 23.2
- ------------

CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the incorporation by reference in the Registration Statements of The Boston Beer Company, Inc. on Form S-8 (File No.333-12221 and File No. 333-68531) of our report dated February 13, 1998, on our audits of the consolidated financial statements of The Boston Beer Company, Inc. as of December 27, 1997, and for each of the two years in the period ended December 27, 1997, which report is included in this Annual report on Form 10-K.

/s/ PricewaterhouseCoopers LLP

Boston, Massachusetts
March 24, 1999

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SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE BOSTON BEER COMPANY, INC.'S
CONSOLIDATED BALANCE SHEET AND CONSOLIDATED STATEMENTS OF OPERATIONS AND IS
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</FN>