UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended **September 25, 2004**

OR

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

For the transition period from ....to..........

Commission file number: 1-14092

THE BOSTON BEER COMPANY, INC.

(Exact name of registrant as specified in its charter)

MASSACHUSETTS	**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)

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

Yes ☒ No ☐

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

Yes ☒ No ☐

Number of shares outstanding of each of the issuer's classes of common stock, as of November 1, 2004:

Class A Common Stock, $.01 par value	**10,075,518**
Class B Common Stock, $.01 par value	**4,107,355**
(Title of each class)	(Number of shares)

THE BOSTON BEER COMPANY, INC.
FORM 10-Q

QUARTERLY REPORT
SEPTEMBER 25, 2004

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THE BOSTON BEER COMPANY, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(in thousands, except share data)

	September 25, 2004	December 27, 2003
	(unaudited)	
Assets		
Current Assets:		
Cash and cash equivalents	$ 37,013	$ 27,792
Short-term investments	20,000	15,098
Accounts receivable, net of the allowance for doubtful accounts of $515 as of September 25, 2004 and $450 as of December 27, 2003	12,335	10,432
Inventories	10,895	9,890
Prepaid expenses	1,009	1,126
Deferred income taxes	1,066	1,177
Other current assets	697	2,304
Total current assets	83,015	67,819
Property, plant and equipment, net	17,387	17,059
Other assets	1,111	1,099
Goodwill	1,377	1,377
Total assets	$ 102,890	$ 87,354
Liabilities and Stockholders' Equity		
Current Liabilities:		
Accounts payable	$ 8,427	$ 6,395
Accrued expenses	16,545	15,504
Total current liabilities	24,972	21,899
Long-term deferred income taxes	2,176	2,191
Other long-term liabilities	692	740
Commitments and Contingencies		
Stockholders' Equity:		
Class A Common Stock, $.01 par value; 22,700,000 shares authorized; 10,059,218 and 16,945,418 issued as of September 25, 2004 and December 27, 2003, respectively	101	169
Class B Common Stock, $.01 par value; 4,200,000 shares authorized; 4,107,355 issued and outstanding	41	41
Additional paid-in-capital	65,672	62,517
Unearned compensation	(309)	(229)
Other comprehensive income	(165)	45
Retained earnings	9,710	74,758
Less: Treasury Stock at cost, 7,102,467 shares as of December 27, 2003	—	(74,777)
Total stockholders' equity	75,050	62,524
Total liabilities and stockholders' equity	$ 102,890	$ 87,354

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

THE BOSTON BEER COMPANY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share data)
(unaudited)

	Three months ended		Nine months ended	
	September 25, 2004	September 27, 2003	September 25, 2004	September 27, 2003
Revenue	$ 60,477	$ 61,584	$ 178,303	$ 173,868
Less excise taxes	5,743	6,039	16,898	16,684
Net revenue	54,734	55,545	161,405	157,184
Cost of goods sold	22,738	22,853	65,315	63,590
Gross profit	31,996	32,692	96,090	93,594
Operating expenses:				
Advertising, promotional and selling expenses	23,391	22,239	70,129	71,555
General and administrative expenses	3,926	4,348	10,765	11,820
Total operating expenses	27,317	26,587	80,894	83,375
Operating income	4,679	6,105	15,196	10,219
Other income:				
Interest income, net	183	287	570	941
Other income (expense)	1	3	(238)	(1)
Total other income	184	290	332	940
Income before provision for income taxes	4,863	6,395	15,528	11,159
Provision for income taxes	1,838	2,407	5,870	4,218
Net income	$ 3,025	$ 3,988	$ 9,658	$ 6,941
Earnings per common share – basic	$ 0.21	$ 0.28	$ 0.68	$ 0.46
Earnings per common share – diluted	$ 0.21	$ 0.28	$ 0.67	$ 0.46
Weighted average number of common shares – basic	14,162	14,183	14,103	15,001
Weighted average number of common shares – diluted	14,595	14,465	14,479	15,254

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

THE BOSTON BEER COMPANY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

	Nine months ended	
	September 25, 2004	September 27, 2003
Cash flows from operating activities:		
Net income	$ 9,658	$ 6,941
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	3,856	4,232
(Gain) Loss on disposal of fixed assets	(1)	30
Stock option compensation expense	91	65
Bad debt expense (recovery)	65	(39)
Realized loss (gain) on sale of short-term investments	229	(128)
Changes in assets and liabilities:		
Accounts receivable	(1,968)	3,344
Inventories	(1,005)	(2,906)
Prepaid expenses	117	268
Other current assets	1,131	(704)
Other assets	(119)	(1,411)
Deferred income taxes	29	234
Accounts payable	2,032	606
Accrued expenses	1,042	1,392
Other long-term liabilities	(47)	(29)
Net cash provided by operating activities	15,110	11,895
Cash flows from investing activities:		
Purchases of property, plant and equipment	(3,530)	(1,504)
Proceeds on disposal of equipment	1	32
Proceeds from the sale of available-for-sale investments	20,983	20,410
Purchases of available-for-sale securities	(26,256)	(3,685)
Net cash (used in) provided by investing activities	(8,802)	15,253
Cash flows from financing activities:		
Purchase of treasury stock	—	(29,239)
Proceeds from exercise of stock options	2,724	943
Net proceeds from the sale of investment shares	189	166
Net cash provided by (used in) financing activities	2,913	(28,130)
Change in cash and cash equivalents	9,221	(982)
Cash and cash equivalents at beginning of period	27,792	20,608
Cash and cash equivalents at end of period	$ 37,013	$ 19,626
Supplemental disclosure of cash flow information:		
Income taxes paid	$ 4,100	$ 3,339

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

THE BOSTON BEER COMPANY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A. Organization and Basis of Presentation

The Boston Beer Company, Inc. and its subsidiaries (the "Company") are engaged in the business of brewing and selling malt beverages and cider products throughout the United States and in selected international markets. The accompanying consolidated statement of financial position as of September 25, 2004 and the statement of consolidated operations and consolidated cash flows for the interim periods ending September 25, 2004 and September 27, 2003 have been prepared by the Company, without audit, in accordance with accounting principles generally accepted in the United States of America for interim financial information and pursuant to the rules and regulations of the Securities and Exchange Commission. Accordingly, they do not include all of the information and footnotes required for complete financial statements by generally accepted accounting principles and should be read in conjunction with the audited financial statements included in the Company's Annual Report on Form 10-K for the year ended December 27, 2003.

Management's Opinion

In the opinion of the Company's management, the Company's unaudited consolidated financial position as of September 25, 2004 and the results of its consolidated operations and consolidated cash flows for the interim periods ended September 25, 2004 and September 27, 2003, reflect all adjustments (consisting only of normal and recurring adjustments) necessary to present fairly the results of the interim periods presented. The operating results for the interim periods presented are not necessarily indicative of the results expected for the full year.

B. Short-Term Investments

Short-term investments as of September 25, 2004 and December 27, 2003 were as follows (table in thousands):

	As of September 25, 2004		As of December 27, 2003	
Investment Classification	Fair Market Value	Unrealized Gain/(Loss)	Fair Market Value	Unrealized Gain/(Loss)
Available-for-sale	$ —	$ —	$ 15,098	$ 141
Held-to-maturity	$ 20,000	$ —	$ —	$ —
Total	$ 20,000	$ —	$ 15,098	$ 141

The Company recorded no realized gains or losses during the three month period ended September 25, 2004 and a realized gain of $0.1 million during the three month period ended September 27, 2003.

The Company recorded a realized loss of approximately $0.2 million during the nine month period ended September 25, 2004 and a realized gain of approximately $0.1 million during the nine month period ended September 27, 2003.

C. Inventories

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

Inventories consist of the following (in thousands):

	September 25, 2004	December 27, 2003
Raw materials, principally hops	$ 7,651	$ 8,233
Work in process	989	769
Finished goods	2,255	888
	$ 10,895	$ 9,890

D. Advertising and Sales Promotions

The total amount of sales incentives, samples and other promotional discounts included within the advertising, promotional and selling line item in the accompanying consolidated statements of income was $1.3 million for each of the quarters ended September 25, 2004 and September 27, 2003 and $3.0 million and $3.2 million for the nine months ended September 25, 2004 and September 27, 2003, respectively.

E. Net Income per Share

The following table sets forth the computation of basic and diluted earnings per share (in thousands, except per share data):

	For the three months ended		For the nine months ended	
	September 25, 2004	September 27, 2003	September 25, 2004	September 27, 2003
Net income	$ 3,025	$ 3,988	$ 9,658	$ 6,941
Shares used in earnings per common share — basic	14,162	14,183	14,103	15,001
Dilutive effect of common equivalent shares — stock options	433	282	376	253
Shares used in earnings per common share — diluted	14,595	14,465	14,479	15,254
Earnings per common share — basic	$ 0.21	$ 0.28	$ 0.68	$ 0.46
Earnings per common share — diluted	$ 0.21	$ 0.28	$ 0.67	$ 0.46

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

F. Comprehensive Income

Comprehensive income is as follows (in thousands):

	For the three months ended		For the nine months ended	
	September 25, 2004	September 27, 2003	September 25, 2004	September 27, 2003
Net income	$ 3,025	$ 3,988	$ 9,658	$ 6,941
Unrealized gain (loss) on available-for-sale securities, net of tax	(61)	(146)	(142)	(169)
Minimum pension liability adjustment, net of tax	—	—	(69)	—
Comprehensive income	$ 2,964	$ 3,842	$ 9,447	$ 6,772

Components of accumulated other comprehensive income are as follows (in thousands):

	September 25, 2004	September 27, 2003
Unrealized gain on available-for-sale securities, net of tax	$ 141	$ 327
Reclassification adjustment — available-for-sale securities, net of tax	(141)	(198)
Minimum pension liability adjustment, net of tax	(165)	(38)
Total other comprehensive income	$ (165)	$ 91

G. Commitments and Contingencies

Purchase Commitments
The Company had outstanding purchase commitments related to advertising contracts of approximately $15.3 million and $10.2 million at September 25, 2004 and December 27, 2003, respectively. These purchase commitments reflect amounts that are non-cancelable.

The Company has entered into contracts for the supply of a portion of its hops requirements. These purchase contracts, which extend through crop year 2009, specify both the quantities and prices to which the Company is committed. The prices of these contracts are denominated in euros. Hops purchase commitments outstanding at September 25, 2004 totaled $13.0 million (based on the exchange rate at September 25, 2004), compared to $11.0 million at December 27, 2003.

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

H. Common Stock

Stock Compensation Plans

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

	For the three months ended		For the nine months ended	
(in thousands)	September 25, 2004	September 27, 2003	September 25, 2004	September 27, 2003
Net income, as reported	$ 3,025	$ 3,988	$ 9,658	$ 6,941
Add: Stock-based employee compensation expense reported in net income, net of tax effects	18	14	53	41
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of tax effects	(113)	(180)	(338)	(759)
Pro forma net income	$ 2,930	$ 3,822	$ 9,373	$ 6,223
Earnings per share:				
Basic – as reported	$ 0.21	$ 0.28	$ 0.68	$ 0.46
Basic – pro forma	$ 0.21	$ 0.27	$ 0.66	$ 0.41
Diluted – as reported	$ 0.21	$ 0.28	$ 0.67	$ 0.46
Diluted – pro forma	$ 0.20	$ 0.26	$ 0.65	$ 0.41

Treasury Stock

Effective July 1, 2004, companies incorporated in Massachusetts became subject to the Massachusetts Business Corporation Act, Chapter 156D. Chapter 156D provides that shares that are reacquired by a company become authorized but unissued shares under Section 6.31, and thereby eliminates the concept of "treasury shares." Accordingly, the Company has redesignated its existing treasury shares, at an aggregate cost of $71,025, as authorized but unissued and allocated this amount to the common stock's par value and retained earnings.

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

The following is a discussion of the significant factors affecting the consolidated operating results, financial condition and liquidity and cash flows of the Company for the three and nine-month periods ended September 25, 2004 as compared to the three and nine-month periods ended September 27, 2003. This discussion should be read in conjunction with the Management's Discussion and Analysis of Financial Condition and Results of Operations, Consolidated Financial Statements of the Company and Notes thereto included in the Company's Form 10-K for the fiscal year ended December 27, 2003.

RESULTS OF OPERATIONS

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

Three Months Ended September 25, 2004 compared to Three Months Ended September 27, 2003

Net revenue. Net revenue decreased by $0.8 million or 1.5% to $54.7 million for the three months ended September 25, 2004 as compared to the three months ended September 27, 2003. The decrease is primarily due to a decline in shipment volume of Boston Beer's core brands offset by an increase in price.

Volume. Total shipment volume decreased by 3.6% to 0.3 million barrels in the three months ended September 25, 2004 from the same period 2003, due to a decrease in shipments of Samuel Adams Boston Lager® and Sam Adams Light®, partially offset by an increase in Seasonal Brands.

Depletions, or wholesaler sales to retail, of core products exceeded shipments for the third quarter 2004 by approximately 7,000 barrels. Wholesaler inventory levels at the end of the third quarter appear reasonable and represented levels similar to those at the end of the third quarter 2003.

Selling Price. The selling price per barrel increased by 2.2% to $170.51 per barrel for the quarter ended September 25, 2004 as compared to the same period last year. This increase is due primarily to price increases and, to a lesser extent, a shift in the package mix from kegs to bottles.

Gross Profit. Gross profit was 58.5% as a percentage of net revenue or $99.67 per barrel for the quarter ended September 25, 2004, as compared to 58.9% and $98.17 for the quarter ended September 27, 2003. This gross profit percentage decrease is due to an increase in cost of goods sold, partially offset by an increase in selling price.

Cost of goods sold increased by $2.20 per barrel to $70.83 per barrel, or 41.5% as a percentage of net revenue for the quarter ended September 25, 2004, as compared to 41.1% as a percentage of net revenue or $68.63 per barrel for the quarter ended September 27, 2003. The increase is due primarily to higher packaging material costs and utility costs than last year coupled with a shift in package mix from kegs to bottles.

The Company includes freight charges related to the movement of finished goods from manufacturing locations to distributor locations in its advertising, promotional and selling expense line item. As such, the Company's gross margins may not be comparable to other entities that classify costs related to distribution differently.

Advertising, Promotional and Selling. Advertising, promotional and selling expenses increased by $1.2 million to $23.4 million or 42.7% of net revenue for the three months ended September 25, 2004, compared

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

to $22.2 million or 40.0% of net revenue for the three months ended September 27, 2003. Higher media spending in the third quarter 2004 as compared to the same period last year primarily drove the increase.

General and Administrative. General and administrative expenses decreased by 9.7% or $0.4 million to $3.9 million for the quarter ended September 25, 2004 as compared to the same period last year. The decrease primarily reflects the fact that 2003 general and administrative expenses included the legal expenses incurred in 2003 in connection with the arbitration with Miller Brewing Company, which was resolved in the fourth quarter 2003.

Total other income, net. Other income decreased by $0.1 million during the quarter ended September 25, 2004 as compared to the quarter ended September 27, 2003. This decrease is primarily due to a shift in the investment portfolio in 2004 to shorter duration vehicles, which yield a lower interest income return than the longer duration vehicles that were held in 2003.

Nine Months Ended September 25, 2004 compared to Nine Months Ended September 27, 2003

Net revenue. Net revenue increased by $4.2 million or 2.7% to $161.4 million for the nine months ended September 25, 2004 from $157.2 million for the nine months ended September 27, 2003. The increase is primarily due to higher shipment volume of Boston Beer's core brands and price increases, offset by a shift in the package mix from bottles to kegs.

Volume. Total shipment volume increased by 1.5% to 0.9 million barrels for the nine months ended September 25, 2004 from the same period 2003, due to an increase in shipments of Samuel Adams Boston Lager®, Samuel Adams® Seasonal Brands and Twisted Tea®, partially offset by Sam Adams Light®.

Shipments of core products exceeded depletions year to date by approximately 32,000 barrels. Shipment volume was higher than the volume for depletions for the first nine months of 2004, primarily due to a normal wholesaler inventory build for the peak summer selling season, which began to unwind in the third quarter 2004. Wholesaler inventory levels as of September 25, 2004 appear reasonable and consistent with inventory levels at the end of the third quarter 2003.

Selling Price. The selling price per barrel increased by approximately 1.3% to $170.44 per barrel for the nine months ended September 25, 2004 as compared to the prior year. This increase is due to price increases, offset by a shift in the packaging mix from bottles to kegs and an increase in contract brewing volume. The ratio of kegs to bottles increased during this period, with kegs representing 28.4% of total shipments in the nine months ended September 25, 2004, as compared to 27.6% for the same period last year. The shift in the mix to kegs from bottles decreased revenue per barrel, as the selling price per equivalent barrel is lower for kegs than for bottles. This shift is primarily due to the declines in Sam Adams Light®, as this product is primarily available in bottles. Contract brewing has lower revenue per barrel than core products.

Gross Profit. Gross profit was 59.5% as a percentage of net revenue or $101.47 per barrel for the nine months ended September 25, 2004, as compared to 59.5% and $100.32 for the nine months ended September 27, 2003. The increase per barrel was primarily due to price increases offset by an increase in cost of goods sold per barrel and an increase in contract brewing volume. Contract brewing has lower margins than core products. While the Company expects its gross profit percentage for the full year 2004 to be similar to the full year 2003, increasing cost pressures relating to packaging materials and utility costs could result in a reduction of the 2004 gross profit percentage.

Cost of goods sold increased by $0.81 per barrel to $68.97 per barrel and remained unchanged as a percentage of net revenue for the nine months ended September 25, 2004, as compared to the nine months

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

ended September 27, 2003. The increase per barrel is primarily due to an increase in the cost of packaging materials and utility costs as compared to the prior year.

Advertising, Promotional and Selling. Advertising, promotional and selling expenses decreased by $1.4 million to $70.1 million or 43.4% of net revenue for the nine months ended September 25, 2004, compared to $71.6 million or 45.5% of net revenue for the nine months ended September 27, 2003. More effective purchasing of television advertising in 2004 and lower point-of-sale expenditures primarily drove the decrease in 2004 as compared to the same period in 2003.

The Company expects that total media spending will be higher in the fourth quarter 2004 as compared to the same period 2003. As a result, total advertising, promotional and selling expenses are anticipated to be approximately $1.5 million to $2.5 million higher for full year 2004 as compared to 2003.

General and Administrative. General and administrative expenses decreased by 8.9% or $1.1 million to $10.8 million for the nine months ended September 25, 2004 as compared to the same period last year, primarily due to a decrease in legal expenses from the level of such expenses incurred in 2003 in connection with the arbitration with Miller Brewing Company, which was resolved in the fourth quarter 2003.

Total other income, net. Other income, net decreased by $0.6 million to $0.3 million for the nine months ended September 25, 2004 as compared to the same period ended September 27, 2003. This decrease is due to a $0.2 million loss incurred in the second quarter 2004 on the sale of available-for-sale securities, as well as lower interest rates on investments in 2004 as compared to the prior year.

Provision for income taxes. The Company's effective tax rate of 37.8% for the nine months ended September 25, 2004 remained unchanged from the same period last year. The Company currently estimates that its effective tax rate for fiscal year 2004 will be approximately 37.8%.

LIQUIDITY AND CAPITAL RESOURCES

Cash and short-term investments increased by $14.1 million to $57.0 million as of September 25, 2004 from $42.9 million as of December 27, 2003. The increase is primarily due to $15.1 million of cash provided by operating activities, primarily driven by net income before depreciation expense.

As compared to the nine months ended September 27, 2003, cash from operating activities increased by $3.2 million which was primarily due to an increase in net income of $2.7 million.

Cash provided by financing activities was $2.9 million for the nine months ended September 25, 2004 as compared to cash used by financing activities of $28.1 million during the same period last year. The Company repurchased none of its outstanding stock during the first nine months of 2004 as compared to $29.2 million during the same period 2003. As of September 25, 2004, there were $5.2 million remaining under the $80 million expenditure authorization by the Board of Directors related to the Stock Repurchase Program. From the inception of the Stock Repurchase Program through November 3, 2004, the Company has repurchased a total of 7.1 million shares of Class A Common Stock for an aggregate purchase price of $74.8 million. The Company continues to evaluate options for utilizing its cash to increase shareholder value for the long term.

The Company utilized $3.5 million for the purchase of capital equipment during the nine months ended September 25, 2004 as compared to $1.5 million during the same period last year. Purchases during the first nine months of 2004 consisted primarily of kegs and computer equipment.

As of September 25, 2004, the Company's cash was primarily invested in taxable and tax-exempt money market funds and short-term tax-exempt interest-bearing securities. The Company's investment objectives are to preserve principal, maintain liquidity and achieve favorable tax advantaged yields.

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

With working capital of $58.0 million and $20.0 million in unused bank lines of credit as of September 25, 2004, the Company believes that its existing resources should be sufficient to meet the Company's short-term and long-term operating and capital requirements. On August 4, 2004, the Company decreased its credit facility to $20.0 million, which the Company believes is an appropriate level for its estimated future requirements. This credit facility expires on March 31, 2007. The Company was not in violation of any of its covenants to the lender under the credit facility and there were no amounts outstanding under the credit facility as of the date of this filing.

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

Off-balance Sheet Arrangements

As of September 25, 2004, the Company did not have any off-balance sheet arrangements as defined in Item 303(a)(4)(ii) of Regulation S-K.

Contractual Obligations

The following table presents contractual obligations as of September 25, 2004.

(in thousands)	Payments Due by Period				
	Total	Less Than 1 Year	1-3 Years	3-5 Years	More Than 5 Years
Advertising Commitments	$ 15,305	$ 14,776	$ 529	$ —	$ —
Hops Purchase Commitments	12,959	3,818	6,184	2,957	—
Operating Leases	2,739	1,167	1,276	265	31
Other Commitments	566	317	249	—	—
Total Contractual Obligations	$ 31,569	$ 20,078	$ 8,238	$ 3,222	$ 31

The Company's outstanding purchase commitments related to advertising contracts of approximately $15.3 million at September 25, 2004 reflect amounts that are non-cancelable.

The Company has entered into contracts for the supply of a portion of its hops requirements. These purchase contracts, which extend through crop year 2009, specify both the quantities and prices, denominated in euros, to which the Company is committed. Amounts included in the above table are in United States dollars using the exchange rate as of September 25, 2004. The Company does not have any forward currency contracts in place and currently intends to purchase the committed hops in euros using the exchange rate at the time of purchase.

In the normal course of business, the Company is a party to production agreements with various third party brewing companies for the production of its products. Title to beer products brewed under these contract arrangements remains with the third party brewing company until it ships the beer products. The Company is required to reimburse the supplier for all unused raw materials and beer products on termination of the production agreement. There were approximately $2.6 million of raw materials and beer products in process at the contract brewers for which the Company was liable as of September 25, 2004.

The Company is currently evaluating its options with respect to its contract brewing relationship with High Falls Brewing Company, LLC (High Falls) that is scheduled to terminate on December 1, 2004. The

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

agreement between the Company and High Falls provides for High Falls' repayment of certain capital investments made by the Company, which have a contractual value in excess of $2.0 million. At December 1, 2004, the Company's unamortized net book value of these capital investments is anticipated to be in excess of $1.6 million. High Falls has stated that it does not expect to be in a position to immediately repay the amounts due under the contract. The Company and High Falls are in discussions concerning a potential new long term production agreement which would defer and continue to amortize High Falls' obligation to make the repayment. While there is uncertainty as to the timing of any recovery, the Company believes that it has several alternatives available to recover the amounts due from High Falls if a new agreement is not reached. The Company has not accrued any reserves with respect to the High Falls situation at this time.

The Company is obligated to meet annual volume requirements in conjunction with certain production agreements. The fees associated with these minimum volume requirements are generally not significant and are expensed as incurred.

The Company's agreements with its contract breweries periodically require the Company to purchase fixed assets in support of brewery operations. At this time, there are no specific fixed asset purchases anticipated under existing contracts for the remainder of 2004, but this could vary significantly should there be a change in the Company's brewing strategy or changes to existing production arrangements or should the Company enter new production relationships or introduce new products. The Company is evaluating an expansion project for its Cincinnati Brewery, which contemplates a capital investment of approximately $6.0 million for an additional 200,000 barrels of brewing capacity. A final decision on this project is expected during the fourth quarter.

Critical Accounting Policies

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

Inventory Reserves

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

Promotional Activities Accrual

Throughout the year, the Company's sales force engages in numerous promotional activities. In connection with its preparation of financial statements and other financial reporting, management is required to make certain estimates and assumptions regarding the amount and timing of expenditures resulting from these activities. Actual expenditures incurred could differ from management's estimates and assumptions.

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

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

Stale Beer Accrual
In certain circumstances and with the Company's approval, the Company accepts and destroys stale beer that is returned by distributors and has historically credited approximately fifty percent of the distributor's cost on the beer that has passed its expiration date for freshness when it is returned to the Company or destroyed. The Company establishes an accrual based upon two factors. The first factor considers actual prior month return expense, which is applied to an estimated lag time for receipt of product and the processing of the credit to the distributor by the Company. The second factor is the Company's knowledge of specific return transactions. The actual stale beer expense incurred by the Company could differ from the estimated accrual.

Allowance for Deposits/First Fill Kegs
The Company purchases kegs from vendors and records these assets in property, plant and equipment. When the kegs are shipped to the distributors, a keg deposit is collected. This deposit is refunded to the distributors upon return of the kegs to the Company. The first fill allowance for deposits, a current liability, is estimated based on historical information and this computation requires that management make certain estimates and assumptions that affect the reported amounts of keg deposit liabilities at the date of the financial statements and the reported amounts of revenue during the reporting period. Actual keg deposit liability could differ from the estimates.

FORWARD-LOOKING STATEMENTS

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

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Since December 27, 2003, there have been no significant changes in the Company's exposures to interest rate or foreign currency rate fluctuations. The Company currently does not enter into derivatives or other market risk sensitive instruments for the purpose of hedging or for trading purposes.

Item 4. CONTROLS AND PROCEDURES

As of September 25, 2004, the Company had conducted an evaluation under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer (its principal executive officer and principal financial officer, respectively) regarding the effectiveness of the design and operation of the Company's disclosure controls and procedures as defined in Rule 13a-15 of the Securities Exchange Act of 1934 (the "Exchange Act"). Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to them by others within those entities.

There was no change in the Company's internal control over financial reporting that occurred during the quarter ended September 25, 2004 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

Two complaints against many producers of alcoholic beverages, including the Company, were filed in Ohio during the second quarter 2004 relating to advertising practices and underage consumption. The suits allege that each defendant intentionally marketed its products to children and underage consumers and seeks an injunction and unspecified money damages on behalf of an undefined class of parents and guardians. These actions are in their earliest stages. The Company intends to vigorously defend this litigation, but it is not possible at this time to determine the impact on the Company.

The Company is not a party to any other pending or threatened litigation, the outcome of which would be expected to have a material adverse effect upon its financial condition or its results of operations.

Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The Registrant made the following purchases of Class A Common Stock during the period ended September 25, 2004:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs
December 28, 2003 to January 31, 2004	798	$ 4.52	-0-
February 1, 2004 to February 28, 2004	100	$ 7.95	-0-
February 29, 2004 to March 27, 2004	-0-	$ -0-	-0-
March 28, 2004 to May 1, 2004	555	$ 4.29	-0-
May 2, 2004 to May 29, 2004	274	$ 9.28	-0-
May 30, 2004 to June 26, 2004	-0-	$ -0-	-0-
June 27, 2004 to July 31, 2004	-0-	$ -0-	-0-

August 1, 2004 to August 28, 2004	-0-	$ -0-	-0-
August 29, 2004 to September 25, 2004	-0-	$ -0-	-0-
Total	1,727	$ 5.40	-0-

The 1,727 shares that were purchased during the first nine months of 2004 represent repurchases of unvested investment shares issued under the Investment Share Program of the Employee Equity Incentive Plan.

As of September 25, 2004, there were $5.2 million remaining under the $80.0 million expenditure authorization related to the Stock Repurchase Program. During the first nine months of 2004, the Company did not purchase any of its outstanding stock under the Stock Repurchase Program. From the inception of the Stock Repurchase Program through November 3, 2004, the Company has repurchased a total of 7.1 million shares of Class A Common Stock for an aggregate purchase price of $74.8 million.

Item 3. DEFAULTS UPON SENIOR SECURITIES

Not Applicable

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

Not Applicable

Item 5. OTHER INFORMATION

Not Applicable

Item 6. EXHIBITS

Exhibit No.	Title
11.1	The information required by exhibit 11 has been included in Note D of the notes to the consolidated financial statements.
10.44	Letter Agreement dated August 4, 2004 amending the Second Amended and Restated Credit Agreement between Fleet National Bank and The Boston Beer Company, Inc. and Boston Beer Corporation.
31.1	Certification of the President and Chief Executive Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of the Chief Financial Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of the President and Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

32.2	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

SIGNATURES

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

THE BOSTON BEER COMPANY, INC.
(Registrant)

Date: November 4, 2004	By: /s/ Martin F. Roper Martin F. Roper President and Chief Executive Officer (principal executive officer)
Date: November 4, 2004	By: /s/ William F. Urich William F. Urich Chief Financial Officer (principal accounting and financial officer)

(BANK OF AMERICA LOGO) (FLEET LOGO)

August 4, 2004

Fleet National Bank
100 Federal Street
Boston, Massachusetts 02110
Attention: Israel Lopez

RE: SECOND AMENDED AND RESTATED CREDIT AGREEMENT EFFECTIVE AS OF JULY 1, 2002

Ladies and Gentlemen:

Reference is made to that certain Second Amended and Restated Credit Agreement effective as of July 1, 2002 (the "Credit Agreement") by and between FLEET NATIONAL BANK, (the "Lender") and the undersigned, THE BOSTON BEER COMPANY, INC. and BOSTON BEER CORPORATION (together, the "Borrowers"). Capitalized terms used herein without definition have the meanings assigned to them in the Credit Agreement.

The Borrowers have requested that the Commitment be reduced as of the date hereof from $45,000,000 to $20,000,000. Therefore, the parties hereby agree that Section 1.1 of the Credit Agreement be, and hereby is, amended by deleting "$45,000,000" and substituting therefor "$20,000,000". The parties also agree that the definition of "Permitted Investments of the Credit Agreement be, and it hereby is, deleted in its entirety and substituted by "Permitted Investments: As applied to any Company shall be in conformance with the Company's investment policy as may be modified from time to time and as shown in Exhibit 3.16." The parties also agree that Section 4.1 (d) of the Credit Agreement be, and it is hereby deleted in its entirety. Except for the reduction in the Commitment to $20,000,000 and the other modifications specifically set forth in this letter agreement, the text of the Credit Agreement and all other Loan Documents shall remain unchanged and in full force and effect.

The Borrowers hereby confirm that no Default has occurred and is continuing as of the date hereof.

This letter agreement may be executed by the parties hereto on separate counterparts, which together shall constitute one and the same agreement. Delivery of an executed counterpart of this letter agreement by facsimile transmission shall be as effective as delivery of a manually executed counterpart hereof.

Very truly yours,

THE BOSTON BEER COMPANY, INC.

/s/ Martin F. Roper
By:_________________________________
Martin F. Roper
Name:____________________________
President and CEO
Title:__________________________

BOSTON BEER CORPORATION

/s/ Martin F. Roper
By:_________________________________
Martin F. Roper
Name:____________________________
President and CEO
Title:___________________________

Accepted and Agreed to as of June 18, 2004

FLEET NATIONAL BANK
/s/ Israel Lopez
By:______________________________________

Name: Israel Lopez____________________

Title: Senior Vice President___________

EXHIBIT 3.16

THE BOSTON BEER COMPANY, INC. INVESTMENT POLICY

I. ADOPTION & PURPOSE

This Investment Policy Statement (the "Policy") establishes policies relating to and governing the investment of the surplus funds ("Funds") of the Company and all of its affiliated entities.

Funds are to be invested under the supervision of the Company's Chief Financial Officer or by other qualified personnel to whom the Company's Chief Executive Officer may from time to time delegate this responsibility.

The Company's Chief Financial Officer and those other qualified personnel designated by the Chief Executive Officer are authorized to utilize an agent or dealer for the purchasing of such investments.

II. INVESTMENT OBJECTIVES

Funds shall be invested to achieve the following objectives:

- Preserve Capital.
- Maintain adequate liquidity at all times.
- Optimize return on investments in authorized securities, taking into account market performance, risk profile, and tax implications.
- Minimize fees, transaction cost and expenses associated with the selection and management of the investment securities.

III. AUTHORIZED SECURITIES

The following classes of securities may be purchased with the Funds.

- Municipal Auction Rate Securities with 7, 28 or 35 day liquidity, rated AAA, with geographic diversification.
- Vanguard and Bank of America money market or mutual bond funds not to exceed average maturities of 12 months.

IV. INVESTMENT POLICY STATEMENT REVIEW

The Company's Chief Financial Officer shall review the Policy at least annually and report to the Company's Board of Directors to:

- Affirm that the Policy remains consistent with the financial objectives of the Company and its affiliates;
- Affirm that the Policy reflects current market conditions as appropriate; and
- Recommend changes, if any, to the Policy.

On behalf of the Board of Directors of The Boston Beer Company, Inc,

____
Chairman

_____________, 2004

Exhibit 31.1

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

1. I have reviewed this quarterly report on Form 10-Q of The Boston Beer Company, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 4, 2004

/s/ Martin F. Roper

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

Exhibit 31.2

I, William F. Urich, Chief Financial Officer of The Boston Beer Company, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of The Boston Beer Company, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 4, 2004

/s/ William F. Urich

William F. Urich
Chief Financial Officer
[Principal Financial Officer]

Exhibit 32.1

The Boston Beer Company, Inc.

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

In connection with the Quarterly Report of The Boston Beer Company, Inc. (the "Company") on Form 10-Q for the period ended September 25, 2004 as filed with the Securities and Exchange Commission (the "Report"), I, Martin F. Roper, President and Chief Executive Officer of the Company, certify, pursuant to Section 1350 of Chapter 63 of Title 18, United States Code, that this Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in this Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 4, 2004

/s/ Martin F. Roper

Martin F. Roper
President and Chief
Executive Officer

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to The Boston Beer Company, Inc. and will be retained by The Boston Beer Company, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

The Boston Beer Company, Inc.

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

In connection with the Quarterly Report of The Boston Beer Company, Inc. (the "Company") on Form 10-Q for the period ended September 25, 2004 as filed with the Securities and Exchange Commission (the "Report"), I, William F. Urich, Chief Financial Officer of the Company, certify, pursuant to Section 1350 of Chapter 63 of Title 18, United States Code, that this Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in this Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 4, 2004

/s/ William F. Urich

William F. Urich
Chief Financial Officer

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to The Boston Beer Company, Inc. and will be retained by The Boston Beer Company, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.