Adolph Coors Company 2004 Annual Report

About This Report

Because the Molson Coors merger transaction closed in early 2005, this document represents the final Adolph Coors Company annual report – a summary of the benefits of our merger of equals with Molson; a brief review of Coors' 2004 performance; a quick look at Molson, our merger partner; and perspective from four of the new company's leaders: Chairman Eric H. Molson, Vice Chairman Peter H. Coors, CEO Leo Kiely and CFO Tim Wolf.

Adolph Coors Company closed 2004 with improving performance and a solid platform for success. It began 2005 with a transformational merger with Molson Inc. and a new sense of possibility.

Molson and Coors. Two major brewers committed to excelling in a tough, competitive, globally consolidating beer business. Two great brewing traditions with a passion to be the best.

A perfect match. A winning combination of strengths. An exciting future.

Pour it on.

The time is right.

The global beer business is rapidly consolidating, becoming more competitive every day. More than ever, scale is crucial for any brewer to excel. That's why it's the right time for Molson Coors. For two successful players in the world's most profitable beer markets, it's a perfect fit. Together we're financially stronger and more efficient. By dramatically increasing our size overnight, the merger enhances our ability to support aggressive marketing campaigns, innovative product introductions and strategic geographic expansion. Pour it on.

On January 28, 2005, in Montreal, and on February 1, 2005, in Golden, Colorado, shareholders voted for a bright future with the approval of the Molson Coors merger.


MOLSON
CANADIAN
PREMIUM LAGER
KEYSTONE
LIGHT
Coors
LIGHT
A TASTE BORN HIGH IN THE ROCKY MOUNTAINS
Coors
ZIMA
XXX
Kaiser
CARLING
A MARCA
BAVARIA
MOLSON
DRY
Grolsch
PREMIUM
LAGER
R
RICKARD'S
PALE
IMPECCABLE TASTE

Our brands are powerful.

Across the globe, there's a growing preference for more refreshing, drinkable beers. The Molson Coors portfolio comprises some of the world's leading brands, led by Molson Canadian, Canada's number-one beer; Coors Light, the number-one light beer in Canada and the fourth-largest beer brand in the United States; and Carling, the U.K.'s best-selling lager. These brands lead an all-star lineup of brews, each with the right taste profile and brand equities to grow. Pour it on.

Ours is a portfolio of some of the world's best-loved beer and beverage brands. Cold, clean and refreshing – just the way the world increasingly likes it.

Our opportunities have no borders.

Success in the beer business requires meeting two imperatives: profitably building core markets, and entering high-potential new markets across the globe. Our newly expanded business is better positioned than ever to grow in our home markets, four of the world's largest and most profitable – Canada, the United States, Brazil and the United Kingdom – while we plant a flag selectively in other high-potential beer markets. Molson Coors has the scope, scale and talent to grow where we're already established and where we're new. Pour it on.

We're working to build upon our strength in Canada, Brazil, the United States and the United Kingdom while we selectively establish our brands in other markets like China, Mexico, Japan and, most recently, Russia, New Zealand and Australia.

THE SILVER BULLET®
A TASTE BORN HIGH IN THE ROCKY MOUNTAINS

2004: Our year in beer.

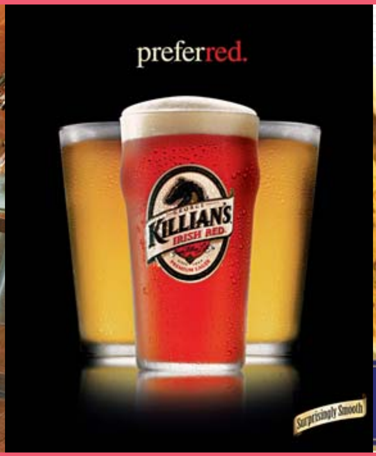
As we prepared for the merger, Coors delivered steady improvement in the second half of 2004, despite continuing challenges on both sides of the Atlantic. We ended the year strong, with improving volume and productivity, higher margins, a world-class U.S. supply chain capability and a number of exciting new products – ready to pour it on as Molson Coors.

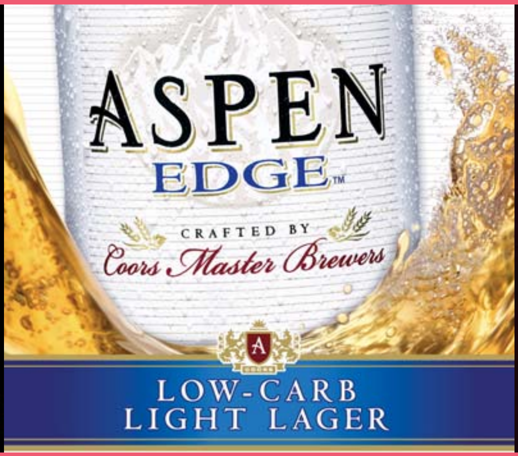
In the United States, 2004 was a year in which Coors worked hard on all fronts to deliver improvement and better prospects for growth. We successfully addressed start-up issues with our supply chain management systems and processes. We refocused our sales organization to serve key customers more effectively, both on- and off-premise. We sharpened our Coors Light advertising to emphasize the core brand equities that set us apart. And by year-end, we began to see the results as volume returned to a growth trajectory and profitability accelerated.

Enhancing U.S. operations

Our ongoing efforts to improve all aspects of Coors' operations showed continued progress, starting with our new state-of-the-art supply chain management systems – now up and running smoothly and delivering the full benefits of unprecedented efficiency and control. Asset CARE, with its preventive and predictive maintenance processes, continued to drive improvements in plant efficiency, product quality and equipment life cycles throughout 2004 in our container and brewery operations. As we gained momentum in the supply chain and drove costs out of the business, we launched the Coors Quality Management System (CQMS), a tool designed to align quality practices and processes across the entire supply chain, from suppliers to consumers.

In early 2005, an optimized Molson Coors began to take shape almost immediately with the announcement of our intention to close the Memphis brewery by early 2007 as part of synergies available through the merger. This move complemented plans we announced during 2004 to add brewing capabilities to our existing Shenandoah packaging





facility in Elkton, Virginia. The Shenandoah project will match brewing and packaging capacity at 6–7 million-barrel (7–8.2 million Hectoliter) levels in the same facility, greatly enhancing our ability to efficiently and flexibly deliver product to our eastern U.S. markets.

A new U.S. national accounts sales organization up and running

We improved the efficiency and effectiveness of our ability to brew and deliver beer in 2004; we did the same with our ability to sell it.

In March 2004, we announced the restructuring of our national accounts business, which we now call key accounts. We added staff and applied more resources across the three largest channels – grocery, convenience stores and on-premise – to increase service quality and value. The new structure divides our sales force along channel lines to offer more specific expertise for channel partners. We also created a channel marketing team to develop customized promotions aimed at addressing each customer's unique needs.

By fourth quarter, we had re-established Coors as a leader in category management in a growing number of accounts. Key accounts, which represent more than 35 percent of Coors' U.S. business, now are outgrowing the rest of our accounts.

Getting our U.S. Coors Light advertising down cold

In an environment of increasingly competitive product claims, Coors Light occupied the high ground by proudly proclaiming what makes us unique: cold-filter "frost brewing," refrigerated shipping and warehousing that keeps our U.S. products cold from packaging through delivery to retail.

We continued to leverage our exclusive NFL sponsorship across all distribution channels throughout the year with Coors Light and Coors. Meanwhile, Aspen Edge launched successfully and already is the number-two low-carb beer in most markets. Coors Original became simply Coors – and won a Gold Medal in the 2004 Great American Beer Festival. Blue Moon continued its climb in more and more markets, delivering strong double-digit growth for the year. Keystone, with its "Road Trippin'" promotion, delivered respectable growth in the below-premium category. And new Zima XXX proved itself in 2004 with growth in the double digits.

More new products and packages in 2004...and beyond

Product news is an important aspect of sustained growth – it's vital to be an active player in a game where consumers of legal drinking age always are eager to sample new and different products. After the launch of Aspen Edge and Zima XXX in the first half of 2004, we're pouring it on with the addition of new Hard Green Apple flavor and variety packaging – 12-packs with three each of four flavors (Hard Green Apple, Hard Black Cherry, Hard Orange and Hard Lemon-Lime) – to the Zima XXX lineup.

After test-market success in 2004, Coors Light is launching nationally its new 8-ounce can – a tall, slim package that delivers a fast-chilling, pick-up-and-go, cold-to-the-last-drop size that's attractive to legal-drinking-age consumers.

CARLINGLIVE.COM

Winning in lager in the U.K.

Growth tastes like lager in the U.K. beer business. Currently, 70 percent of beer consumed here is lager, and we expect that to grow to 80 percent within five years. Our “Win in Lager” strategy, with its emphasis on Carling, Grolsch and Coors Fine Light Beer, helped us increase our U.K. market share to nearly 21 percent in 2004 and made Coors Brewers Ltd. (CBL) the number-one lager brewer measured by volume in the U.K. on-trade channel.

“If you love football, then you love Carling.” Carling continued to associate the nation’s leading lager with its favorite sport with the first-ever interactive television campaign by an alcohol-beverage brand. Consumers with interactive televisions saw a pop-up box during Carling “Big Match” ads inviting them to enter a competition to win “Love Football” flags for England, Scotland and Wales – coordinated with a “One Million Flags” off-trade promotion.

Grolsch, the U.K.’s fastest-growing major premium lager, launched an advertising campaign that tells stories of the unique heritage, ingredients, brewing techniques and serving traditions of the legendary brand from Holland. At the same time, we continued our aggressive drive to increase distribution points in the on- and off-trade channels, with promising results.

A fine beginning for Coors Fine Light Beer

More U.K. drinkers than ever are experiencing the clean, clear refreshment of Colorado’s Rocky Mountains without leaving their living rooms or local pubs – by sipping an ice-cold Coors Fine Light Beer. After a highly targeted on-trade launch in late 2003, we introduced this American classic in the biggest off-trade launch in CBL’s history. Our advertising, promotional and public relations campaign, “Whipping up a Snowstorm,” powerfully brings home our unique equities. Offered in four-, 10- and 12-pack bottles as well as kegs, the promising brand already has been picked up by top U.K. accounts.

Keeping the new products coming to the U.K.

Everywhere, beer lovers want to know the answer to one question: “What’s new?” We bolstered our flagship U.K. brand with a unique new Carling-branded electric cooler, marketed to consumers and pubs, that turns a can of beer or a beer glass ice-cold in less than a minute.

We introduced two unique products – Kasteel Cru, a fine imported lager brewed in Alsace, France, which comes in a distinctive bottle produced in France’s Champagne region; and C2, the culmination of a decade of trials and recipe development. C2 is Carling’s new, two-percent-alcohol-by-volume lager. Not a low-alcohol beer where the alcohol is removed after brewing, C2 is naturally brewed to end up at two percent alcohol. Most important, C2 has the full flavor and body of a proper pint.

Pushing our U.K. sales performance to the next level

Our strategies center on focusing on the right customers to continually improve U.K. sales performance. With Multiple On-Trade customers (chains, pubs and restaurants) representing an increasing proportion of the marketplace, we created teams that unite brand and customer marketing responsibilities to provide improved category management expertise and tailored service to large multiple operators. To maximize sales from independent on-trade customers, we transformed our national telephone-business unit, adding staff and changing how we work to better align with overall sales strategies.

Progress on the road to U.K. operational excellence

As we continued to invest in our Burton brewery and completed the sale of our Cape Hill property, key strategic sourcing initiatives resulted in ongoing operational performance improvement. We have significantly reduced the number of suppliers in recent years, cutting complexity and costs while building more strategic, value-added relationships with our vendor-partners. In 2004, we signed a 15-year agreement to outsource the ownership, procurement and tracking of kegs and casks with TrenStar. This move will improve retail service levels, asset utilization and reduce container loss rates while freeing cash for our core business.

International – expanding our global presence

Leading up to the merger, we continued to build Coors Light, Canada's number-one light beer brand, with promotions like the Coors Light "Trauma Tour," a fusion of action sports and music that sold out events across Canada in the summer of 2004. We grew in Puerto Rico during the fourth quarter of 2004 after several challenging years, bolstering our number-one beer brand position with a dynamic combination of marketing and community involvement programs.

Our Mexico FEMSA distribution agreement, initiated in September 2004, makes Latin America's leading beverage company the exclusive distributor of Coors Light in Mexico, the world's eighth-largest beer market. We are expanding our presence in China, the world's largest beer market by volume – Coors Light now is one of the top premium brands in 53 percent of the targeted markets. We improved Zima performance in Japan, and in 2005 we entered Russia, a large growth market for beer, with the Coors Fine Light Beer brand.

With the Molson Coors merger, we will have a presence in seven of the top-eight beer markets worldwide – the United States, the U.K., China, Mexico, Brazil, Japan and Russia. Pour it on.

Joining forces with a Canadian icon.

When shareholders approved the Molson Coors merger in early 2005, we solidified a proven relationship with a true leader. Founded more than 200 years ago on the banks of the St. Lawrence River in Montreal, Molson is much more than North America's oldest and Canada's leading brewer – it is an icon in Canada, synonymous with integrity, quality and community.

A 219-year tradition of family brewing excellence

It was 1782 when John Molson, just 18, first came to Canada from England in search of opportunity. He found it in the thirsty settlers and fur traders of Montreal, and by 1786 had founded a beer business that would thrive through six generations. Molson's Montreal brewery today stands at the site of the original enterprise – the cellar from the brewery built a year after its founding still exists at the facility, a constant reminder of a world-class brewer's humble beginnings.

More than 160 years of steady growth accelerated in the early 1950s when Molson began a period of rapid expansion across Canada. Eventually, Molson became the company it is today: Canada's largest and North America's oldest brewer, with the country's best-loved beer brands and an international presence that includes majority ownership of Kaiser, Brazil's third-largest brewer.

Molson today: Canada's best beer brands

The Molson brand portfolio has something for every taste, a collection of Canada's best – and best-loved – brews. To name just a few: *Molson Canadian* is a delicious lager with a clean, pale color, crisp taste and smooth finish, and a brand that exemplifies the pride young people feel to be Canadian (just ask Joe Canadian). But Molson Canadian isn't just for Canadians. Its clean lager taste has a strong following in the U.S. and the right profile to catch on elsewhere in the world. *Molson Export* is the chairman's favorite, a classic ale whose award-winning, full flavor brings to mind Molson's great brewing tradition. Mr. Molson is a master brewer himself, so he knows a great ale when he tastes it. *Molson Dry* is very

popular for its clean, distinctive taste that comes from a unique dry brew process. *Rickard's* is a family of craft-type brews from the west, including Canada's top-selling red beer. *Molson Ultra* is there for anyone watching his or her carbs, and *Carling Black Label* is a delicious lager that shares its roots with the U.K.'s leading lager brand. With *A Marca Bavaria,* Canadians have a refreshing Molson import that Brazilian beer drinkers have enjoyed since 1877.

A leader with a solid, well-balanced business

Molson has a great business to match its beer brands. Canada's leading brewer, Molson enjoys a number-one share in provinces that together represent 80 percent of national volume – among them Ontario and Quebec, two of the largest and highest-margin markets in Canada.

Molson's highly efficient production capacity comprises five breweries strategically located across the nation for optimal market coverage. Over the past few years, its comprehensive productivity improvement strategy has enabled significant strides toward world-class performance. At the same time, Molson has increased its focus on product and packaging innovation to grow market share in Canada. Successful market initiatives launched in 2004 include low-carb Molson Ultra and Molson Canadian's Cold Shot, a potent new lager in a sleek, slim can.

In Brazil, the world's fourth-largest beer market, Molson's Kaiser brewery produces more than 9 million hectoliters annually in eight breweries, all but one of which are less than 20 years old. Through its distribution partner, Coca-Cola, Kaiser has access to more than one million points of sale – enormous potential in an enormous marketplace.

A great name in Canada

Since its beginnings in Canada more than two centuries ago, the Molson name has stood for much more than great beer. In the early years, John Molson founded a bank, built a line of steamships and, perhaps most important, was instrumental in the founding of the city's first hospital, Montreal General Hospital. Throughout its history, the Molson enterprise has been an active force in Canada's development on many levels, owning lumber retailers, chemical companies and hockey teams.

Today, Molson is a name that is woven into the fabric of Canadian life – a sponsor of all six NHL Canadian hockey teams, involved in event sponsorships everywhere; a leader that's committed to providing hope for disenfranchised youth, developing leadership in young people, helping amateur athletes and supporting AIDS awareness, research and treatment.

A proven partnership

Molson and Coors have partnered on various marketing and distribution initiatives for more than two decades. Our partnership with Molson in Canada, first formed in 1985, has resulted in Coors Light becoming the country's number-one light beer. Our U.S. joint venture with Molson was formed in January 2001 to import, market, sell and distribute Molson brands in the States.

Molson Coors is the logical next step in the development of a strong, proven relationship. Management has worked together for years. The people share a pride in who they are, a drive to be the best and a passion for great beer. We are ready to pour it on – together.

A Message From Eric Molson and Pete Coors

Dear Shareholders: We have brought together two of North America's oldest and most revered brewing traditions to create a new force in the global beer business.

We are now the world's fifth-largest brewer by volume, almost 14,000 people strong, with home markets in Canada, the United States, the United Kingdom and Brazil. We also have a significant presence in the Caribbean and Asia, with promising beginnings in Mexico and elsewhere.

Our product portfolio now includes more than 40 brands that appeal to the evolving tastes of legal-age drinkers everywhere – brands that drive annual sales of approximately U.S.$6 billion and represent annual volume of more than 58 million hectoliters, or nearly 50 million barrels.

And so we begin. The task before us is to convert the promise of Molson Coors into results. It will be hard but exciting work. We will strive together as a team, joining our strengths to achieve levels that we could not have reached alone.

Molson Coors represents a whole new world of opportunity, and we intend to make the most of it.

Realizing the potential of Molson Coors

With leading brands in four of the eight most profitable global beer markets in the world, a solid balance sheet and strong cash-generating capability, the new Molson Coors Brewing Company creates uncommon potential for the company and its investors.

Mergers succeed or fail based on their ability to achieve a single compelling vision and culture. A key immediate objective of our management and our Board is to solidify alignment of the entire enterprise around a clear, motivating vision, a common set of values and a solid understanding of each team's role in winning as the new Molson Coors Brewing Company.

Governance: a true merger of equals

The Molson Coors Board of Directors is a well-balanced group in terms of shareholder representation and expertise. It is a Board in which Molson and Coors family members will remain very active in shaping the future of the company.

The Board comprises 15 Directors, most of whom were drawn from the former Molson and Coors Boards. Nine members are independent directors, and the audit committee is composed entirely of independent directors. This is a strong Board, well qualified to support the company as it pursues its potential. It is designed to ensure that the interests of all shareholders are represented in the decisions determining the direction of the company.

A bright future ahead of us

Molson Coors has the talent, scale and financial strength to be a strong competitor in the global beer marketplace. Our focus will not change fundamentally from what we have always striven to do at both Molson and Coors: build our brands; strengthen our partnerships and seek new ones; attack costs; and build our team. While we strive to excel at these fundamentals, we will always be alert to new opportunities to accelerate our performance and improve our position. The new company virtually doubles our size overnight. This puts at our disposal unprecedented resources, and we intend to make the most of them to build our core markets, develop new regions and grow shareholder value.

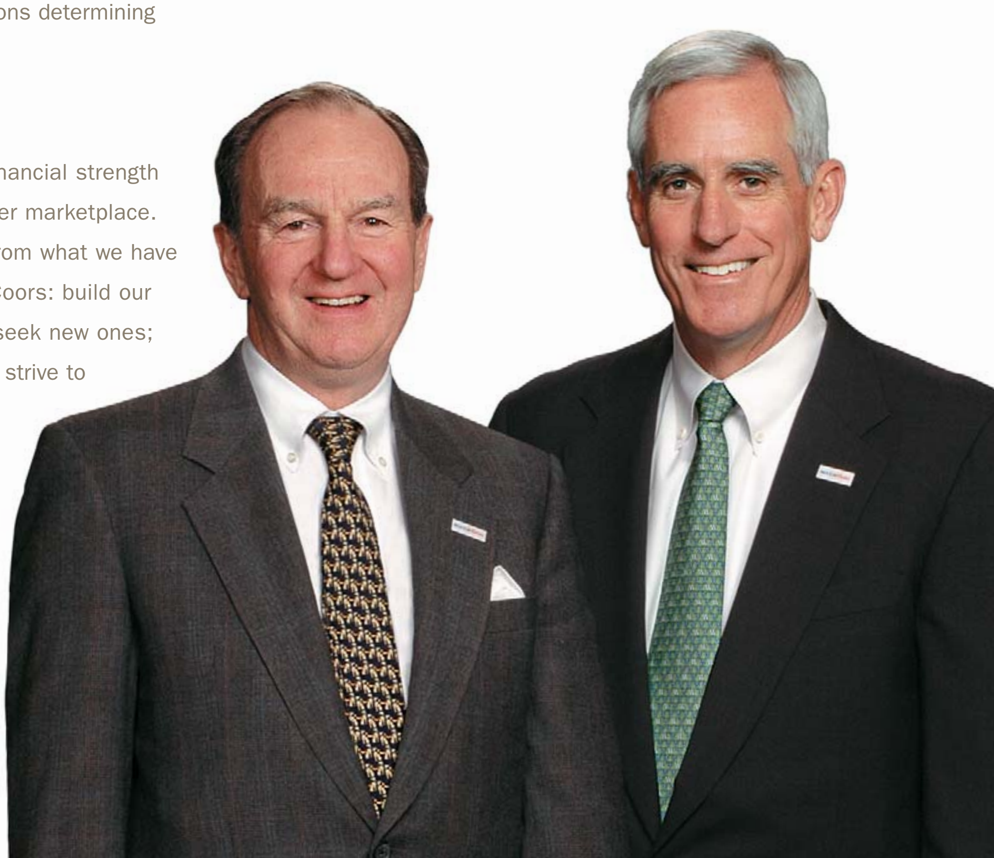
Thank you

We would like to thank our investors – the former Molson and Coors shareholders, now united as Molson Coors shareholders – for the confidence and support they showed by overwhelmingly voting for this merger early in 2005. We'd also like to express our appreciation for the incredible efforts of the Molson and Coors staffs, management teams and Boards, without whose skills and hard work this transaction could not have happened.

In addition, thanks are due to our employees, who now span the globe as never before. We all know that strategies don't produce results. People do. Individuals, and individuals working together in teams. Individuals of passion and integrity, people who are creative, who strive for quality and seek to excel in all they do.

We've just described the employees of Molson Coors. This, more than any other reason, is why we are so confident in the success of our new company.

Eric H. Molson *Chairman of the Board,* *Molson Coors Brewing Company*	**Peter H. Coors** *Vice Chairman,* *Molson Coors Brewing Company*



From Leo Kiely: The CEO's Perspective

A quick look at Coors, 2004

Coors delivered good financial performance in 2004 in the face of intense competition, soft industry demand and less-than-ideal "beer weather," both in the U.S. and the U.K. Although our sales volume for the year, 32,703,000 barrels (38,373,700 hectoliters), represented a slight decline from what we achieved in 2003, we grew consolidated net sales by 7.6 percent to $4.3 billion, and net income rose year over year by 12.6 percent to $196.7 million. Strong cash flow generated during the year enabled us to continue to reduce our debt – far ahead of schedule.

Our U.S. performance, despite higher costs related to fuel, transportation and commodities, benefited from a number of factors: a strong pricing environment, tight management of controllable costs, our dramatic recovery from supply chain problems of 2003 and new product introductions.

As a result, we beat our cost plan with reductions in many areas of operations. Our new U.S. key account sales organization gained traction and built momentum, by fourth quarter outperforming the rest of our accounts. We also restored overall volume growth in the fourth quarter, thanks in part to volume softness a year earlier, but also because of strong performance of our Blue Moon and Zima brands and our introduction of Aspen Edge in March. Most encouraging was the fact that Coors Light, our flagship brand, grew in the fourth quarter, reversing declines from earlier in the year.

In our U.K. business, poor weather lowered volumes in our key summer months; fortunately, we gained momentum in the fourth quarter and grew more than a half-percentage point in market share to finish 2004 with a record annual market share of nearly 21 percent. In fact, Coors Brewers now is the number-one seller of lager in the U.K. with Carling, Grolsch and Coors Fine Light Beer. We also benefited in the U.K. from the completion of the sale of our Cape Hill property and an improved pricing environment both in the off-trade and on-trade channels.

For our international business, it was a good year across the board. Coors Light in Canada delivered strong profit growth. Puerto Rico returned to volume growth in the fourth quarter of the year. We launched Coors Light in Mexico with the FEMSA agreement. And we continued to hit volume and distribution milestones in China in 2004.

A new leader for our U.S. business

In March 2005, we were very pleased to announce that Frits van Paasschen had accepted the position of President of Coors Brewing Company, the U.S. subsidiary of Molson Coors. Frits came to us from Nike, Inc., where he established a reputation as an energetic leader and a track record of delivering growth in dynamic market environments. He began his new duties on March 29 – we are excited to have him aboard.

Molson Coors: business priorities for 2005

As we integrate the Molson and Coors organizations around a shared culture and vision for the future, we will focus on objectives in three areas of the business in 2005: growth, productivity and financial results.

In terms of growth, our goal for 2005 is to increase global revenues in the mid-to-high-single-digit percent range, with volume sales growing in the low-to-mid-single digits. In the productivity area, we have established a 2005 synergy target of $50 million, which is step one in our three-year plan to deliver at least $175 million in synergies to the bottom line. As to financial results, our 2005 objectives include achieving low-double-digit EBIT growth and generating more than $1 billion of EBITDA, before synergies and merger-related costs.

We will achieve these enterprise-wide objectives by executing in each of our key geographies: the United States, Canada, the U.K. and Brazil. In Canada, we must stop share erosion and stabilize our lead brands – Canadian, Export and Dry – through increased consumer and retail focus, coupled with significantly increased investment. In addition, our efforts will also include aggressively managing the value segment and maximizing Coors Light momentum.

To realize the potential of Molson Coors, we are focusing on business objectives across three areas of the enterprise in 2005: growth, productivity and financial results.

In the U.K., our priority is to maintain positive market share growth momentum and continue to win in lager, driven by Carling, Grolsch and Coors Fine Light Beer. We also need to stay focused on reducing our fixed costs as we adapt to the channel mix shifts underway from on-trade to take-home, and within the on-trade segment.

In the United States, our focus is on growing Coors Light. Our largest brand has been impacted by a number of market trends over the past few years and has not grown at the levels we need to win. Recent Coors Light trends have been more encouraging; we will work to accelerate this momentum throughout the year. Beyond Coors Light, we need to manage our U.S. portfolio brands to drive profitable growth, and we need to continue to drive down our costs.

In Brazil, our challenge centers on the growth rate of the Kaiser brand – particularly in our core market of São Paolo. Working closely with our Coca-Cola distribution partners, Fernando Tigre and the Kaiser management team are currently implementing a plan to rebuild brand equity, stabilize and grow market share, and re-establish sales momentum. An immediate priority for our new company is to carefully evaluate the facts in Brazil before charting a strategy for the future of that business.

Building our brands globally

While our main focus is on our home markets, we see plenty of potential out in the world to develop global brands. We will continue to grow Coors Light in China and other Asian markets, Mexico and the Caribbean, while we support ongoing Zima growth in Japan. With the recent launch of Coors Fine Light Beer in Russia, we will be active in another of the world's largest beer markets.

We will continue to pursue current efforts to grow other brands in Asia, Australia, New Zealand and Europe. Molson brings to Molson Coors exclusive brand distribution rights to Carling in a broad part of the world: Asia (excluding Hong Kong), Africa (excluding South Africa), Canada and Latin America. In addition, we recently launched the Carling brand in New Zealand and Australia through a local partner. Meanwhile, A Marca Bavaria is gaining ground in Australia and New Zealand, as well as in the U.K.

Winning the right way – responsibly

We're going to win in the beer business, and we're going to do it the right way. Molson Coors combines two very strong traditions of responsible marketing and community involvement to address underage drinking and irresponsible consumption. Our increased scale and power will benefit more than our efforts to grow – it will strengthen our ability to make a difference on this important aspect of our business everywhere we sell our products.

Everyone here at Molson Coors shares a sense of excitement at the possibilities the merger of these two great companies represents. Just watch. This is going to be fun.

Leo Kiely
Chief Executive Officer,
Molson Coors Brewing Company

Financial Highlights

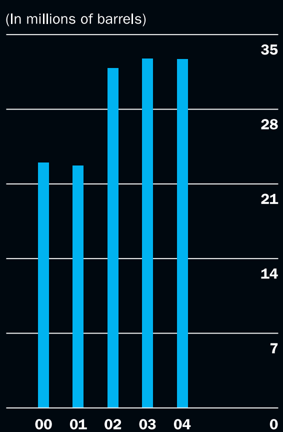
Adolph Coors Company

(Dollars in thousands, except per share data, fiscal year ended)	December 26, 2004	December 28, 2003	Change
Barrels of beer and other malt beverages sold – Coors	32,703,000	32,735,000	-0.1%
Net sales	$4,305,816	$4,000,113	7.6%
Net income	$ 196,736	$ 174,657	12.6%
Properties – net	$1,445,584	$1,450,785	-0.4%
Total assets	$4,657,524	$4,444,740	4.8%
Shareholders' equity	$1,601,166	$1,267,376	26.3%
Dividends	$ 30,535	$ 29,820	2.4%
Number of Coors employees	8,400	8,500	-1.2%
Number of shareholders of record	2,966	2,985	-0.6%
Number of Coors Class A common shares outstanding	1,260,000	1,260,000	–
Number of Coors Class B common shares outstanding	36,392,172	35,153,707	3.5%
Per share of Coors common stock			
Net income – basic	$ 5.29	$ 4.81	10.0%
Net income – diluted	$ 5.19	$ 4.77	8.8%
Net book value	$ 42.53	$ 34.80	22.2%
Dividends	$ 0.82	$ 0.82	–

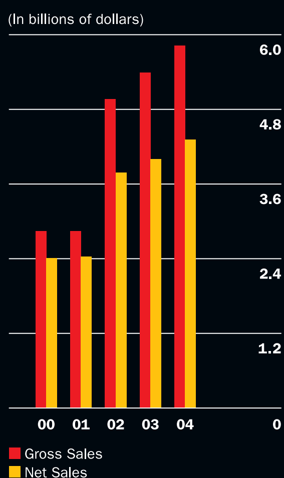
Results are for Adolph Coors Company only and do not include results for Molson Inc.

Profile Before its merger with Molson, Inc., Adolph Coors Company (trading on the New York Stock Exchange under ticker symbol "RKY") was ranked among the 500 largest publicly traded corporations in the United States. It's principal subsidiary and the third- largest brewer in the U.S., Coors Brewing Company, remains the principal U.S. subsidiary of Molson Coors Brewing Company. With its headquarters and primary brewery in Golden, Colorado, the company also owns the second-largest brewer in the United Kingdom, Coors Brewers Limited. Molson Coors Brewing Company now trades on the New York Stock Exchange and Toronto Stock Exchange under the ticker symbol "TAP."

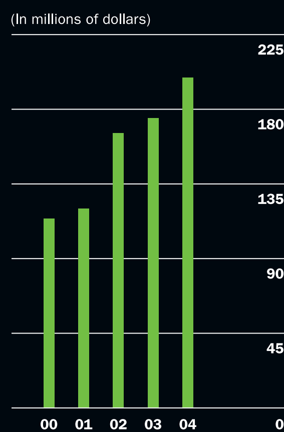
Sales Volume[1]



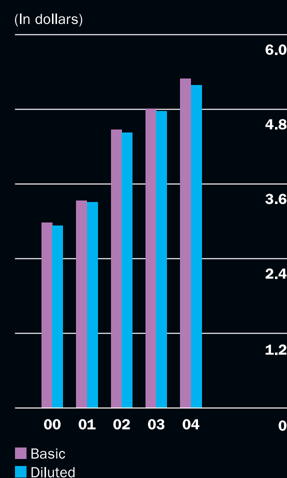
Sales[1,2]



Net Income[1]



Earnings Per Share[1]



1 *Results for periods prior to February 2, 2002, exclude Coors Brewers Limited.*
2 *The difference between gross sales and net sales represents beer excise taxes.*

2004 was truly a transformational year in the history of the Coors enterprise. Net income grew nearly 13 percent; cash generation accelerated, allowing us to repay more than $380 million in debt; our U.K. team drove volume and gained market share to increase Europe pretax earnings 15 percent; our Americas team reduced controllable operations costs, drove volume and market share in Canada, successfully leveraged our new supply chain capabilities, and finished the year with Coors Light poised for growth and strength in the competitive U.S. beer industry – all while increasing Americas segment pretax income nearly 18 percent.

We achieved our ninth consecutive year of earnings growth and a 19 percent compound annual earnings growth rate over the past decade, with Coors shareholders benefiting from a total return of 470 percent over the past 10 years, more than twice the return of the S&P 500 index of large companies over the same time frame.

Financial Performance

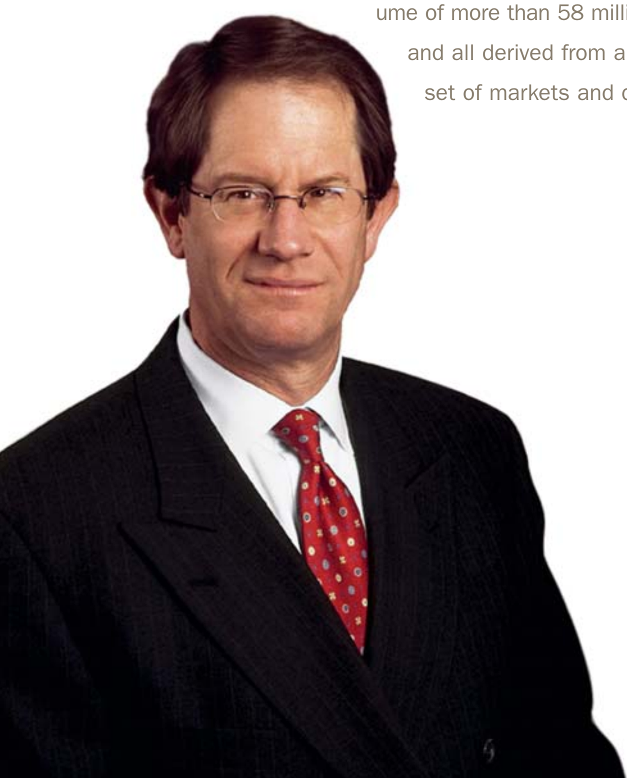
Adolph Coors Company

In the three years since our acquisition of what is now Coors Brewers Limited, we have repaid $862 million of debt principal, more than half of the original acquisition debt, substantially exceeding our commitments to a variety of important constituents.

While we have plenty of work to do before we can think of ourselves as "best in class," we have increased cash generation, improved working capital efficiency, further enhanced already solid capital spending disciplines, converted a variety of non-core assets to cash and driven higher returns on capital. Since 2002, we have increased returns on invested capital by 2.4 percentage points to 10.6 percent at year-end 2004.

These efforts reflect areas where we can never lessen our focus. On the contrary, as we are now Molson Coors, we have the opportunity and responsibility of being entrusted with a larger enterprise – more markets, customers, employees, stakeholders, shareholders and cultures – so we must continue to build financial capabilities in all respects.

"Building capability" is at the heart of the Molson Coors merger of equals; capability to ensure at least $175 million of annualized cost synergies by year three, which we will capture and bring to our bottom line; capability to further grow and leverage the critical mass of the world's fifth largest brewer, with enterprise value of nearly $9 billion, pro forma revenue of $6.2 billion, earnings before interest, income tax, depreciation and amortization (EBITDA) of about $1 billion (GAAP, operating income of approximately $528 million), volume of more than 58 million hectoliters, and all derived from a more diverse set of markets and countries.



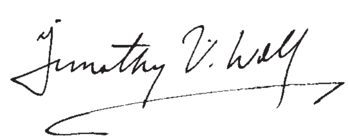
As we build the capabilities of Molson Coors, the company is certain to benefit from the increased financial strength the merger provides. Equally important is the positive impact our combined cultures, ideas and talent will have on our performance.

We will seek additional cost and cash synergies, revenue synergies and other upsides from tax, debt and operating structures that the merged company can provide, and we look forward to the hard work and collaboration of ideas and talents that our broader, stronger, merged company now provides.

Perhaps more important is the synergy of cultures, ideas and talent that our stronger, merged company will provide. Immediately, our financial strength, flexibility and capabilities have increased. Less apparent, but perhaps even more important over time, will be the synergy of talent and collaboration that highly committed Molson and Coors teams now are forging into one strong, focused organization.

We begin 2005 as one team, resolved to achieve much more than either company could have achieved on its own. This is a momentous time for Molson Coors Brewing Company, as we dedicate and focus our efforts to build an even greater, more capable global beer player, even more able to achieve stronger shareholder returns.

Pour it on.



Timothy V. Wolf
Chief Financial Officer, Molson Coors Brewing Company
Former Chief Financial Officer, Adolph Coors Company

Management's Discussion and Analysis of Financial Condition and Results of Operations

Executive Summary

Our 2004 results reflect good financial performance for the Coors business, despite challenging competitive dynamics in all of our major markets. Net sales were up 7.6%, net income grew 12.6%, and earnings per share increased 8.8%. These positive results were driven by solid beer pricing and continued progress on cost-reduction initiatives. Our full-year profit growth also benefited from gains on asset sales and favorable foreign exchange rates.

Pretax income for the Americas segment was $260.7 million, up 17.8% from a year ago, driven primarily by solid US beer pricing, sales of non-operating assets, and the lapping of lower sales and higher costs in the fourth quarter last year due to US supply chain challenges. These positive factors more than offset sales volume decreases and higher costs in the United States. In addition, higher income from our Coors Light business in Canada contributed to Americas full year profits.

Pretax income for the Europe segment was $158.7 million, up 15.2% from a year ago. Europe financial results in 2004 benefited from a 12% year-over-year appreciation of the British pound against the US dollar, following an appreciation in 2003 of 8.4%. This boosted Europe income by $16.4 million in 2004 and $9.8 million in 2003, although part of this benefit was offset by higher interest expense on our pound-denominated debt. Besides favorable exchange rates, higher Europe income was driven by off-trade volume growth, better pricing and, subsequently, higher margins in both the on-trade and the off-trade. We also realized a $7.5 million pretax gain on the sale of our Cape Hill brewery property.

We repaid debt obligations totaling $382.0 million in 2004. While the business continued to generate strong operating cash flow, sales of non-operating assets and controlled capital spending contributed heavily to the de-leveraging effort.

With the completion of our Merger, we are now the fifth-largest brewer in the world. As a newly combined company, our first order of business is to focus on our core markets, investing for growth in our leading brands. Our near-term goals are:

- to rejuvenate growth for Coors Light in the United States;
- to drive profitable growth for Molson Canadian and Coors Light in Canada;
- to keep the growth momentum and share gains building in the United Kingdom;
- to capture cost synergies and other benefits of the Merger to build shareholder value; and
- to determine the near- and long-term potential for our Kaiser business in Brazil.

Results of Operations – Americas Segment

The Americas segment is focused on the production, marketing, and sale of the Coors portfolio of brands in the United States and its territories, including the results of our packaging joint ventures, Rocky Mountain Metal Container (RMMC) and Rocky Mountain Bottle Company (RMBC), the Coors Light business in Canada, and the sale of Molson products in the United States that, prior to the Merger, was conducted through a joint venture with Molson, Molson USA. The Americas also include the small amount of Coors brand volume that is sold outside of the United States and its territories, including primarily Japan, China, Mexico, and the Caribbean.

(In thousands, except percentages, fiscal year ended)	Dec. 26, 2004	Percent change	Dec. 28, 2003	Percent change	Dec. 29, 2002
Volume in barrels	22,208	(0.7)%	22,374	(1.4)%	22,688
Net sales	$ 2,481,038	3.0 %	$ 2,409,595	0.4 %	$ 2,400,849
Cost of goods sold	(1,478,882)	0.3 %	(1,474,250)	(0.5)%	(1,481,630)
Gross profit	1,002,156	7.1 %	935,345	1.8 %	919,219
Marketing, general and administrative expenses	(760,623)	6.0 %	(717,622)	2.3 %	(701,454)
Special items, net[1]	–	–	–	–	(3,625)
Operating income	241,533	10.9 %	217,723	1.7 %	214,140
Other income, net[2]	19,150	449.5 %	3,485	(28.4)%	4,864
Earnings before income taxes[3]	$ 260,683	17.8 %	$ 221,208	1.0 %	$ 219,004

1 *The 2002 special items consist of expenses related to restructuring and the dissolution of our former can and end joint venture, offset by a cash payment on a debt from our former partner in a brewing business in South Korea.*

2 *Consists primarily of gains from sales of non-operating assets, water rights, a royalty settlement and equity share of Molson USA losses.*

3 *Earnings before income taxes in 2004 includes $13,015 of the minority owners' share of income attributable to the RMBC and RMMC joint ventures.*

Management's Discussion and Analysis of Financial Condition and Results of Operations

Net Sales and Volume Americas net sales improved $71.4 million or 3.0% in 2004, although sales volumes were lower year-over-year. Net sales per barrel also improved 3.7%, benefiting from a favorable industry pricing environment. Improved US base pricing and lower price promotion levels contributed $46.7 million to sales and profitability, while growth in the Canada business contributed $13.2 million. Our Americas sales benefited from the introduction of Aspen Edge in early 2004 and strong growth from our Blue Moon and Zima XXX brands in the fourth quarter 2004 (a $10.7 million product mix impact). Collection of fuel price surcharges from customers added $4.6 million.

Net sales for the America segment increased $8.7 million or 0.4% from 2002 to 2003. On a per barrel basis, net sales increased 1.8% while volume decreased 1.4% year-over-year. Net sales were impacted positively by favorable pricing in the United States ($37.4 million), as well as significant growth in our Canadian business ($10.6 million).

The challenges over the past two years to our sales have included volume impacted negatively by growth of consumer interest in low-carbohydrate diets and flavored alcohol beverages, competition to the beer business from wine and spirits, and a mix shift toward lower revenue-per-barrel brands such as Keystone Light, which has experienced volume growth of 12% since 2002, offset in 2004 by higher sales of Aspen Edge, Zima XXX, and Blue Moon.

Cost of Goods Sold and Gross Profit Americas cost of goods sold increased $4.6 million or 0.3% in 2004, compared to 2003. On a per barrel basis, the increase was approximately 1.1%. The increase is the net effect of inflation (primarily higher fuel and packaging costs) ($15.1 million); as well as increased labor-related expenses ($12.1 million) and a mix shift to higher-cost brands and packages, such as Aspen Edge in 2004 ($10.9 million); offset by the lapping of extra expense related to our supply chain challenges in 2003 ($6.5 million); and the implementation of FIN 46R, which had the effect of reducing our cost of sales by re-allocating certain joint venture expenses in our income statement out of cost of sales ($13.0 million).

Overall, gross profit increased from 38.8% in 2003 to 40.4% in 2004, with pricing and other factors positively impacting revenue per barrel being the primary drivers.

Americas cost of goods sold decreased by $7.4 million or 0.5% in 2003 versus 2002, but increased on a per barrel basis by 0.9%. The overall net increase in cost of goods per barrel was due to higher pension and other labor-related costs ($11.2 million) and additional costs due to information technology upgrades ($8.6 million); offset by lower volume, packaging rebates and cost savings from reorganizations in 2002. Our higher pension costs were the result of lower returns on pension assets in recent years and lower discount rates. In addition, we incurred approximately $6.5 million of increased costs in the fourth quarter of 2003, primarily related to extra freight, direct labor and finished goods loss associated with our new supply chain processes and systems implementation.

Overall, gross profit increased from 38.3% to 38.8%, with pricing and Canadian growth slightly outweighing the negative impacts to cost of goods per barrel.

Marketing, General and Administrative Expenses Marketing, general and administrative expenses increased $43.0 million in 2004, compared to 2003, or 6.0%. This represents an additional $2.18 per barrel increase. The increase is due to higher investments in sales and marketing efforts ($29.6 million), in addition to modestly higher labor-related costs ($5.1 million).

Marketing, general and administrative expenses increased $16.2 million or 2.3% in 2003, compared to 2002. On a per barrel basis, marketing, general and administrative expenses increased 3.7% in 2003 compared to 2002. This increase was driven primarily by higher pension and benefit costs ($5.6 million) and higher spending levels related to information technology ($6.0 million).

Other Income, Net Other income increased by $15.7 million comparing 2004 to 2003. This is largely due to one-time gains from the sales of non-operating real estate in the fourth quarter of 2004 totaling nearly $12.0 million, and the receipt of a lump-sum royalty payment of $4.8 million in 2004 related to a court settlement.

Results of Operations – Europe Segment

The Europe segment consists of our production and sale of the CBL brands, principally in the United Kingdom, our joint venture arrangement relating to the production and distribution of Grolsch in the United Kingdom and Republic of Ireland, factored brand sales (beverage brands owned by other companies, but sold and delivered to retail by us), and our joint venture arrangement with Tradeteam for the physical distribution of products throughout Great Britain. It also includes the sale of Coors Fine Light Beer in the United Kingdom and Coors Light in the Republic of Ireland.

(In thousands, except percentages, fiscal year ended)	Dec. 26, 2004	Percent change	Dec. 28, 2003	Percent change	Dec. 29, 2002[1]
Volume in barrels	10,495	1.3 %	10,361	13.2%	9,153
Net sales	$ 1,824,778	14.7 %	$ 1,590,518	15.6%	$1,375,473
Cost of goods sold	(1,262,812)	13.5 %	(1,112,533)	19.3%	(932,900)
Gross profit	561,966	17.6 %	477,985	8.0%	442,573
Marketing, general and administrative expenses	(421,100)	16.5 %	(361,553)	9.0%	(331,656)
Special item[2]	7,522	–	–	–	–
Operating income	148,388	27.4 %	116,432	5.0%	110,917
Interest income	16,024	(6.6)%	17,156	4.7%	16,390
Other (expense) income, net	(5,753)	N/M	4,114	133.0 %	1,766
Earnings before income taxes[3]	$ 158,659	15.2 %	$ 137,702	6.7%	$ 129,073

1 *2002 results exclude the first five weeks of the fiscal year, which is prior to the purchase of CBL.*
2 *The 2004 Special item represents the gain recognized on the sale of our Cape Hill property.*
3 *Earnings before income taxes in 2004 includes $6,854 ($4,798, net of tax) of the minority owner's share of income attributable to the Grolsch joint venture.*
N/M = Not meaningful

Foreign Currency Impact on Results Our Europe segment benefited from a 12.0% and 8.4% year-over-year increase in the value of the British pound sterling (GBP) against the US dollar in 2004 and 2003, respectively. As a result of this exchange rate fluctuation, all results from our Europe segment in 2004 are significantly higher than in the prior year; however, the increases are tempered by increased interest costs in the Corporate segment as a result of our hedging activities related to GBP-denominated debt. For example, Corporate unallocated expense was adversely affected by foreign currency increases on GBP denominated hedges by approximately $7.6 million in 2004. The following table summarizes the approximate effect the changes in exchange rate had on the Europe results as presented above in 2004 and 2003:

(In thousands)	2004	2003
Increase due to currency effects[1]		
Net sales	$ 193,473	$126,071
Cost of goods sold	(129,611)	(88,950)
Gross profit	63,862	37,121
Marketing, general and administrative and special item	(47,311)	(29,115)
Operating income	16,551	8,006
Interest income	1,291	1,398
Other income (expense), net	(1,562)	397
Income before income taxes and minority interests	$ 16,280	$ 9,801

1 *For 2004, assuming the same rates as 2003; for 2003, assuming the same rates as 2002.*

Net Sales and Volume Net sales for the Europe segment increased 14.7% in 2004, while volume increased 1.3% from the previous year. Approximately 12.0% of the net sales increase represents the effect of currency exchange rates. The volume growth was driven by the Carling and Grolsch brands, which grew volume for the year by approximately 7% and 6%, respectively. Volume growth for the year was restricted by the cooler and wetter summer weather in the United Kingdom compared to a record breaking summer in 2003 and the comparison to a period of high off-trade discounting in the first half of 2003.

Our on-trade business, which represents approximately two-thirds of our Europe volume and an even greater portion of margin, saw volume decline marginally by (0.5%) compared to 2003. This compared to an overall on-trade market decline of 2.5% in the year, yielding a market share gain of approximately 0.7%. Our off-trade volume for 2004 increased approximately 6% over 2003, led by Carling and Grolsch. Our off-trade market share growth for the year was approximately 0.6 percentage points.

In addition to the volume movements documented above, we had positive pricing in both the on-trade and the off-trade, and an increase in the sales value of factored brands. These gains were partially offset by negative channel and brand mix. Owned brand net sales per barrel increased approximately 2.6% for the year.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Net sales for the Europe segment increased 15.6% in 2003, while volume increased 13.2% from the previous year. The significant increase in net sales and volume was partly due to our owning the CBL business for the full year in 2003 versus forty-seven weeks in 2002. Currency exchange rates accounted for 8.4% of the net sales increase. On a full year comparative basis, our sales volumes increased 6.7%. This growth was driven by the Carling and Grolsch brands, both of which grew volume by more than 10% during the year.

Our on-trade business grew volume by approximately 5.0% compared to the full year 2002 as a result of strong sales execution, particularly with Carling and Carling Extra Cold, and unusually hot weather in the United Kingdom during the summer in 2003. In a declining on-trade market, this yielded a market share gain of approximately 1.5%.

Our off-trade volume for 2003 increased approximately 13.0% over the comparable period in 2002, led by Carling and Grolsch.

Contributing factors to this volume growth were the favorable summer weather and aggressive discounting, primarily in the first half of 2003. Our off-trade market share growth for the year was approximately 1.0%.

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

Cost of Goods Sold and Gross Profit Cost of goods sold increased 13.5% in 2004 versus 2003, with approximately 12.0% of the increase being due to the effect of currency exchange rates.

The increase in local currency cost of goods sold was driven by increased volume and higher labor costs, together with a mix shift to the off-trade where products have higher packaging costs, and an increase in the value of factored brand purchases where the cost is included in our cost of goods sold.

These increases were offset by the benefit to costs of goods sold of implementing FIN 46R, and a reduction in contract packaging costs from 2003, where we contracted with regional brewers to package some of our off-trade volume while we were commissioning the new and upgraded packaging lines in our Burton brewery.

On a per-barrel basis, cost of goods sold increased 12.1%; excluding the impact of currency exchange rates cost of goods sold per barrel was broadly flat compared to 2003.

Gross profit in the Europe segment increased 17.6%; and excluding the impact of foreign exchange, gross profit increased 5.1%. Gross profit per barrel increased 16.1%, and by 3.7% excluding the impact of foreign exchange. Gross profit as a percentage of net sales increased 0.7% during 2004.

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

We realized some benefit from right-sizing and improving our UK production infrastructure towards the latter half of 2003, which partially offset the increases noted above. The increases in cost of goods sold were also reduced by the decrease in factored brand volume where the purchase cost is included in our cost of goods sold, but the related volume is not included in reported volumes.

Gross profit in the Europe segment increased 8.0% in 2003, compared to 2002; however, excluding the impact of foreign exchange, gross profit was essentially flat despite the inclusion of a full year of sales in 2003. Gross profit per barrel decreased 4.6% and gross profit as a percentage of net sales decreased 2.1% during 2003 as a result of the reclassification of Tradeteam earnings to other income in 2003, and our contract packaging costs incurred as we commissioned the packaging lines in Burton.

Marketing, General and Administrative Expenses Europe marketing, general and administrative expenses increased 16.5% during 2004; and 5.0% on a per-barrel basis. Foreign exchange accounted for the great majority of this increase.

Various factors increased marketing, general and administrative expenses during 2004: (a) we had higher labor-related and information technology costs; (b) in 2003, costs were reduced by a one-time gain of $3.5 million before tax on the sale of the rights to our Hooper's Hooch FAB brand in Russia; and (c) implementation of FIN 46R transferred costs from cost of goods sold into marketing, general and administrative costs. These increases were partly offset by decreased marketing costs. Spend on marketing core brands increased nearly 20% (including investment relating to the launch of Coors Fine Light Beer), however this was more than offset by a decrease in spending on non-core brands as the business has focused on its key growth brands for the future.

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

Other (Expense) Income, Net The adverse movement in other (expense) income, net in 2004 was a result of a decline in Tradeteam operating performance, currency exchange rate movements, and increased non-operating leasehold expenses.

In 2003, other income increased as a result of the inclusion of Tradeteam income (included in cost of goods sold in 2002) and currency exchange rate movements, partially offset by an increase in non-operating leasehold expenses.

Interest Income Interest income is earned on trade loans to UK on-trade customers. Interest income decreased 6.6% in 2004 despite favorable foreign exchange rates, as a result of lower loan balances in 2004. Interest income increased 4.7% in 2003 as a result of favorable foreign exchange rates, the inclusion of an additional five weeks of results in 2003, netted against lower loan balances in 2003.

Results of Operations – Corporate

Corporate includes interest and certain other general and administrative costs that are not allocated to either the Americas or Europe operating segments. Corporate contains no sales or cost of goods sold, although certain royalty income and intangible administrative costs are absorbed by Corporate. The majority of these corporate costs relates to worldwide finance and administrative functions, such as corporate affairs, legal, human resources, insurance and risk management.

(In thousands, except percentages, fiscal year ended)	Dec. 26, 2004	Percent change	Dec. 28, 2003	Percent change	Dec. 29, 2002
Net sales	$ –	–	$ –	–	$ –
Cost of goods sold	–	–	–	–	–
Gross profit	–	–	–	–	–
Marketing, general and administrative expenses	(41,496)	54.9 %	(26,784)	11.0 %	(24,130)
Special items[1]	–	–	–	–	(2,642)
Operating loss	(41,496)	54.9 %	(26,784)	N/M	(26,772)
Interest expense, net	(69,213)	(12.5)%	(79,106)	19.6 %	(66,122)
Other (expense) income, net[2]	(451)	N/M	798	(43.7)%	1,417
Loss before income taxes[3]	$(111,160)	6.0 %	$(105,092)	14.9 %	$(91,477)

1 *Relate primarily to acquisition costs for CBL, including accounting, appraisal and legal fees not eligible for capitalization. Molson merger costs will primarily be capitalized in purchase accounting. Approximately $1.8 million were expensed in marketing, general and administrative expenses during 2004.*
2 *Consists of foreign currency exchange gains (losses), bank fees and gains on sales of investments.*
3 *Loss before income taxes in 2004 includes $1,595 of the minority owner's share of interest expense attributable to debt obligations of the RMMC joint venture.*
N/M = Not Meaningful

Marketing, General and Administrative Expenses Marketing, general and administrative expenses were approximately $14.7 million higher in 2004, than 2003, due to increased incentive compensation costs ($7.5 million), other labor-related costs ($2.5 million), and Merger and regulatory-compliance costs ($1.5 million). Marketing, general and administrative expenses in 2003 increased significantly from 2002 for similar reasons, except for the cost of the Merger with Molson. Regulatory compliance costs have increased of necessity, due to implementation of procedures to comply with the Sarbanes-Oxley Act of 2002 over the past two years.

Interest Expense, Net Interest expense, net decreased nearly 13% in 2004, compared to 2003 due to our paydown of debt and from swapping some of our debt from fixed to floating rates. Full-year 2004 debt repayments at $382 million, were about 40% above 2003. Our cash flow and debt pay-down benefited from asset monetizations and capital spending discipline in 2004. In the three years since we bought the UK business, we have repaid $862 million of debt principal as of year-end 2004.

Interest expense increased $13.0 million or 19.6% in 2003. This increase was driven by having our fixed-rate debt structure in place for the full year in 2003 versus only eight months in 2002 and the currency appreciation on our GBP-denominated term debt prior to its payoff in August 2003. The increase is also due to our cross-currency swap structure and our GBP-denominated interest expense. Partially offsetting these factors was the implementation of our lower interest rate commercial paper program in June 2003, the initial proceeds of which we used to pay down approximately $300 million of higher-rate GBP-denominated term debt.

Liquidity and Capital Resources

Our primary sources of liquidity are cash provided by operating activities, external borrowings and asset monetizations. As of December 26, 2004, including cash and short-term borrowings, we had positive working capital of $91.3 million compared to negative working capital of $54.9 million at December 28, 2003. At December 28, 2003, cash and cash equivalents totaled $19.4 million, compared to $123.0 million at December 26, 2004. The improvement in our working capital is due to the consolidation of RMMC, RMBC and Grolsch ($28 million) and cash management. The increase in cash is mainly due to cash acquired when our joint ventures were consolidated in the first quarter of 2004 ($20.8 million), cash received from Interbrew ($25.8 million) related to the settlement of a pension liability dispute and reduced capital spending (approximately $28.9 million).

We believe that cash flows from operations and cash provided by short-term borrowings, when necessary, will be sufficient to meet our ongoing operating requirements, scheduled principal and interest payments on debt, dividend payments and anticipated capital expenditures. However, our liquidity could be impacted significantly by a decrease in demand for our products, which could arise from competitive circumstances, a decline in the acceptability of alcohol beverages, any shift away from light beers and any of the other factors we describe in the section titled "Risk Factors." We also have credit facilities that contain financial and operating covenants, and provide for scheduled repayments, that could impact our liquidity on an ongoing basis.

We continue to evaluate opportunities to supplement our operating cash flow through potential monetizations of assets. During the second quarter of 2004, CBL outsourced the ownership, procurement and tracking of its approximately 1.2 million kegs and casks with TrenStar, Inc. As a result, we received a cash payment of approximately £28 million ($50 million at second quarter rates). In the fourth quarter of 2004, we sold certain land holdings in Golden, Colorado, and received cash related to the sale of our Cape Hill facility in the UK. In total, our proceeds from asset monetizations in 2004 were $72.1 million.

Operating Activities Net cash provided by operating activities decreased by $28.9 million, compared to 2003. The decrease is primarily due to an increase in cash taxes in 2004 versus 2003 when favorable finalization of tax audits resulted in refunds, offset by the reporting of additional cash flows as a result of consolidating certain joint ventures in 2004. Also, improved sales at the end of 2004, compared to 2003 resulted in higher receivable and inventory balances, which served to lower cash flows from operations in 2004.

Net cash provided by operating activities increased $283.9 million in 2003 compared to 2002. The decrease was attributable primarily to cash provided by trade receivables and payables in 2003 – the result of continued emphasis on working capital management by improving receivable collection in the United Kingdom, the favorable impact of tax audits in 2003 and managing the purchasing cycle throughout the company in 2003.

Investing Activities Cash used in investing activities decreased $147.2 million during 2004, compared to 2003. This improvement is attributable to reduced capital spending in 2004, cash received from the sale of kegs in the UK, and the pension settlement received in 2004 from Interbrew. Also, we presented as an investing activity the inclusion of the opening cash balances of the joint ventures we began consolidating during the first quarter of 2004 as result of implementing FIN 46R (see Note 3 in the accompanying Consolidated Financial Statements).

During the fiscal year ended December 28, 2003, we used net cash of $214.6 million in investing activities compared to $1.6 billion used in 2002. The decrease in net cash used is due to the $1.6 billion payment, net of cash acquired, made to purchase CBL in 2002. However, excluding our 2002, $1.6 billion payment to acquire CBL, total cash used in investing activities increased approximately $231.2 million compared to the same period in 2002, mainly due to the absence of sales and maturities of investments in 2003 versus 2002. A significant amount of investments was sold in 2002 to help fund the acquisition of CBL.

Financing Activities Net cash used in financing activities was $335.6 million in 2004, compared to $357.4 million in 2003. The change is mainly the result of increased repayments of debt in 2004, offset by cash received from increased stock option exercises during the year. We have also included a new item, "Dividends paid to minority interest holders," in the Financing activities section of our Consolidated Statements of Cash Flows. This item represents distributions from our joint ventures consolidated as result of FIN 46R to the minority interest in those joint ventures. There is no significant net impact to cash flows as a result of the adoption of FIN 46R. However, from a year-over-year comparison standpoint, cash flows from operating activities have been increased and cash flows from financing activities have been decreased as a result of classifying dividends paid to minority interest holders in financing activities.

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

Debt Structure Our total borrowings as of December 26, 2004, were composed of the following:

(In thousands, as of)	Dec. 26, 2004	Dec. 28, 2003
Short-term borrowings	**$ 12,500**	**$ 21,309**
Senior private placement notes	**$ –**	**$ 20,000**
$6\frac{3}{8}$% Senior notes due 2012	**856,971**	**854,043**
Senior Credit Facility	**–**	**86,000**
Commercial paper	**–**	**249,645**
Other	**62,735**	**20,006**
Total long-term debt (including current portion)	**919,706**	**1,229,694**
Less current portion of long-term debt	**(26,028)**	**(69,856)**
Total long-term debt	**$893,678**	**$1,159,838**

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

(In thousands)	Amount
2005	**$ 38,528**
2006	**4,202**
2007	**4,202**
2008	**4,202**
2009	**4,202**
Thereafter	**876,870**
Total	**$932,206**

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

Some of our debt instruments require us to meet certain covenant restrictions, including financial tests and other limitations. As of December 26, 2004, we were in compliance with all of these covenants.

A special dividend equal to Cdn. $652 million ($523 million) was paid to the holders of record of Molson stock on February 8, 2005, as a condition for completing the Merger. As a result, the newly combined company has increased its debt obligations to pay the dividend.

A new bank facility was negotiated in connection with the Merger, that has financed the cash requirements of the special dividend. We intend to refinance these obligations during 2005, with permanent financing.

Standard and Poors downgraded our credit rating from BBB+ to BBB subsequent to the Merger. Concerns regarding the health of the Brazilian and Canadian businesses influenced this decision, in addition to the debt burden as a result of the special dividend. Our Moody's credit rating is BAA2.

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Contractual Obligations and Commercial Commitments

Contractual Cash Obligations as of December 26, 2004

	Payments due by period				
(In thousands)	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Long term debt, including current maturities[1]	$ 932,206	$ 38,528	$8,404	$ 8,404	$ 876,870
Interest payments[2]	419,330	58,210	113,300	113,500	134,320
Derivative payments[2]	506,270	70,970	141,940	135,580	157,789
Retirement plan expenditures[3]	201,294	88,328	29,652	25,363	57,951
Operating leases	100,316	25,579	34,714	14,949	25,074
Capital leases[4]	6,433	4,345	2,088	–	–
Other long-term obligations[5]	3,600,774	827,766	1,100,623	815,808	856,577
Total obligations	$5,766,623	$1,113,726	$1,430,721	$1,113,604	$2,108,581

1 *We have had several significant changes to our debt obligations in 2004: (a) Due to the implementation of FIN 46R in the first quarter, we consolidated the RMMC accounts, including approximately $45 million of notes payable. The debt proceeds have been used by RMMC to finance capital improvements, and totaled $40.9 at December 26, 2004. ACC and CBC have guaranteed payment of the debt. (b) At December 28, 2003, we had $86.0 million outstanding in an unsecured senior credit facility consisting of a US dollar-denominated amortizing term loan. We paid the outstanding balance off in full during the first quarter of 2004.(c) In June 2003, we issued approximately $300 million in commercial paper. At December 26, 2004, we had no balance outstanding. Subsequent to December 26, 2004, and coincident with the Merger, we, as a combined company, added approximately Cdn. $652 million ($523 million) of debt related to the payment of a special dividend to the Molson shareholders. Merger-related debt is not reflected in this table.*

2 *The "interest payments" line includes interest on our bonds and other borrowings outstanding at December 26, 2004, excluding the positive cash flow impacts of any interest rate or cross currency swaps. Current floating interest rates and currency exchange rates are assumed to be constant throughout the periods presented. The "derivative payments" line includes the interest rate swap and cross currency swap payment obligations only, which are paid to counterparties under our interest rate and cross currency swap agreements. Current floating interest rates and currency exchange rates are assumed to be constant throughout the periods presented. We will be receiving a total of $462.4 million in fixed rate payments from our counterparties under the swap arrangements, which offset the payments included in the table. As interest rates increase, payments to our counterparties will also increase. Net interest payments, including swap receipts and payments, over the periods presented are as follows. This table excludes interest payments or derivative activity contemplated as a result of the Merger.*

	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Interest and derivative payments, net of derivative receipts	*$463,140*	*$67,010*	*$130,780*	*$123,260*	*$142,090*

3 *Represents expected contributions under our defined benefit pension plans in the next twelve months and our benefits payments under retiree medical plans for all periods presented.*

4 *Includes a UK sale-leaseback included in a global information services agreement signed with Electronic Data Systems (EDS) late in 2003, effective January 2004, and totaling $6.4 million at December 26, 2004. The new EDS contract includes services to our Americas and Europe operations and our corporate offices and, unless extended, will expire in 2010.*

5 *Approximately $1.9 billion of the total other long-term obligations relate to long-term supply contracts to purchase raw material and energy used in production, including our contract with Graphic Packaging Corporation, a related party, dated March 25, 2003. Approximately $1.1 billion relates to commitments associated with Tradeteam in the United Kingdom. The remaining amounts relate to sales and marketing, information technology services, open purchase orders and other commitments, and exclude any purchasing synergies related to the Merger.*

Other commercial commitments as of December 26, 2004

	Amount of commitment expiration per period				
(In thousands)	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Standby letters of credit	$12,084	$12,084	$ –	$ –	$ –
Total commercial commitments	$12,084	$12,084	$ –	$ –	$ –

Advertising and Promotions As of December 26, 2004, our aggregate commitments for advertising and promotions, including marketing at sports arenas, stadiums and other venues and events, total approximately $170.0 million over the next five years.

Capital Expenditures In 2004, we spent approximately $211.5 million on capital improvement projects worldwide. Of this, approximately half was in support of the Europe business and half was for the Americas. We currently plan capital expenditures to be significantly higher as a result of the merger. Base capital spending in the US and UK is expected to be approximately $300 million, with the increase in 2005 due mainly to the build-out of the Shenandoah facility to a full brewery. Base capital spending in Canada and Brazil is expected to approximate $80 million, while capital spending in the US and Canada to support synergies is estimated at $50-$60 million in 2005.

Pension Plans During 2004 the combination of investment returns and our contributions of approximately $95 million to our combined plans resulted in a slightly improved funded position at year end 2004 versus year end 2003, despite a continued decline in discount rates. At year-end 2004, the accumulated pension benefit obligations exceeded the fair value of the plan assets on a consolidated US dollar basis by approximately $409.1 million, compared to $410.8 million at the end of 2003. We experienced actuarial losses in 2004 due to higher than expected early retirements in the US Plan, and we have taken a charge to equity of $42.3 million, pre-tax in 2004 for additional minimum liabilities (see Note 14, "Other Comprehensive Income"). At year-end 2004, our consolidated projected benefit obligations were $3.0 billion and the accumulated benefit obligations were $2.7 billion. The amounts reflected in the Consolidated Balance Sheets for accrued pension liability, accumulated other comprehensive loss and intangible asset in 2004 are $409.1 million, $401.7 million ($259.7 million, net of tax), and $34.7 million, respectively. In 2004, consolidated pension expense was $43.7 million, which represented approximately 1.1% of consolidated cost of goods sold and other operating expenses.

It is our practice to fund amounts for pensions at least sufficient to meet the minimum requirements set forth in applicable employee benefits laws and local tax laws. Pension contributions on a consolidated basis were $95.0 million during 2004. We anticipate making voluntary contributions of approximately $78.2 million in 2005 to pension plans (including supplemental executive plans) in the US and UK, and required contributions in Canada. However, management may increase these funding levels in evaluating 2005 spending priorities. For further information regarding pension plan assets, refer to Note 15, "Employee Retirement Plans."

In 2004, our actuarially assumed long-term rates of return on plan asset investments were 9.0% for the US Retirement Plan and 7.8% for the UK Plan. In selecting those assumptions, we considered investment returns by asset class and applied the relevant asset allocation percentages. The discount rates used to determine pension expense in 2004 of 6.25% and 5.625% were based on prevailing yields of high-quality corporate fixed income investments and relevant indices in the United States and the United Kingdom, respectively.

On a consolidated basis, we had unrecognized net actuarial losses of $616.4 million and $598.0 million at December 26, 2004, and December 28, 2003, respectively. Actuarial losses are primarily comprised of cumulative investment returns that are lower than actuarially assumed investment returns and liability losses due to increased pension liabilities and falling interest rates. Pension expense includes amortization of these actuarial losses after they exceed certain thresholds. As a result of losses in excess of the thresholds, we recorded actuarial loss of $14.9 million in 2004 and $9.1 million in 2003. We anticipate pension expense for the US and UK plans will decrease from the $43.7 million in 2004 to approximately $37.7 million in 2005. The expected decrease in consolidated pension cost is due to the impacts of higher actuarial loss amortization and foreign exchange, net of changes in plan features announced subsequent to 2004 (see Note 20, "Subsequent Events").

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Special Items, Net

Cape Hill Brewery Sale We sold our Cape Hill brewery property in May 2004 for £26 million (approximately $50 million at current exchange rates), with £6 million payable to us in 2004 and £20 million due in 2005, resulting in a one-time pretax gain of approximately £4 million ($7.5 million, which has been included in Special items on the accompanying Consolidated Statement of Income). We recorded an insignificant portion of the ultimate gain in the second quarter of 2004 under the installment method. We recorded the remaining gain on sale in the fourth quarter of 2004 after the remaining 2004 payment was received. The note receivable is included in other current receivables.

In 2002, we recorded charges related to the closing of our Cape Hill brewery, which were included as part of our purchase accounting upon the acquisition of CBL. Closure of the Cape Hill brewery commenced in July 2002 with the shut down of the kegging line. All production ceased in December 2002, at which time the assets, which were included in properties, net, were reclassified as held-for-sale. No impairment was taken on the assets, as their market value exceeded their carrying value. The payment of severance and other termination benefits started in July 2002 and was completed in December 2004. We reduced goodwill for unpaid restructuring liabilities upon full gain recognition in December 2004. The closure of the Cape Hill brewery was possible as a result of the cessation of the production contract for Interbrew U.K. Ltd., which was in existence upon acquisition of CBL. We estimate the annual savings from the Cape Hill closure, net of the loss of income from the Interbrew UK Ltd production contract, approximate £11 million (approximately $20 million), reflected primarily in cost of goods sold.

2002 Special Items During 2002, we incurred net pretax special charges of $6.3 million. We recorded special charges of $2.7 million related to acquisition costs for CBL, including accounting, appraisal and legal fees. Offsetting these charges was a credit of $2.8 million related to cash payments received on a debt due to us from our former partner in a brewing business in South Korea. We also incurred net restructuring charges of $6.4 million primarily related to restructuring initiatives in our US operations and Golden Brewery business in an effort to consolidate and lower our future overhead costs. The restructuring charges consisted primarily of employee severance costs, which were paid during 2003. We estimate annual savings from the US/Golden restructuring programs approximate $10 million, reflected primarily in cost of goods sold.

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

This document and the documents incorporated in this document by reference contain forward-looking statements that are subject to risks and uncertainties. All statements other than statements of historical fact contained in this document and the materials accompanying this document are forward-looking statements.

The forward-looking statements are based on the beliefs of our management, as well as assumptions made by, and information currently available to, our management. Frequently, but not always, forward-looking statements are identified by the use of the future tense and by words such as "believes," "expects," "anticipates," "intends," "will," "may," "could," "would," "projects," "continues," "estimates," or similar expressions. Forward-looking statements are not guarantees of future performance and actual results could differ materially from those indicated by the forward-looking statements. Forward-looking statements involve known and unknown risks, uncertainties, and other factors that may cause our or our industry's actual results, level of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by the forward-looking statements.

The forward-looking statements contained or incorporated by reference in this document are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 and are subject to the safe harbor created by the Private Securities Litigation Reform Act of 1995. These statements include declarations regarding our plans, intentions, beliefs or current expectations.

Among the important factors that could cause actual results to differ materially from those indicated by forward-looking statements are the risks and uncertainties described under "Risk Factors" and elsewhere in this document and in our other filings with the SEC.

Forward-looking statements are expressly qualified in their entirety by this cautionary statement. The forward-looking statements included in this document are made as of the date of this document and we do not undertake any obligation to update forward-looking statements to reflect new information, subsequent events or otherwise.

Outlook for 2005 – Americas Segment

Our Americas results will continue to be driven by volume and pricing in 2005. The low-carb diet trend began to decline during 2004, which we believe has eased some of the competitive pressure on Coors Light. Still, the beer category faces significant challenges, as evidenced by soft industry sales to retail in the fourth quarter. In this environment, we have strengthened our marketing and sales efforts, especially behind Coors Light. This is reflected in the new ad creative for Coors Light that we rolled out in the fourth quarter, as well as in our refocused sales efforts, especially on chain and key accounts. We believe that these and other initiatives contributed to the fourth quarter improvement in Coors Light sales-to-retail trends, and we are working to carry that momentum into 2005. The US beer-pricing environment remains generally positive, despite some recent increases in discounting in a few important markets.

We have announced plans to close our Memphis brewery, as part of the expected synergies related to the Merger with Molson. We expect to begin transitioning Memphis production to other facilities late in 2005. Costs related to the Memphis closure are currently being determined, with estimated annual savings of approximately $32 to $35 million per year. We plan for US marketing, general and administrative spending for 2005 to be up at a low-to-mid-single-digit percentage rate, in line with the trend over the last several years.

The US business recently announced certain retirement plan changes to be effective in the third quarter of 2005, enacted with the intent to better match employees' retirement needs and to curb the increased costs related to these plans. The US business expects to incur approximately $52 million of combined retirement plan costs (including retiree medical), and to contribute approximately $52 million to the US plans during 2005; however, larger contributions are being considered. Because these costs are allocated between cost of sales and marketing, general and administrative expenses according to headcount, the majority of the cost savings in future years from the plan amendments in 2005 will be realized in cost of sales.

Outlook for 2005 – Europe Segment

In Europe, we expect continued volume growth in 2005 with anticipated share gains in both our on-trade and our off-trade businesses. Volumes in the first half of 2005, however, will face particularly challenging comparisons due to market trends and the beneficial impact in 2004 of the Euro 2004 football (soccer) tournament. Our pricing trends are expected to continue to be positive within both the on-trade and the off-trade channels during 2005, but this will be at least partially offset by the adverse impact of the continued market shift to lower margin sales channels. We also anticipate that shifts in our factored brand sales (beverage brands owned by other companies but delivered to retail by us) will continue to have an adverse financial impact during 2005.

We anticipate that a shift in our mix from on-trade to off-trade will increase our cost of goods sold due to the higher packaging costs on sales to the off-trade. We expect these and other inflationary cost increases to be partly offset by continued efficiencies in the supply chain.

Marketing, general and administrative spending is likely to be modestly higher in 2005 as a result of front-end investments and higher overhead expenses, largely on the dispense equipment required to support our strong on-trade market position.

Other income is expected to decrease in 2005 due to the continued pressures on Tradeteam operating performance.

Other

Molson Coors Merger The Merger will have a significant impact on our 2005 results, due in part to the following items:

- A number of management action plans to obtain synergies are being considered, and many of these could have a significant impact on financial results and cash flows.
- The beer business in Canada is a mature market with aggressive competition from one large competitor, many importers, and regional and micro brewers. Price discounting in Canada significantly increased in 2004.
- The beer business in Brazil has been very difficult, resulting in operating losses, asset write-offs, and other restructuring actions since Molson acquired the business in 2002. In addition, results will be impacted by the addition of an additional foreign currency – the Brazilian Real.
- Debt increased as a result of the approximately Cdn. $652 million ($523 million) special dividend awarded to Molson shareholders before the Merger.
- Cost synergies of $175 million, $50 million of which will be captured and used to boost profits in 2005.
- Tax and interest benefits of the merger are estimated to exceed $25 million annually.
- Molson assets will be revalued to fair market value, resulting in higher depreciation and amortization for the merged company.
- Our effective tax rate will be more volatile due to the accrual of US income taxes on Canada's earnings and profits, which will be hard to predict based on purchase price adjustments that are anticipated to occur throughout 2005.

- Molson employees in Canada are covered by a number of defined benefit pension plans. We will value the company's net liability with respect to the Canadian pension plans as part of purchase price accounting. Employees in Brazil are not covered by company-sponsored defined benefit pension plans. Our pension obligations will substantially increase, as we include Molson's pension and the pension in the Brewers Retail Inc., joint venture which we expect to consolidate under FIN 46R.
- We will make significant cash outlays for Merger-related expenses.

Debt Structure A special dividend equal to Cdn. $652 million ($523 million) was paid to the holders of the Molson stock on February 8, 2005, as a condition for completing the Merger. As a result, the newly combined company has increased its debt obligations to pay the dividend.

Subsequent to the Merger we established a $1.3 billion bridge facility which was used to finance the special dividend and will be used to refinance Molson's existing debt. We also established a $1.4 billion, five-year credit facility which was used to refinance the special dividend and will also be used for general corporate purposes and as a commercial paper back-stop. Subsequent to establishing both of these facilities, the existing bank financing at both Molson and Coors was terminated.

Molson's Canada Segment We will work to reverse negative volume trends for some of Molson's key brands, especially in the western provinces of Canada. As a result, we expect selling and marketing costs in Canada to increase as volume growth becomes a priority.

Molson's Brazil Segment We will evaluate the near- and long-term potential of the Kaiser business in Brazil during the first half of 2005, which could include significant changes to the business.

Other In addition to Merger-related changes, our full-year 2005 consolidated results will also be lapping approximately $24.9 million in one-time pretax gains in 2004 (or 45 cents per share after tax), mostly from non-operating land sales. We will continue to pursue opportunities to prudently monetize non-core and non-operating assets in 2005.

Rights on Change of Control Coors has agreements with 12 executive officers, and certain other members of management relating to a change of control of Coors. The Merger constituted a change in control of Coors under these agreements as the Adolph Coors, Jr. Trust no longer has voting control of Coors, and as the Board of Directors of the merged company no longer has a majority of directors who were directors of Coors prior to the Merger. Certain terms of these agreements were triggered by the Merger. These agreements generally provide for continued compensation and benefits for a period of two years following the change of control.

In addition, these employees are entitled to severance benefits if triggering events specified in the agreement occur. These events include direct or constructive termination without cause, resignation for good reason or resignation by the employee during a 30-day period beginning one year after the change of control. Upon a triggering event, the officer will be paid a multiple of annual salary and bonus and will receive continued health, pension and life insurance benefits. For terminated executives and officers, stock option exercises are subject to a floor price equal to the price of Coors' stock on the date of the change of control.

For each of Coors' then Chairman and Chief Executive Officer, the compensation includes a payment for the rest of the current year plus three times annual salary, bonus and fringe benefits, plus benefits for the equivalent of three years coverage, plus three years credit for additional service toward pension benefits. For all other executive officers with these agreements, the compensation includes a payment for the rest of the current year plus two times annual salary, bonus and fringe benefits, plus two years equivalent benefit coverage, plus vesting and credit for two years additional service toward pension benefits.

The Company is currently in discussions with each employee covered by the change in control agreements. In return for forfeiting their rights under the agreements, some executives are being offered a retention plan. The impact on future financial results of employees leaving the company or staying under the retention plans has not been determined at this time.

Performance Based Options and Restricted Shares The Merger transaction with Molson resulted in the vesting of all outstanding stock options and restricted share units held by employees of both Molson and Coors with the exception of performance based options and restricted share units held by the CEO of Molson. There are 288,000 stock options subject to performance based criteria, and 18,000 restricted shares that can increase to 54,000 based on defined performance criteria. The company will account for both the performance-based stock options and restricted stock under variable accounting, which could have an impact on future financial results depending on the likelihood of meeting the performance targets.

Critical Accounting Estimates

Management's discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America, or GAAP. We review our accounting policies on an ongoing basis. The preparation of our consolidated financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosures of contingent assets and liabilities. We base our estimates on historical experience and on various other assumptions we believe to be reasonable under the circumstances. By their nature, estimates are subject to an inherent degree of uncertainty. Actual results may differ materially from these estimates under different assumptions or conditions. We have identified the accounting estimates below as critical to our financial condition and results of operations.

Allowance for Doubtful Accounts In the Americas segment, our allowance for doubtful accounts and credit risk is insignificant as the majority of the Americas accounts receivable balance is generated from sales to independent distributors with whom we have a predetermined collection date arranged through electronic funds transfer. Also, in the Americas, we secure substantially all of our credit risk with purchase money security interests in inventory and proceeds, personal guarantees and other letters of credit.

Because the majority of CBL sales are directly to retail customers and, because of the industry practice of making trade loans to customers, our ability to manage credit risk in this business is critical. At CBL, we provide allowances for trade receivables and trade loans associated with the ability to collect outstanding receivables from our customers. Generally, provisions are recorded to cover the full exposure to a specific customer (total amount of all trade accounts and loans from a specific customer less the amount of security and insurance coverage) at the point the account is considered uncollectible. We record the provision as a bad debt in general and administrative expenses. Provisions are reversed upon recoverability of the account or relieved at the point an account is written off.

We are not able to predict changes in financial condition of our customers and, if circumstances related to our customers deteriorate, our estimates of the recoverability of our trade receivables could be materially affected, and we may be required to record additional allowances.

Pension and Postretirement Benefits We have defined benefit plans that cover the majority of our employees in the US and the UK. We also have postretirement welfare plans in the US that provide medical benefits for retirees and eligible dependents and life insurance for certain retirees. The accounting for these plans is subject to the guidance provided in Statement of Financial Accounting Standards No. 87, "Employers' Accounting for Pensions" (SFAS No. 87) and Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other than Pensions" (SFAS No. 106). Both of these statements require that management make certain assumptions relating to the long-term rate of return on plan assets, discount rates used to measure future obligations and expenses, salary increases, inflation, health care cost trend rates and other assumptions. We believe that the accounting estimates related to our pension and postretirement plans are critical accounting estimates because they are highly susceptible to change from period to period based on market conditions.

We performed an analysis of high yield bonds at the end of 2004 and compared the results to appropriate indices and industry trends to support the discount rates used in determining our pension liabilities in the United States and in the United Kingdom for the year ended December 26, 2004. Discount rates and expected rates of return on plan assets are selected at the end of a given fiscal year and impact expense in the subsequent year. A fifty basis point change in certain assumptions made at the beginning of 2004 would have had the following effects on 2004 pension expense:

	Impact to 2004 pension costs – 50 basis points	
(In millions)	Reduction (unfavorable)	Increase (favorable)
Pension sensitivity item		
Expected return on US plan assets, 9.0% in 2004	**$(2.5)**	**$2.5**
Expected return on UK plan assets, 7.5% in 2004	**$(7.0)**	**$7.0**
Discount rate on US projected benefit obligation, 6.25% in 2004	**$(2.7)**	**$2.7**
Discount rate on UK projected benefit obligation, 5.63% in 2004	**$(7.5)**	**$7.5**

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

(In thousands)	One-percentage-point decrease (unfavorable)	One-percentage-point increase (favorable)
Effect on total of service and interest cost components	**$ 318**	**$ (429)**
Effect on postretirement benefit obligation	**$3,668**	**$(4,818)**

Both US and UK plan assets consist primarily of equity securities with smaller holdings of bonds and real estate. Equity assets are well diversified between domestic and other international investments, with additional diversification in the domestic category through allocations to large-cap, small-cap, and growth and value investments. Relative allocations reflect the demographics of the respective plan participants. The following compares target asset allocation percentages as of February 25, 2005, with actual asset allocations at December 26, 2004:

	US Plan assets		UK Plan assets	
	Target allocations	Actual allocations	Target allocations	Actual allocations
Equities	**80.0%**	**80.8%**	**65.0%**	**66.0%**
Fixed Income	**11.0%**	**13.8%**	**28.0%**	**26.9%**
Real Estate	**9.0%**	**5.3%**	**7.0%**	**6.2%**
Other	**–**	**0.1%**	**–**	**0.9%**

In July 2004, we received £14 million (approximately $26 million at then-current exchange rates) from Interbrew, related to mistakes in pension participant data when CBL was purchased in 2002. The corrected data increased our pension liability at the time of the acquisition (approximately £21 million or $38 million at then current exchange rates). Goodwill associated with the purchase price of CBL was adjusted for the change in the pension liability and for the cash collected from Interbrew during the third quarter. The net effect of adjusting goodwill for the pension liability and the cash received was insignificant. The effect on equity was to increase other comprehensive income by $26.8 million, net of tax by reducing the minimum pension liability. The effect of the adjustment to pension expense will be to reduce amortization of actuarial losses by approximately £21 million (approximately $38 million at current exchange rates) over the remaining working lives of participants (estimated 10 years), and increase the interest component of annual service cost by approximately £1 million or $2 million.

Contingencies, Environmental and Litigation Reserves We estimate the range of liability related to environmental matters or other legal actions where the amount and range of loss can be estimated. We record our best estimate of a loss when the loss is considered probable. As additional information becomes available, we assess the potential liability related to our pending matter and revise our estimates. Costs that extend the life, increase the capacity or improve the safety or efficiency of company-owned assets or are incurred to mitigate or prevent future environmental contamination may be capitalized. Other environmental costs are expensed when incurred. We also expense legal costs as incurred. The most significant estimates that could impact our financial statements relate to the Lowry Superfund site (See Note 18).

Goodwill and Other Intangible Asset Valuation We adopted the provisions of Statement of Financial Accounting Standards No. 141, "Business Combinations" (SFAS No. 141) on July 1, 2001, and No. 142, "Goodwill and Other Intangible Assets" (SFAS No. 142) on December 31, 2001. We evaluate the carrying value of our goodwill and other indefinite-lived intangible assets annually, and we evaluate our other intangible assets when there is evidence that certain events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable. Significant judgments and assumptions are required in the evaluation of intangible assets for impairment, most significantly the estimated future cash flows to be generated by these assets and the rate used to discount those cash flows. For our brewing business goodwill and intangibles we used a rate of 8.0% to discount our cash flows during our annual valuation in 2004, which is a rate we believe to be representative of the weighted average cost of capital for similar assets in 2004. Changes in these estimates could have an adverse impact on the valuation of goodwill and other intangible assets, thereby requiring us to write down the assets.

Derivatives We use derivatives in the normal course of business to manage our exposure to fluctuations in production and packaging material prices, interest rates and foreign currency exchange rates. By policy, we do not enter into such contracts for trading purposes or for the purpose of speculation. All derivatives held by us are designated as hedges with the expectation that they will be highly effective in offsetting underlying exposures. We account for our derivatives on the Consolidated Balance Sheet as assets or liabilities at fair value in accordance with Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities, as amended and interpreted, incorporating FASB Statements No. 137, 138 and 149." (SFAS No. 133), which we early adopted on December 28, 1998. Such accounting is complex, as evidenced by significant interpretations of the primary accounting standard, which continues to evolve, as well as the significant judgments and estimates involved in the estimation of fair value in the absence of quoted market values. These estimates are based upon valuation methodologies deemed appropriate in the circumstances; however, the use of different assumptions could have a material effect on the estimated fair value amounts.

Income Taxes We account for income taxes in accordance with Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" (SFAS No. 109). Judgment is required in determining our worldwide provision for income taxes. In the ordinary course of our global business, there are many transactions for which the ultimate tax outcome is uncertain. Additionally, our income tax provision is based on calculations and assumptions that are subject to examination by many different tax authorities. We adjust our income tax provision in the period it is probable that actual results will differ from our estimates. Tax law and rate changes are reflected in the income tax provision in the period in which such changes are enacted.

We have not elected to permanently invest our foreign earnings in accordance with Accounting Principles Board No. 23. As a result, we have recorded a net deferred tax liability on the unremitted earnings of our UK subsidiary that would be subject to US tax if repatriated. In conjunction with this calculation, we estimate associated earnings and profit adjustments, potential foreign tax credits and cumulative translation adjustments relating to the foreign exchange rates.

We do not provide deferred taxes on certain outside basis differences in our acquired foreign subsidiary's stock, Coors Brewers Limited (CBL). This outside basis difference is permanent in duration under SFAS No. 109 because we do not intend to take any action that would result in recognizing the gain inherent in certain book-over-tax basis differences. As a result, differences between book and tax treatment of income statement items in our UK business are treated as permanent. This treatment increases the volatility of our effective tax rate.

We record a valuation allowance to reduce our deferred tax assets to the amount that is more likely than not to be realized. While we consider future taxable income and ongoing prudent and feasible tax planning strategies in assessing the need for the valuation allowance, in the event we were to determine that we would be able to realize our deferred tax assets in the future in excess of its net recorded amount, an adjustment to the deferred tax asset would increase income in the period a determination was made. Likewise, should we determine that we would not be able to realize all or part of our net deferred tax asset in the future, an adjustment to the deferred tax asset would be charged to income in the period such determination was made. Reductions to the valuation allowance related to the acquisition of CBL that relate to deferred taxes arising from that acquisition would reduce goodwill, unless the reduction was caused by a change in law, in which case the adjustment would impact earnings.

The recently passed "American Jobs Creation Act of 2004" provides, among other things, a deduction with respect to income of certain US manufacturing activities and allows for favorable taxing on repatriation of offshore earnings. Although the provisions of the Act do not impact the fiscal year 2004 financial statements under current accounting rules, the Act will likely impact our financial statements in future periods. We are currently evaluating the financial impact of this Act.

Equity Method Accounting We generally apply the equity method of accounting to 20% – 50% owned investments where we exercise significant influence, but for which consolidation is not required under FIN 46R. As described below, we have an equity ownership in, and conduct business with various joint ventures, which directly relate to our beer business. There are no related parties that own interests in our equity method investments (see further discussion in Note 4).

Coors Canada was a general partnership that was formed to market CBC products in Canada. We owned a 50.1% interest in this non-consolidated joint venture that we accounted for using the equity method of accounting due to the effective control of the partnership being shared equally by the partners under the operating agreement. All manufacture, distribution and sale of CBC branded beers were contracted to Molson by the partnership. The partnership never took title to the beer. It was paid an amount equal to the sales proceeds Molson receives from third-party customers, less the amounts retained by Molson for its manufacture, distribution and sale of the CBC branded products. We reflect this amount in net sales in our Consolidated Statements of Income. Coors Canada was dissolved into Molson's Canadian business effective with the Merger, and in the future, Coors Light sold in Canada will be regarded as part of the Canada segment.

In 2004 and 2003, we included our entire share of CBL's Tradeteam joint venture results in the other income, net line of our Consolidated Statements of Income, given the immateriality of its results. In 2002, we included our share of Tradeteam results in cost of goods sold. This change in presentation was attributable to Tradeteam no longer being a captive provider of distribution and logistics services to CBL. In November 2002, Tradeteam entered into an agreement to provide distribution services to Interbrew U.K. Limited, another large brewer in the United Kingdom.

The other income, net line includes the equity method losses for the Molson USA joint venture. This joint venture was formed to import, market, sell and distribute Molson products in the United States. We have recorded our share of the venture's results in the other income, net line in our Consolidated Statements of Income given the immateriality of its results.

A qualitative analysis of our results would be impacted if the results of these joint ventures were included in different lines of our Consolidated Statements of Income, as will be the case for Coors Canada and Molson USA as we either dissolve or consolidate these businesses into the merged company in 2005.

Consolidations Under FIN 46R RMMC and RMBC are dedicated predominantly to our packaging and distribution activities and were formed with companies which have core competencies in the aluminum and glass container businesses. The CBL joint venture with Grolsch was formed to provide a long-term relationship with that brand's owner in a key segment of the UK beer market. In 2003 and 2002, our share of the pre-tax joint venture profits for each of these investments was offset against cost of goods sold in our Consolidated Statements of Income. In 2004, as a result of implementing FIN 46R, these entities have been consolidated into our Consolidated Financial Statements because we have determined that they are variable interest entities and that we are the primary beneficiary.

We have examined another potential business relationship during 2004 when implementing FIN 46R. This is the relationship we have with Trigen, the supplier of virtually all our energy needs at our Golden facility. Trigen purchased our power plant facilities in 1995 and signed a contract to provide our energy needs in Golden. We do not own any portion of the Trigen entity, but upon review of the supply contract, we believe that the relationship could be viewed as a variable interest, as defined by FIN 46R. However, despite exhaustive efforts to obtain financial information necessary to proceed with the analysis, we have been unable to obtain the information from Trigen, which cites privacy and competitive issues with releasing this financial information. As disclosed in Note 18 to the accompanying Consolidated Financial Statements, we purchase approximately $34.0 million of energy each year from Trigen.

We have determined that any risk of a material loss is remote and that our total maximum loss cannot be reasonably estimated. We do not have another readily available option to obtain the steam energy required to run our plant. We could incur operational losses should we be unable to purchase steam from Trigen, and we are unable to estimate any such losses. In addition, we have a non-cancelable obligation to pay Trigen fixed costs through the remainder of the contract. The costs are adjusted annually for inflation and are expected to be $17.5 million in 2005. We currently purchase some of our electricity requirements from another supplier at rates that do not significantly differ from the rates we pay Trigen. Our risk of loss relating to the difference in price from having to buy electricity from another third party rather than from Trigen is not significant. In the event that Trigen would fail to perform its contractual obligations, Coors has the right to step in and operate the power plant facilities. This circumstance would involve Coors repurchasing the power plant assets, a cost that could be borne with Coors' current capital resources.

Performance Based Options and Restricted Shares The Merger transaction with Molson resulted in the vesting of all outstanding stock options and restricted share units held by employees of both Molson and Coors with the exception of performance based options and restricted share units held by the CEO of Molson. There are 288,000 stock options subject to performance based criteria, and 18,000 restricted shares that can increase to 54,000 based on defined performance criteria. The company will account for both the performance-based stock options and restricted stock under variable accounting, which could have an impact on future financial results depending on the likelihood of meeting the performance targets.

The Merger triggered immediate vesting of all stock options, including those held by Molson option holders (excluding certain options held by the former Molson CEO, as discussed in Note 20). The vesting of Coors options will be reflected in the notes to the first quarter financial statements as pro forma expense and the vesting of the Molson options will be reflected in Molson's historical financial statements, pre-Merger. Therefore, compensation expense recognized beginning in the 2005 third quarter will only reflect new option grants after the Merger, and could be impacted by stock options held by the former Molson CEO that are yet unvested and provisions in change in control agreements.

Recent Accounting Pronouncements

SFAS No. 123R, "Share-Based Payment" (Revised 2004)
Statement of Financial Accounting Standard No. 123 (SFAS No. 123R) was revised in December 2004 and will be effective for us in the third quarter of 2005. We adopted the disclosure provisions of SFAS No. 123 when it became effective in 1996 but continue to account for stock options under Accounting Principles Board Opinion No. 25 (APB No. 25). Currently, under an exemption written into the guidance for qualifying stock option grants with no intrinsic value on the date of grant, SFAS No. 123 requires us

to present pro forma share-based compensation expense for our stock option program in the notes to our financial statements. We have chosen the modified prospective method of adoption, therefore, beginning in the third quarter of 2005, we will be required to record these costs in our income statement. While under current guidance we have used the Black Scholes method to calculate pro forma compensation expense, the new guidance will also allow a binomial method. We are evaluating the alternative methods to value stock options.

SFAS No. 128R "Earnings Per Share" (Revised) Statement of Financial Accounting Standard No. 128R (SFAS No. 128R) is expected to be revised. We adopted SFAS No. 128 when it became effective in 1997 and will adopt its revised provisions when those provisions become effective, currently anticipated during our first quarter of 2005. For our year-to-date diluted calculations, we currently use a quarterly average stock price. Under SFAS No. 128R, we will be required to use a year-to-date average stock price. When stock prices are increasing year-to-date, as was the case for our company stock in 2004, the effect of the new revision to the standard will be to increase dilution of earnings per share. For example, if we had implemented the new revision in 2004, our year-to-date diluted earnings per share would have been $0.03 per share lower. The new standard will require retrospective presentation of diluted earnings per share upon implementation, meaning that prior periods' earnings per share will have to be adjusted to conform to the same method of calculation.

SFAS No. 151 "Inventory Costs" SFAS No. 151 is an amendment to ARB No. 43, Chapter 4 that will be effective for us in fiscal 2006. The standard clarifies the accounting for abnormal amounts of idle facility expense, freight, handling costs, and spoilage to require that those costs be expensed currently, as opposed to being included in overhead costs. We are currently evaluating the impact that SFAS No. 151 will have on our financial results when implemented.

SFAS No. 153 "Exchange of Nonmonetary Assets" SFAS No. 153 is an amendment to APB Opinion No. 29 that will be effective for us in the third quarter of 2005. The standard tightens the general exception for exchanges of similar productive assets and replaces it with a general exception for exchanges of nonmonetary assets that do not have commercial substance. We do not believe that the standard will have a significant impact on our financial results when implemented.

Related Party Transactions

Transactions with Management and Others We employ members of the Coors family, which collectively owned 100% of the voting common stock of the company during 2004. Hiring and placement decisions are made based upon merit, and compensation packages offered are commensurate with policies in place for all employees of the company.

Certain Business Relationships We purchase a large portion of our paperboard packaging requirements from Graphic Packaging Corporation (GPC), a related party. As of December 26, 2004, various Coors family trusts collectively owned all of our Class A voting common stock, approximately 30% of our Class B common stock, and approximately 30% of GPC's common stock.

Our purchases under the GPC packaging agreement in 2004, 2003 and 2002 totaled $104.5 million, $106.4 million and $111.0 million, respectively. Related accounts payable balances included in Affiliates Accounts Payable on the Consolidated Balance Sheets were $3.4 million and $5.0 million at December 26, 2004, and December 28, 2003, respectively.

We are also a limited partner in a real estate development partnership in which a subsidiary of GPC is the general partner. The partnership owns, develops, operates and sells certain real estate previously owned directly by us. We received no distributions from this partnership in 2004 or 2003.

Risk Factors

The reader should carefully consider the following factors (which include risks specific to our merged business with Molson) and the other information contained within this document. The most important factors that could influence the achievement of our goals, and cause actual results to differ materially from those expressed in the forward-looking statements, include, but are not limited to, the following:

Because we will continue to face intense competition, operating results may be negatively impacted. The brewing industry is highly competitive and requires substantial human and capital resources. Competition in our various markets could cause us to reduce prices, increase capital and other expenditures or lose market share, any of which could have a material adverse effect on our business and financial results. In addition, in some of our markets, our primary competitors have substantially greater financial, marketing, production and distribution resources than Molson Coors will have. In all of the markets where Molson Coors will operate, aggressive marketing strategies by our main competitors could adversely affect our financial results.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Changes in tax, environmental or other regulations or failure to comply with existing licensing, trade and other regulations could have a material adverse effect on our financial condition. Our business is regulated by federal, state, provincial and local laws and regulations in various countries regarding such matters as licensing requirements, trade and pricing practices, labeling, advertising, promotion and marketing practices, relationships with distributors, environmental matters and other matters. Failure to comply with these laws and regulations could result in the loss, revocation or suspension of our licenses, permits or approvals. In addition, changes in tax, environmental or any other laws or regulations could have a material adverse effect on our business, financial condition and results of operations.

We have indebtedness that is substantial in relation to our stockholders' equity. As of December 26, 2004, we had $932.2 million in debt primarily related to our acquisition of CBL, with substantially higher debt subsequent to our Merger with Molson. As a result, a substantial portion of our cash flow from operations must be dedicated to the payment of principal and interest on our debt. If our financial and operating performance is insufficient to generate sufficient cash flow for all of our activities, our operations could be negatively impacted.

We are subject to fluctuations in foreign exchange rates, most significantly the British pound and the Canadian dollar. We hold assets and incur liabilities, earn revenues and pay expenses in different currencies, most significantly sales of Coors Light in Canada, and in the GBP subsequent to the acquisition in 2002. Subsequent to the Merger with Molson, we will have significantly more foreign currency exposure to the Canadian dollar and the Brazilian Real. Since our financial statements are presented in US dollars, we must translate our assets, liabilities, income and expenses into US dollars at current exchange rates. Increases and decreases in the value of the US dollar will affect, perhaps negatively, the value of these items in our financial statements, even if their value has not changed in their original currency.

Our operations face significant commodity price change and foreign exchange rate exposure which could materially and adversely affect our operating results. Molson Coors will use a large volume of agricultural and other raw materials to produce its products, including malt, hops and water. The supply and price of these raw materials can be affected by a number of factors beyond our control, including frosts, droughts and other weather conditions, economic factors affecting growth decisions, plant diseases and theft. To the extent any of the foregoing factors affect the prices of ingredients, our results of operations could be materially and adversely impacted. In addition, in Brazil agricultural and other raw materials are priced based on the US dollar and, since Molson's sales in Brazil are made in local currency, fluctuations in the exchange rate between the US dollar and the Brazilian real may negatively impact our earnings in Brazil. Both companies have active hedging programs to address commodity price and foreign exchange rate changes. However, to the extent we fail to adequately manage the foregoing risks, including if our hedging arrangements do not effectively or completely hedge changes in foreign currency rates or commodity price risks, our results of operations may be negatively impacted.

We rely on a small number of suppliers to obtain the packaging and raw materials we need to operate our business. For our US business, we purchase most of our paperboard and container supplies from a single supplier or a small number of suppliers. This packaging is unique to us and is not produced by any other supplier. Additionally, we are contractually obligated to purchase substantially all our can and bottle needs in the United States from our container joint ventures or from our partners in those ventures, Ball Corporation (RMMC) and Owens-Brockway Glass Container, Inc. (RMBC). Consolidation of the glass bottle industry in North America has reduced local supply alternatives and increased risks of glass bottle supply disruptions. CBL has only a single source for its can supply (Ball). The inability of any of these suppliers to meet our production requirements without sufficient time to develop an alternative source could have a material adverse effect on our business. The supply and price of raw materials, used to produce our products can be affected by a number of factors beyond our control, including frosts, droughts and other weather conditions, economic factors affecting growth decisions, various plant diseases and pests. To the extent that any of the foregoing affects the ingredients used to produce our products, our results of operations could be materially and adversely affected.

Our success depends largely on the success of three primary products, one each in Canada, the United States and the United Kingdom; the failure or weakening of one or more could materially adversely affect our financial results. Although we currently have 14 products in our US portfolio, Coors Light represented more than 51% of our Americas sales volume for 2004. In the United Kingdom, Carling lager is the best-selling brand in the United Kingdom and represented approximately 75% of CBL sales volume in 2004. The Molson Canadian brand represents 26% of Molson's sales volume for the nine-months ended December 2004. Consequently, any material shift in consumer preferences away from these brands would have a disproportionately large negative impact on our business.

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

We are and will continue to be subject to various contingent tax, environmental and other liabilities and cannot predict with certainty that our reserves for those liabilities will be sufficient. If actual costs for these contingent liabilities are higher than expected, we could be required to accrue for additional costs. In the course of our respective businesses, we are subject to various litigation claims and other contingent liabilities. These include, among others, (i) claims asserted against Molson's subsidiary, Cervejarias Kaiser Brasil S.A., by Brazilian tax authorities, including claims for income taxes, federal excise taxes, value-added tax, revenue taxes (PIS/federal unemployment insurance contribution) and federal social security tax, (ii) claims by the US Environmental Protection Agency that Coors is a potentially responsible party at the Lowry Superfund Site and (iii) various other legal claims arising in the ordinary course of our businesses.

While we have estimated and accrued for costs expected to be incurred in connection with our contingent liabilities, if actual costs are higher than expected, we could be required to accrue for additional costs and make additional cash payments.

Risks Specific to the Americas Segment

Litigation directed at the alcohol beverage industry may adversely affect our sales volumes and our business. Molson Coors and many other brewers and distilled spirits manufacturers have been sued in several courts regarding advertising practices and underage consumption. The suits allege that each defendant intentionally marketed its products to "children and other underage consumers." In essence, each suit seeks, on behalf of an undefined class of parents and guardians, an injunction and unspecified money damages. We will vigorously defend these lawsuits and it is not possible at this time to estimate the possible loss or range of loss, if any, in these lawsuits.

We are highly dependent on independent distributors in the United States to sell our products, with no assurance that these distributors will effectively sell our products. We sell all of our products in the United States to distributors for resale to retail outlets. Some of our distributors are at a competitive disadvantage because they are smaller than the largest distributors in their markets. Our distributors also sell products that compete with our products. These distributors may give our competitors' products higher priority, thereby reducing sales of our products. In addition, the regulatory environment of many states makes it very difficult to change distributors. Consequently, if we are not allowed or are unable to replace unproductive or inefficient distributors, our business, financial position, and results of operation may be adversely affected.

Risks Specific to the Europe Segment

Consolidation of pubs and growth in the size of pub chains in the United Kingdom could result in less ability to achieve pricing. The trend toward consolidation of pubs, away from independent pub and club operations, is continuing in the United Kingdom. These larger entities have stronger price negotiating power, which could impact CBL's ability to obtain favorable pricing in on-trade (due to spillover effect of reduced negotiating leverage) and could reduce our revenues and profit margins. In addition, these larger customers are beginning to purchase directly more of the products that, in the past, we have provided as part of our factored business. This consolidation could impact us negatively.

Due to a high concentration of unionized workers in the United Kingdom, we could be significantly affected by labor strikes, work stoppages or other employee-related issues. Approximately 27% of CBL's total workforce is represented by trade unions. Although we believe relations with our employees are good, more stringent labor laws in the United Kingdom expose us to a greater risk of loss should we experience labor disruptions.

Our primary production facilities in Europe are each located at a single site, so we could be more vulnerable than our competitors to transportation disruptions, fuel increases and natural disasters. Our primary production facility in Europe is located in Burton-on-Trent, England, where we brew and package approximately two-thirds of our products sold in the Europe business. While our Europe business operations remain centralized, our competitors have multiple geographically dispersed breweries and packaging facilities. As a result, we must ship our products greater distances than some of our competitors, making us more vulnerable to fluctuations in costs such as fuel or packaging costs.

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

Risks Specific to the Molson Merger

We may not realize the cost savings and other benefits we currently anticipate due to challenges associated with integrating the operations, technologies, sales and other aspects of the businesses of Molson and Coors. Our success will be dependent in large part on the success of our management in integrating the operations, technologies and personnel of Molson and Coors. If we fail to meet the challenges involved in successfully integrating the operations of Molson and Coors or otherwise fail to realize any of the anticipated benefits of the Merger transaction, including the estimated cost savings of approximately $50 million, $40 million and $85 million in the first, second and third years, respectively, following the Merger, and, thereafter, approximately $175 million annually, our results of operations could be impaired. In addition, the overall integration of the two companies may result in unanticipated operations problems, expenses and liabilities, and diversion of management's attention.

Loss of key members of management could negatively affect our ability to successfully integrate or successfully operate our business. We have agreements with twelve executive officers and certain other members of management of the former Coors and other members of management relating to a change of control of Coors. The terms of these agreements were triggered by the Merger transaction with Molson on February 9, 2005. We are evaluating the employment status with each of these employees. However, a loss of any of these members of management, or of key members of the former Molson management could have an adverse impact on our ability to successfully combine, integrate or operate the businesses of Molson and Coors.

If Pentland and the Coors Trust do not agree on a matter submitted to stockholders, generally the matter will not be approved, even if beneficial to the Company or favored by other stockholders. Pentland and the Coors Trust, which together control more than two-thirds of the Company's Class A Common and Exchangeable stock, are parties to voting trust agreements through which they have combined their voting power over the shares of our Class A common stock and the Class A exchangeable shares that they own. However, in the event that these two stockholders do not agree to vote in favor of a matter submitted to a stockholder vote (other than the election of directors), the voting trustees will be required to vote all of the Class A common stock and Class A exchangeable shares deposited in the voting trusts against the matter. There is no other mechanism in the voting trust agreements to resolve a potential deadlock between these stockholders. Therefore, if either Pentland or the Coors Trust is unwilling to vote in favor of a transaction that is subject to a stockholder vote, we may be unable to complete the transaction even if our board, management or other stockholders believe the transaction is beneficial for Molson Coors.

Molson has recently incurred losses in its Brazilian operations, recorded restructuring and impairment charges, and could suffer further charges as a result of the Brazilian operations, which could have a material adverse effect on our combined results of operations. Molson's Brazilian operations incurred losses in the calendar year ended December 31, 2004. These losses were a function of the current period costs associated with plans to significantly grow volumes and regain market share associated with the sales centers put in place during the last nine months in Brazil. In light of the continuing challenges presented by the Brazilian beer market, Molson recorded restructuring and impairment charges in this business prior to the Merger. Molson's Brazilian operations may continue to incur losses and further impairment charges could be required, which could have a material adverse effect on our combined results of operations.

We may be required to exercise control over the entity that owns the entertainment business and the Montréal Canadiens pursuant to the undertakings given to its lenders. On July 25, 2001, Molson sold the entertainment business operated in the Bell Centre in Montréal and the Montréal Canadiens hockey team, which may be financially adversely affected as a result of the National Hockey League work stoppage. As part of the sale transaction, Molson agreed to, among other things, give a guarantee to the team's lenders for loans which as of March 31, 2004 were in the amount of Cdn. $92 million.

In addition, Molson is the guarantor of the 99-year lease arrangements on the Bell Centre related to the land on which the Bell Centre is located. The amount of lease payments varies based on prevailing interest rates and changes in the Consumer Price Index. In Molson's fiscal year ended March 31, 2004, the payments under the lease made by the purchaser totaled Cdn. $3.2 million.

If the purchaser is unable to meet its obligations, Molson will exercise control over the entities that own the entertainment business and the Montréal Canadiens and make required payments and fund cash flow deficiencies, which could have a material adverse effect on our liquidity position and our combined results of operations.

Quantitative and Qualitative Disclosures About Market Risk

In the normal course of business, we are exposed to fluctuations in interest rates, foreign currencies and the prices of production and packaging material. We have established policies and procedures to manage these exposures through a variety of financial instruments. By policy, we do not enter into any contracts for the purpose of trading or speculation.

Our objective in managing our exposure to fluctuations in interest rates, foreign currency exchange rates and production and packaging materials prices is to decrease the volatility of our earnings and cash flows affected by potential changes in underlying rates and prices. To achieve this objective, we enter into foreign currency forward contracts, commodity swaps, interest rate swaps and cross currency swaps, the values of which change in the opposite direction of the anticipated cash flows. We do not hedge the value of net investments in foreign-currency-denominated operations or translated earnings of foreign subsidiaries. Our primary foreign currency exposures are British pound sterling (GBP), Canadian dollar (CAD) and Japanese yen (YEN).

Derivatives are either exchange-traded instruments, or over-the-counter agreements entered into with highly rated financial institutions. No losses on over-the-counter agreements due to counterparty credit issues are anticipated. All over-the-counter agreements are entered into with counterparties rated no lower than A (S&P) or A2 (Moody's). In some instances we and our counterparties have reciprocal collateralization agreements regarding fair value positions in excess of certain thresholds. These agreements call for the posting of collateral in the form of cash, treasury securities or letters of credit if a fair value loss position to us or our counterparties exceeds a certain amount. At December 26, 2004, no collateral was posted by us or our counterparties.

At December 26, 2004, we were a party to certain cross currency swaps totaling 530 million GBP (approximately $774 million at prevailing foreign currency exchange rates in 2002, the year we entered into the swaps). The swaps included an initial exchange of principal in 2002 and will require final principal exchange on the settlement date of our 6⅜% notes due in 2012 (see Note 12). The swaps also call for an exchange of fixed GBP interest payments for fixed US dollar interest receipts. At the initial principal exchange, we paid US dollars to a counterparty and received GBP. Upon final exchange, we will provide GBP to the counterparty and receive US dollars. The cross currency swaps have been designated as cash flow hedges of the changes in value of the future GBP interest and principal receipts that results from changes in the US dollar to GBP exchange rates on an intercompany loan between two of our subsidiaries.

At December 26, 2004, we were a party to interest rate swap agreements related to our 6⅜% fixed rate debt. The interest rate swaps convert $201.2 million notional amount from fixed rates to floating rates and mature in 2012. We will receive fixed US dollar interest payments semi-annually at a rate of 6⅜% per annum and pay a rate to our counterparty based on a credit spread plus the three-month LIBOR rate, thereby exchanging a fixed interest obligation for a floating rate obligation. There was no exchange of principal at the inception of the swaps. We designated the interest rate swaps as fair value hedges of the changes in the fair value of $201.2 million fixed-rate debt attributable to changes in the LIBOR swap rates.

We monitor foreign exchange risk, interest rate risk and related derivatives using two techniques-sensitivity analysis and Value-at-Risk. Our market-sensitive derivative and other financial instruments, as defined by the SEC, are foreign currency forward contracts, commodity swaps, interest rate swaps, and cross currency swaps.

We use Value-at-Risk to monitor the foreign exchange and interest rate risk of our cross-currency swaps. The Value-at-Risk provides an estimate of the level of a one-day loss that may be equaled or exceeded due to changes in the fair value of these foreign exchange rate and interest rate-sensitive financial instruments. The type of Value-at-Risk model used to estimate the maximum potential one-day loss in the fair value is a variance/covariance method. The Value-at-Risk model assumes normal market conditions and a 95% confidence level. There are various modeling techniques that can be used to compute value at risk. The computations used to derive our values take into account various correlations between currency rates and interest rates. The correlations have been determined by observing foreign exchange currency market changes and interest rate changes over the most recent one-year period. We have excluded anticipated transactions, firm commitments, cash balances, and accounts receivable and payable denominated in foreign currencies from the Value-at-Risk calculation, some of which these instruments are intended to hedge.

Quantitative and Qualitative Disclosures About Market Risk

The Value-at-Risk calculation is a statistical measure of risk exposure based on probabilities and is not intended to represent actual losses in fair value that we may incur. The calculated Value-at-Risk result does not represent the full extent of the possible loss that may occur. It attempts to represent the most likely measure of potential loss that may be experienced 95 times out of 100 due to adverse market events that may occur. Actual future gains and losses will differ from those estimated by Value-at-Risk because of changes or differences in market rates and interrelationships, hedging instruments, hedge percentages, timing and other factors.

The estimated maximum one-day loss in fair value on our cross-currency swaps, derived using the Value-at-Risk model, was $10.7 million, $5.9 million and $8.6 million at December 26, 2004, December 28, 2003, and December 29, 2002, respectively. Such a hypothetical loss in fair value is a combination of the foreign exchange and interest rate components of the cross currency swap. Value changes due to the foreign exchange component would be offset completely by increases in the value of our inter-company loan, the underlying transaction being hedged. The hypothetical loss in fair value attributable to the interest rate component would be deferred until termination or maturity.

Details of all other market-sensitive derivative and other financial instruments, including their fair values, are included in the table below. These instruments include foreign currencies, commodity swaps, interest rate swap and cross-currency swaps.

(In thousands)	Notional principal amounts (USD)	Fair value positive (negative)	Maturity
December 26, 2004			
Foreign currency management			
Forwards	**$ 57,538**	**$ (1,603)**	**01/05 – 11/06**
Cross currency swap	**773,800**	**(237,046)**	**05/12**
Commodity pricing management			
Swaps	**67,134**	**16,877**	**02/05 – 02/06**
Interest rate pricing management			
Interest rate swap	**201,200**	**9,490**	**05/12**
Total		**$(212,282)**	

(In thousands)	Notional principal amounts (USD)	Fair value positive (negative)	Maturity
December 28, 2003			
Foreign currency management			
Forwards	**$ 44,048**	**$ (1,382)**	**01/04 – 12/05**
Cross currency swap	**773,800**	**(138,684)**	**05/12**
Commodity pricing management			
Swaps	**92,468**	**9,638**	**02/05 – 02/06**
Interest rate pricing management			
Interest rate swap	**76,200**	**6,904**	**05/12**
Total		**$(123,524)**	

Maturities of derivative financial instruments held on December 26, 2004, are as follows:

(In thousands)	2005	2006	2007 and thereafter	Total
	$13,941	**$1,334**	**$(227,557)**	**$(212,282)**

A sensitivity analysis has been prepared to estimate our exposure to market risk of interest rates, foreign exchange rates and commodity prices. The sensitivity analysis reflects the impact of a hypothetical 10% adverse change in the applicable market interest rates, foreign exchange rates and commodity prices. The volatility of the applicable rates and prices are dependent on many factors that cannot be forecast with reliable accuracy. Therefore, actual changes in fair values could differ significantly from the results presented in the table below.

The following table presents the results of the sensitivity analysis of our derivative and debt portfolio:

(In millions, as of)	Dec. 26, 2004	Dec. 28, 2003
Estimated fair value volatility		
Foreign currency risk: forwards, swaps	**$ (6.6)**	**$ (5.0)**
Interest rate risk: debt, swaps	**$(30.7)**	**$(32.4)**
Commodity price risk: swaps	**$ (8.4)**	**$(10.2)**

Management's Report to Shareholders

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

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

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

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

W. Leo Kiely III
Chief Executive Officer, Molson Coors Brewing Company
(formerly Adolph Coors Company)

Timothy V. Wolf
Vice President and Chief Financial Officer,
Molson Coors Brewing Company
(formerly Adolph Coors Company)

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as such term is defined in Exchange Act Rule 13a-15(f). The Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Management evaluated the effectiveness of internal control over financial reporting based on the criteria in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on its evaluation, management concluded that internal control over financial reporting was effective as of December 26, 2004.

The Company's independent registered public accounting firm has audited and issued their audit report on management's assessment of the effectiveness of internal control over financial reporting as of December 26, 2004, which appears herein.

Report of Independent Registered Public Accounting Firm

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

We have completed an integrated audit of Adolph Coors Company's 2004 consolidated financial statements and of its internal control over financial reporting as of December 26, 2004 and audits of its 2003 and 2002 consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Our opinions, based on our audits, are presented below.

Consolidated Financial Statements In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income and comprehensive income, of shareholders' equity and of cash flows present fairly, in all material respects, the financial position of Adolph Coors Company and its subsidiaries at December 26, 2004 and December 28, 2003, and the results of their operations and their cash flows for each of the three years in the period ended December 26, 2004 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). 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 of financial statements includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Internal Control Over Financial Reporting Also, in our opinion, management's assessment, included in Management's Report on Internal Control over Financial Reporting appearing herein, that the Company maintained effective internal control over financial reporting as of December 26, 2004 based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), is fairly stated, in all material respects, based on those criteria. Furthermore, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 26, 2004, based on criteria established in Internal Control – Integrated Framework issued by the COSO. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express opinions on management's assessment and on the effectiveness of the Company's internal control over financial reporting based on our audit. We conducted our audit of internal control over financial reporting in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. An audit of internal control over financial reporting includes obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Denver, Colorado
March 10, 2005

Consolidated Statements of Income and Comprehensive Income

(In thousands, except per share data, fiscal year ended)	December 26, 2004	December 28, 2003	December 29, 2002
Sales – domestic and international (Note 4)	$ 5,819,727	$ 5,387,220	$ 4,956,947
Beer excise taxes	(1,513,911)	(1,387,107)	(1,180,625)
Net sales	4,305,816	4,000,113	3,776,322
Cost of goods sold (Notes 3 and 4)	(2,741,694)	(2,586,783)	(2,414,530)
Gross profit	1,564,122	1,413,330	1,361,792
Other operating expenses			
Marketing, general and administrative	(1,223,219)	(1,105,959)	(1,057,240)
Special items, net (Note 7)	7,522	–	(6,267)
Total other operating expenses	(1,215,697)	(1,105,959)	(1,063,507)
Operating income	348,425	307,371	298,285
Other (expense) income			
Interest income	19,252	19,245	21,187
Interest expense	(72,441)	(81,195)	(70,919)
Other income, net (Note 4)	12,946	8,397	8,047
Total other expense	(40,243)	(53,553)	(41,685)
Income before income taxes	308,182	253,818	256,600
Income tax expense	(95,228)	(79,161)	(94,947)
Income before minority interests	212,954	174,657	161,653
Minority interests	(16,218)	–	–
Net income	$ 196,736	$ 174,657	$ 161,653
Other comprehensive income, net of tax			
Foreign currency translation adjustments	123,011	147,803	70,884
Unrealized (loss) gain on derivative instruments	(217)	282	15,358
Minimum pension liability adjustment	(24,048)	(15,031)	(212,092)
Reclassification adjustments	(4,686)	4,235	4,993
Comprehensive income	$ 290,796	$ 311,946	$ 40,796
Net income per share – basic	$ 5.29	$ 4.81	$ 4.47
Net income per share – diluted	$ 5.19	$ 4.77	$ 4.42
Weighted average shares – basic	37,159	36,338	36,140
Weighted average shares – diluted	37,909	36,596	36,566

See notes to consolidated financial statements.

Consolidated Balance Sheets

(In thousands)	December 26, 2004	December 28, 2003
Assets		
Current assets		
Cash and cash equivalents	$ 123,013	$ 19,440
Accounts and notes receivable		
Trade, less allowance for doubtful accounts of $9,110 and $12,413, respectively	692,372	618,053
Affiliates	9,286	38,367
Current notes receivable and other receivables, less allowance for doubtful accounts of $3,883 and $4,641, respectively	123,402	94,652
Inventories		
Finished, less allowance for obsolete inventories of $666 and $2,264, respectively	90,943	91,214
In process	32,565	29,480
Raw materials	88,473	81,068
Packaging materials, less allowance for obsolete inventories of $234 and $1,879, respectively	22,780	7,723
Total inventories	234,761	209,485
Maintenance and operating supplies, less allowance for obsolete supplies of $9,600 and $10,675, respectively	29,576	28,512
Deferred tax asset	3,228	12,819
Other current assets, less allowance for advertising supplies of $1,064 and $1,093, respectively	52,578	57,520
Total current assets	1,268,216	1,078,848
Properties, less accumulated depreciation of $2,483,610 and $2,695,124, respectively	1,445,584	1,450,785
Goodwill	890,821	796,420
Other intangibles, less accumulated amortization of $83,591 and $45,498, respectively	581,043	552,112
Investments in joint ventures (Note 4)	140,632	193,582
Non-current deferred tax asset	168,304	204,804
Non-current notes receivable, less allowance for doubtful accounts of $11,053 and $12,548, respectively	95,017	108,280
Other non-current assets	67,907	59,909
Total assets	$4,657,524	$4,444,740

See notes to consolidated financial statements.

Consolidated Balance Sheets

(In thousands, except share information)	December 26, 2004	December 28, 2003
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable		
Trade	**$ 320,015**	**$ 318,071**
Affiliates	**6,019**	**36,802**
Accrued salaries and vacations	**82,902**	**57,593**
Accrued excise taxes	**196,720**	**190,983**
Deferred tax liability	**5,852**	**–**
Accrued expenses and other liabilities	**526,861**	**439,108**
Short-term borrowings	**12,500**	**21,309**
Current portion of long-term debt	**26,028**	**69,856**
Total current liabilities	**1,176,897**	**1,133,722**
Long-term debt	**893,678**	**1,159,838**
Non-current deferred tax liability	**149,927**	**195,523**
Deferred pension and post-retirement benefits	**483,255**	**488,640**
Long-term derivatives	**237,046**	**138,684**
Other long-term liabilities	**78,687**	**60,957**
Total liabilities	**3,019,490**	**3,177,364**
Commitments and contingencies (Note 18)		
Minority interests	**36,868**	**–**
Shareholders' equity		
Capital stock		
Preferred stock, non-voting, no par value (authorized: 25,000,000 shares; issued and outstanding: none)	**–**	**–**
Class A common stock, voting, $0.01 par value at December 26, 2004 and no par value at December 28, 2003 (authorized: 500,000,000, issued and outstanding: 1,260,000 shares)	**13**	**13**
Class B common stock, non-voting, $0.01 par value at December 26, 2004 and no par value at December 28, 2003 (authorized: 500,000,000 shares; issued and outstanding: 36,392,172 and 35,153,707, respectively)	**364**	**352**
Total capital stock	**377**	**365**
Paid-in capital	**105,111**	**32,049**
Unvested restricted stock	**(226)**	**(681)**
Retained earnings	**1,398,003**	**1,231,802**
Accumulated other comprehensive income	**97,901**	**3,841**
Total shareholders' equity	**1,601,166**	**1,267,376**
Total liabilities and shareholders' equity	**$4,657,524**	**$4,444,740**

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

(In thousands, for the years ended)	December 26, 2004	December 28, 2003	December 29, 2002
Cash flows from operating activities			
Net income	$ 196,736	$ 174,657	$ 161,653
Adjustments to reconcile net income to net cash provided by (used in) operating activities			
Equity in net earnings of joint ventures	(59,653)	(65,542)	(54,958)
Distributions from joint ventures	72,754	70,900	66,616
Depreciation, depletion and amortization	265,921	236,821	227,132
Amortization of debt issuance costs and discounts	2,456	6,790	3,167
Gain on sale, net of loss on abandonment of properties and intangibles	(15,027)	(4,580)	(9,816)
Gains on sales of securities	–	–	(4,003)
Deferred income taxes	6,215	53,497	11,679
(Gain) loss on FX fluctuations and derivative instruments	(5,740)	1,252	2,576
Minority interest earnings	16,218	–	–
Tax benefit from equity compensation plans	8,398	412	3,410
Changes in current assets and liabilities (net of assets acquired and liabilities assumed in a business combination accounted for under the purchase method) and other			
Trade receivables	(35,671)	31,067	(254,425)
Trade payables	4,575	97,761	107,619
Inventory	(3,441)	(5,549)	39,210
Accrued expenses and other liabilities	24,386	(50,703)	(60,757)
Other	21,781	(17,955)	5,865
Net cash provided by operating activities	499,908	528,828	244,968
Cash flows from investing activities			
Sales and maturities of investments	–	–	232,758
Additions to properties	(211,530)	(240,458)	(246,842)
Proceeds from sales of properties and intangible assets	72,063	16,404	27,357
Acquisition of CBL, net of cash acquired			(1,587,300)
Adjustment to purchase price for pension settlement	25,836	–	–
Cash recognized on initial consolidation of joint ventures	20,840	–	–
Trade loan repayments from customers	54,048	51,863	64,564
Trade loans advanced to customers	(25,961)	(36,553)	(50,987)
Investment in Molson USA, LLC	(2,744)	(5,240)	(2,750)
Other	–	(630)	(7,561)
Net cash used in investing activities	(67,448)	(214,614)	(1,570,761)
Cash flows from financing activities			
Issuances of stock under stock plans	66,764	2,491	15,645
Dividends paid	(30,535)	(29,820)	(29,669)
Dividends paid to minority interests	(7,218)	–	–
Proceeds from issuance of debt	–	–	2,391,934
Net (payments on) proceeds from short-term borrowings	(8,761)	(84,170)	331,333
Net (payments on) proceeds from commercial paper	(250,000)	249,645	–
Payments on debt and capital lease obligations	(114,629)	(462,547)	(1,379,718)
Debt issuance costs	–	–	(10,074)
Change in overdraft balances	8,715	(32,992)	(27,783)
Net cash (used in) provided by financing activities	(335,664)	(357,393)	1,291,668
Cash and cash equivalents			
Net increase (decrease) in cash and cash equivalents	96,796	(43,179)	(34,125)
Effect of exchange rate changes on cash and cash equivalents	6,777	3,452	16,159
Balance at beginning of year	19,440	59,167	77,133
Balance at end of year	$ 123,013	$ 19,440	$ 59,167

See notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

(In thousands, except per share data)	Shares of common stock issued		Common stock issued		Paid-in capital	Unvested restricted stock	Retained earnings	Accumulated other comprehensive income (loss)	Total
	Class A	Class B	Class A	Class B					
Balances, December 30, 2001	1,260	34,689	$ 1,260	$ 8,259	$ –	$ (597)	$ 954,981	$ (12,591)	$ 951,312
Shares issued under stock plans, including related tax benefit		392		93	19,731	(770)			19,054
Amortization of restricted stock						358			358
Other comprehensive income								(120,857)	(120,857)
Net income							161,653		161,653
Cash dividends – $0.82 per share							(29,669)		(29,669)
Balances, December 29, 2002	1,260	35,081	1,260	8,352	19,731	(1,009)	1,086,965	(133,448)	981,851
Reincorporation and par value change			(1,247)	(8,018)	9,265				–
Shares issued under stock plans, including related tax benefit		73		18	3,053	(164)			2,907
Amortization of restricted stock						492			492
Other comprehensive income								137,289	137,289
Net income							174,657		174,657
Cash dividends – $0.82 per share							(29,820)		(29,820)
Balances, December 28, 2003	1,260	35,154	13	352	32,049	(681)	1,231,802	3,841	1,267,376
Shares issued under stock plans, including related tax benefit		1,238		12	73,062				73,074
Amortization of restricted stock						455			455
Other comprehensive income								94,060	94,060
Net income							196,736		196,736
Cash dividends – $0.82 per share							(30,535)		(30,535)
Balances, December 26, 2004	1,260	36,392	$ 13	$ 364	$105,111	$ (226)	$1,398,003	$ 97,901	$1,601,166

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

1. Basis of Presentation and Summary of Significant Accounting Policies

On February 9, 2005, Adolph Coors Company merged with Molson Inc. ("Molson"). In connection with the Merger (the "Merger"), Adolph Coors Company became the parent of the merged company and changed its name to Molson Coors Brewing Company. Unless otherwise noted in this report, any description of us includes Molson Coors Brewing Company (MCBC), principally a holding company, its operating subsidiaries, Coors Brewing Company (CBC), operating in the United States (US); Coors Brewers Limited (CBL), operating in the United Kingdom (UK); and our other corporate entities.

Unless otherwise indicated, information in this report excludes Molson (with the exception of our interests in joint ventures entered into previously with Molson, discussed in Note 4), operating in Canada and Brazil, and is presented in US Dollars (USD).

Fiscal Year Our fiscal year is a 52- or 53-week period ending on the last Sunday in December. Fiscal years ended December 26, 2004, December 28, 2003, and December 29, 2002, were all 52-week periods.

Principles of Consolidation Our consolidated financial statements include our accounts and our majority-owned and controlled domestic and foreign subsidiaries. All significant intercompany accounts and transactions have been eliminated.

Use of Estimates Our consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States (GAAP). These accounting principles require us to make certain estimates, judgments and assumptions. We believe that the estimates, judgments and assumptions are reasonable, based on information available at the time they are made. To the extent there are material differences between these estimates and actual results, our consolidated financial statements may be affected.

Reclassifications Certain reclassifications have been made to the 2003 and 2002 financial statements to conform to the 2004 presentation.

Revenue Recognition Revenue is recognized in the Americas segment when product is shipped and the risk of loss transfers to our customers, which are principally independent distributors or wholesalers in the United States. Revenue is recognized in the Europe segment when product is received by our customers, who are principally independent retailers in the United Kingdom. In the United Kingdom, excise taxes are included in the purchase price we pay the vendor on beverages for the factored brands business purchased from third parties for resale and are included in our cost of goods sold when ultimately sold. The cost of various programs, such as price promotions, rebates and coupon programs are treated as a reduction of sales. Sales of products are for cash or otherwise agreed upon credit terms.

Outside of unusual circumstances, if product is returned, it is generally for failure to meet our quality standards, not caused by customer actions. Products that do not meet our high quality standards are returned and destroyed. We do not have standard terms that permit return of product. We estimate the costs for product returns and record those costs in cost of goods sold in the Consolidated Statements of Income each period. We reduce revenue at the value of the original sales price in the period that the product is returned.

Cost of Goods Sold Our cost of goods sold includes beer raw materials, packaging materials (including promotional packaging), manufacturing costs, plant administrative support and overheads, and freight and warehouse costs (including distribution network costs). Distribution network costs include inbound and outbound freight charges, purchasing and receiving costs, inspection costs, warehousing, and internal transfer costs.

Equity Method Accounting We generally apply the equity method of accounting to 20% to 50% owned investments where we exercise significant influence, except for certain joint ventures that must be consolidated as variable interest entities under FIN 46R. These investments primarily involve equity ownership in transportation services in Europe; and investments in ventures that manufacture, distribute and sell Coors Light in Canada and Molson branded beers in the United States. Refer to Note 4 to these consolidated financial statements for descriptions of these investments.

Effective with the Merger, the non-consolidated joint venture that distributed and sold Coors Light in Canada was dissolved and its activities were assumed by the Molson Canadian beer business.

There are no related parties that own interests in our equity method investments as of December 26, 2004.

Cost Method Investment In 1991, we became a limited partner in the Colorado Rockies Baseball Club, Ltd. (Baseball Partnership), formerly known as the Colorado Baseball Partnership 1993, Ltd., for an investment of $10.0 million, which gave us a 17.1% interest in the partnership. Our use of the cost method for this investment is permitted under the provisions of Emerging Issues Task Force Topic D-46 (EITF D-46) "Accounting for Limited Partnership Investments" as we entered into the limited partnership agreement in 1991. As a limited partner, we take no part in control, management, direction or operation of the affairs of the Baseball Partnership and have no power to bind the Baseball Partnership. Profit and loss from operations of the Baseball Partnership are allocated among the partners in accordance with their ownership ratios. We did not receive any cash distributions or income in 2004, 2003 or 2002. We believe that the carrying amount of our investment in the Baseball Partnership is not in excess of fair value.

In July 2003, the Baseball Partnership signed a $2.1 million promissory note with the Coors. Each partner's loan amount was based on their ownership percentage. Ownership percentages in the partnership did not change. The note is due in 20 years and interest will be paid at 5% annually. The principal amount is recorded in other non-current assets.

In September 2004, an additional investor purchased a limited partnership interest in the Baseball Partnership. The purchase did not change the terms of our limited partnership agreement. However, it did reduce our sharing ratio to 14.60% as of December 26, 2004.

Marketing, General and Administrative Our marketing, general and administrative expenses consist predominately of advertising, sales staff costs, and non-manufacturing administrative and overhead costs. The creative portion of our advertising activities is expensed as incurred. Production costs are generally expensed when the advertising is first run. Cooperative advertising expenses are included in marketing, general and administrative costs. Advertising expense was $627.4 million, $588.2 million, and $586.2 million for years 2004, 2003, and 2002, respectively. Prepaid advertising costs of $27.9 million ($17.7 million in current and $10.2 million in long-term) and $30.6 million ($13.0 million in current and $17.6 million in long-term) were included in other current and other non-current assets in the Consolidated Balance Sheets at December 26, 2004, and December 28, 2003, respectively.

Trade Loans CBL extends loans to retail outlets that sell our brands. Some of these loans provide for no interest to be payable, and others provide for payment of a below market interest rate. In return, the retail outlets receive smaller discounts on beer and other beverage products purchased from us, with the net result being CBL attaining a market return on the outstanding loan balance. Trade loan receivables are classified as either other receivables or non-current notes receivable in our Consolidated Balance Sheets. At December 26, 2004, and December 28, 2003, total loans outstanding, net of allowances, were $128.6 million and $148.3 million, respectively.

We have reclassified a portion of beer revenue into interest income to reflect a market rate of interest on these loans. In 2004 and 2003, this amount was $16.0 million and $17.2 million, respectively. We have included this interest income in the Europe segment since it is related solely to the Europe business.

We have reclassified cash flows from trade loans of $28.1 million, $15.3 million, and $13.6 million from operating to investing in the cash flow statements for the years ended December 26, 2004, December 28, 2003, and December 29, 2002, respectively.

Allowance for Doubtful Accounts In the Americas segment, our allowance for doubtful accounts and credit risk is insignificant as the majority of the Americas accounts receivable balance is generated from sales to independent distributors with whom collection occurs through electronic funds transfer. Also, in the Americas, we secure substantially all of our product sale credit risk with purchase money security interests in inventory and proceeds, personal guarantees and other letters of credit.

Because the majority of CBL sales are directly to retail customers, and because of the industry practice of making trade loans to customers, our ability to manage credit risk in this business is critical. At CBL, we provide allowances for trade receivables and trade loans associated with the ability to collect outstanding receivables from our customers. Generally, provisions are recorded to cover the full exposure to a specific customer at the point the account is considered uncollectible. At this time, we record the provision as a bad debt in marketing, general and administrative expenses. Provisions are reversed upon recoverability of the account or relieved at the point an account is written off.

We are not able to predict changes in financial condition of our customers and, if circumstances related to our customers deteriorate, our estimates of the recoverability of our trade receivables and trade loans could be materially affected.

Inventories Inventories are stated at the lower of cost or market. Cost is determined by the last-in, first-out (LIFO) method for substantially all inventories in the United States and on the first-in, first-out (FIFO) method in the United Kingdom. Current cost in the United States, determined on the FIFO method, exceeded LIFO cost by $40.1 million and $38.6 million at December 26, 2004, and December 28, 2003, respectively.

We regularly assess the shelf-life of our inventories and reserve for those inventories when it becomes apparent the product will not be sold within our freshness specifications.

Dispense Assets CBL owns and maintains the dispense equipment in on-trade retail outlets. Dispense equipment, which moves the beer from the keg in the cellar to the glass, is capitalized at cost upon installation and depreciated on a straight-line basis over an average life of 7 years. Labor and materials used to install dispense equipment are capitalized and depreciated over 2 years. Dispense equipment awaiting installation is held in inventory and valued at the lower of cost or market. Ordinary repairs and maintenance are expensed as incurred.

Fair Value of Financial Instruments The carrying amounts of our current financial instruments, including cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, approximate fair value due to the short-term maturity of these instruments. The fair value of long-term obligations for derivatives was estimated by discounting the future cash flows using market interest rates and does not differ significantly from the amounts reflected in the consolidated financial statements. Assuming current market rates for similar instruments, the fair value of long-term debt exceeds the carrying value by approximately $110.4 million.

Foreign Currency Translation Assets and liabilities recorded in foreign currencies that are the functional currencies for the respective operations are translated at the prevailing exchange rate at the balance sheet date. Revenue and expenses are translated at the average exchange rates during the period. Translation adjustments resulting from this process are reported as a separate component of other comprehensive income.

Stock-Based Compensation We use the intrinsic value method when accounting for options issued to employees in accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" (APB No. 25), and related interpretations. Accordingly, we do not recognize compensation expense related to employee stock options, since options are always granted at a price equal to the market price on the day of grant. Compensation expense recorded in the financial statements relates to grants of restricted stock, and beginning in the second quarter of 2004, contingently issuable shares of stock granted to key executives, which were issued on December 31, 2004. The following table illustrates the effect on net income and earnings per share if we had applied the fair value provisions of Statement of Financial Accounting Standards No. 123, "Accounting for Stock-based Compensation" (SFAS No. 123) to stock-based compensation using the Black-Scholes valuation model:

(In thousands, except per share data, fiscal year ended)	Dec. 26, 2004	Dec. 28, 2003	Dec. 29, 2002
Net income, as reported	**$196,736**	**$174,657**	**$161,653**
Total stock-based compensation expense, net of related tax benefits, included in the determination of net income, as reported	**5,573**	**338**	**226**
Total stock-based compensation expense determined under fair value based methods for all awards, net of related tax effects	**(21,799)**	**(21,116)**	**(17,673)**
Pro forma net income	**$180,510**	**$153,879**	**$144,206**
Earnings per share			
Basic – as reported	**$ 5.29**	**$ 4.81**	**$ 4.47**
Basic – pro forma	**$ 4.86**	**$ 4.23**	**$ 3.99**
Diluted – as reported	**$ 5.19**	**$ 4.77**	**$ 4.42**
Diluted – pro forma	**$ 4.76**	**$ 4.20**	**$ 3.94**

As a result of shifts in exercise patterns, we adjusted the expected term for stock options issued in 2004 to 7.0 years for options granted to Section 16b officers and to 3.5 years for other option grantees, from 5.4 years for all option holders in 2003 and 2002. We amortize pro forma expense on a straight-line basis over the option-vesting period of three years.

Statement of Cash Flows Data Cash equivalents represent highly liquid investments with original maturities of 90 days or less. The fair value of these investments approximates their carrying value. The following presents our supplemental cash flow information:

(In millions, fiscal year ended)	Dec. 26, 2004	Dec. 28, 2003	Dec. 29, 2002
Cash paid for interest	**$57.7**	**$78.5**	**$64.6**
Cash paid for income taxes	**$51.9**	**$30.7**	**$44.6**
Receipt of note upon sale of property	**$46.8**	**$ –**	**$ –**
Sale leaseback of computer equipment	**$ 8.9**	**$ –**	**$ –**
Issuance of restricted stock, net of forfeitures	**$ –**	**$ 0.1**	**$ 0.8**
Tax benefit from exercise of stock options	**$ 8.4**	**$ 0.4**	**$ 3.4**

Recent Accounting Pronouncements

SFAS No. 123R, "Share-Based Payment" (Revised 2004) Statement of Financial Accounting Standard No. 123 (SFAS No. 123R) was revised in December 2004 and will be effective for us in the third quarter of 2005. We adopted the disclosure provisions of SFAS No. 123R when it became effective in 1996 but, as discussed above, continue to account for stock options under APB No. 25. Currently, under an exemption written into the guidance for qualifying stock option grants with no intrinsic value on the date of grant, SFAS No. 123 requires us to present pro forma share-based compensation expense for our stock option program in the notes to our financial statements. We expect to choose the modified prospective method of adoption of SFAS No. 123R, therefore, beginning in the third quarter of 2005, we will be required to record these costs in our income statement. While under current guidance we have used the Black Scholes method to calculate pro forma compensation expense, the new guidance will also allow a binomial method. We are evaluating the alternative methods to value stock options.

The Merger triggered immediate vesting of all stock options, including those to acquire Molson stock held by Molson option holders (excluding certain options held by the former Molson CEO, as discussed in Note 20). The vesting of Coors options will be reflected in the notes to the first quarter financial statements as pro forma expense in the notes and the vesting of the Molson options will be reflected in Molson's historical financial statements, pre-Merger. Therefore, compensation expense recognized beginning in the 2005 third quarter will only reflect new option grants after the Merger, and could be impacted by unvested stock options held by the former Molson CEO that are yet unvested, and provisions of change in control agreements.

SFAS No. 128 "Earnings Per Share" (Revised) Statement of Financial Accounting Standard No. 128 (SFAS No. 128) is expected to be revised. We adopted SFAS No. 128 when it became effective in 1997 and will adopt its revised provisions when those provisions become effective, currently anticipated during our first quarter of 2005. For our year-to-date diluted calculations, we currently use a quarterly average stock price. Under the new revisions to SFAS No. 128, we will be required to use a year-to-date average stock price. When stock prices are increasing year-to-date, as has been the case for our company stock in 2004, the effect of the revision to the standard will be to increase dilution. For example, if we had implemented the revision in 2004, our year-to-date diluted earnings per share would have been $0.03 per share lower. The new standard will require retrospective presentation of diluted earnings per share upon implementation, meaning that prior periods' earnings per share will be adjusted to conform to the same method of calculation.

SFAS No. 151 "Inventory Costs" SFAS No. 151 is an amendment to ARB No. 43, Chapter 4 that will be effective for us in fiscal 2006. The standard clarifies the accounting for abnormal amounts of idle facility expense, freight, handling costs, and spoilage to require that those costs be expensed currently, as opposed to being included in overhead costs. We are currently evaluating the impact that SFAS No. 151 will have on our financial results when implemented.

SFAS No. 153 "Exchanges of Nonmonetary Assets" SFAS No. 153 is an amendment to APB Opinion No. 29 that will be effective for us in the third quarter of 2005. The standard tightens the general exception for exchanges of similar productive assets and replaces it with a general exception for exchanges of non-monetary assets that do not have commercial substance. We do not believe that the standard will have a significant impact on our financial results when implemented.

2. Mergers and Acquisitions

Merger with Molson Inc. The Merger transaction and subsequent debt financing are discussed in Note 20, Subsequent Events. Preliminary accounting for the acquisition is underway. Refer to our proxy statement filed with the SEC, effective December 9, 2004, and supplemented January 13, 2005, which presents pro forma information, giving effect to the acquisition as of September 26, 2004.

Acquisition of CBL On February 2, 2002, we acquired 100% of the outstanding shares of Bass Holdings Ltd. and certain other intangible assets from Interbrew, for a total purchase price of £1.2 billion (approximately $1.7 billion at then prevailing exchange rates), plus associated fees and expenses. The acquisition supported one of our key strategic goals of growing our beer business internationally to broaden our geographic platform; diversify revenues, profits and cash flows and increase our brand portfolio, which we believe will significantly enhance our competitive position in a consolidating worldwide beer industry.

One of the factors that contributed to a purchase price that resulted in the recognition of goodwill was the existence of financial and operating synergies. In addition to these synergies, there were a number of other factors – including the existence of a strong management team, a proven track record of introducing and marketing successful brands, an efficient sales and distribution system, complementary products and a good sales force.

The business, renamed CBL, included the majority of the assets that previously made up Bass Brewers, including the Carling, Worthington's and Caffrey's beer brands; the United Kingdom and Republic of Ireland distribution rights to Grolsch (via and subject to the continuation of a joint venture arrangement, in which CBL has a 49% interest, with Royal Grolsch N.V.); several other beer and flavored-alcohol beverage brands; related brewing and malting facilities in the United Kingdom; and a 49.9% interest in the distribution logistics provider, Tradeteam. CBL is the second-largest brewer in the United Kingdom based on total beer volume, and Carling lager is the best-selling beer brand in the United Kingdom. The brand rights for Carling, which is the largest acquired brand by volume, are mainly for territories in Europe. The addition of CBL creates a stronger, broader, more diversified company in a highly competitive and consolidating global beer market.

The following table summarizes the fair values of the assets acquired and liabilities assumed at the date of acquisition:

(In millions, as of)	Feb. 2, 2002
Current assets	$ 546
Property, plant and equipment	442
Other assets	398
Intangible assets	415
Goodwill	637
Total assets acquired	2,438
Current liabilities	(425)
Non-current liabilities	(279)
Total liabilities assumed	(704)
Net assets acquired	$1,734

We finalized the purchase price accounting relative to the CBL acquisition in the fourth quarter of 2002. Of the $415 million of acquired intangible assets, approximately $390 million was assigned to brand names and distribution rights. The remaining $25 million was assigned to patents and technology and distribution channels. Approximately $286 million of the $390 million brand name and distribution rights value has been determined to have an indefinite life and accordingly is not being amortized. The remaining $104 million brand names and distribution rights value are amortized over a weighted average useful life of approximately 12 years. The $25 million value for patents and technology and distribution channels are amortized over a weighted average useful life of approximately 8 years.

The fair value of the acquired intangible brand assets was determined primarily from the discounted value of projected cash flows. A weighted average cost of capital of 8.75% was used to discount projected cash flows. Cash flows were projected using management's best estimates of sales growth or declines for each brand over its expected life. The lives of the assets were determined by an evaluation of significant factors that could impact the life of the brand.

The cost approach was used to determine the value of the customer base using the estimated cost to recruit a customer. Technology, unfavorable leaseholds, contracts and other less significant intangible assets were valued using a present value approach of the returns or costs of the underlying assets. Goodwill was valued using the residual method.

Goodwill of $637 million was assigned to the Europe and Americas segments in the amounts of approximately $522 million and $115 million, respectively (See Note 11, Goodwill and Intangible Assets, for further discussion of allocation). None of the goodwill is expected to be deductible for tax purposes in the UK, but all intangible assets are being amortized in the calculation of US earnings and profits. A valuation allowance of approximately $40 million was recorded against deferred tax assets arising from the acquisition.

We funded the acquisition with approximately $150 million of cash on hand and approximately $1.55 billion of debt as described below at the prevailing exchange rate as of the date of acquisition:

(In millions)	Facility currency denomination	Amount
Term		
5 year amortizing term loan	USD	**$ 478**
5 year amortizing term loan (228 million GBP)	GBP	**322**
9 month bridge facility	USD	**750**
		$1,550

In conjunction with the term loan and bridge facility, we incurred financing fees of approximately $9.0 million and $0.5 million, respectively. These fees were amortized over the respective terms of the borrowings using the effective interest method. On May 7, 2002, we repaid our nine-month bridge facility through the issuance of long-term financing. We also repaid the balance of our GBP-denominated amortizing term loan during 2003. See Note 12, Debt, for further information about debt-related activity.

3. Variable Interest Entities

The FASB finalized *FASB Interpretation No. 46R, Consolidation of Variable Interest Entities – An Interpretation of ARB51 (FIN 46R)* in December 2003, making the new guidance applicable to us in the first quarter of 2004. FIN 46R expands the scope of ARB51 and can require consolidation of "variable interest entities (VIEs)." Once an entity is determined to be a VIE, the party with the controlling financial interest, the primary beneficiary, is required to consolidate it. We have investments in VIEs, of which we are the primary beneficiary. Accordingly, we have consolidated three joint ventures in 2004, effective December 29, 2003, the first day of our 2004 fiscal year. These include Rocky Mountain Metal Container (RMMC), Rocky Mountain Bottle Company (RMBC) and Grolsch (UK) Limited (Grolsch). The impacts to our balance sheet include the addition of net fixed assets of RMMC and RMBC totaling approximately $65 million, RMMC debt of approximately $40 million, and Grolsch net intangibles of approximately $20 million (at current exchange rates). The most significant impact to our cash flow statement for the year ended December 26, 2004, was to increase depreciation expense by approximately $13.2 million and cash recognized on initial consolidation of the entities of $20.8 million. The impact to our income statement was to reduce Americas segment cost of goods sold, reclassify Europe segment costs out of cost of goods sold into marketing, general and administrative expense and to increase corporate interest expense. Our partners' share of the operating results of the ventures is eliminated in the minority interests line of the accompanying Consolidated Statements of Income. Results of operations and financial position from prior periods have not been restated as a result of the adoption of FIN 46R.

Rocky Mountain Bottle Company RMBC is a joint venture with Owens-Brockway Glass Container, Inc. (Owens) in which we hold a 50% interest. RMBC produces glass bottles at our glass manufacturing facility for use at our Golden brewery. Under this agreement, RMBC supplies our bottle requirements, and Owens has a contract to supply the majority of our bottle requirements not met by RMBC. In 2003 and 2002, our share of pre-tax joint venture profits for this venture, totaling $7.8 million and $13.2 million, respectively, was included in cost of goods sold in our Consolidated Statements of Income. RMBC is a non-taxable entity. Accordingly, income tax expense in our Consolidated Statements of Income only includes taxes related to our share of the joint venture income.

Rocky Mountain Metal Container RMMC, a Colorado limited liability company, is a joint venture with Ball Corporation (Ball) in which we hold a 50% interest. We have a can and end supply agreement with RMMC. Under this agreement, RMMC supplies us with substantially all the can and end requirements for our Golden brewery. RMMC manufactures these cans and ends at our manufacturing facilities, which RMMC is operating under a use and license agreement. In 2003 and 2002, our share of pre-tax joint venture profits (losses), totaling $0.1 million and ($0.6) million, respectively, was included in cost of goods sold in our Consolidated Statements of Income. RMMC is a non-taxable entity. Accordingly, income tax expense on the accompanying statements of income only includes taxes related to our share of the joint venture income. Upon consolidation of RMMC, debt of approximately $40 million was added to our balance sheet. As of December 26, 2004, Coors is the guarantor of this debt.

Grolsch Grolsch is a joint venture between CBL and Royal Grolsch N.V. in which we hold a 49% interest. The Grolsch joint venture markets Grolsch® branded beer in the United Kingdom and the Republic of Ireland. The majority of the Grolsch branded beer is produced by CBL under a contract brewing arrangement with the joint venture. CBL and Royal Grolsch N.V. sell beer to the joint venture, which sells the beer back to CBL (for onward sale to customers) for a price equal to what it paid, plus a marketing and overhead charge and a profit margin. In 2003 and 2002, our share of pre-tax profits for this venture, totaling $3.6 million and $2.0 million, respectively, was included in cost of goods sold in our Consolidated Statements of Income. Grolsch is a taxable entity in the United Kingdom. Accordingly, income tax expense on the accompanying statements of income includes taxes related to the entire income of the venture. Upon consolidation, net fixed assets of approximately $4 million and net intangibles of approximately $20 million were added to our balance sheet.

The following summarizes the relative size of our consolidated joint ventures (including minority interests):

(In thousands, fiscal year ended)	Dec. 26, 2004 Total assets [2]	Sales [1]	Pre-tax income	Dec. 28, 2003 Total assets [2]	Sales [1]	Pre-tax income	Dec. 29, 2002 Total assets [2]	Sales [1]	Pre-tax income (loss)
Grolsch	$33,407	$100,657	$13,495	$16,857	$ 79,086	$10,607	$14,349	$ 69,938	$ 9,437
RMBC	$43,441	$ 84,343	$19,507	$42,953	$ 85,307	$12,281	$54,717	$ 91,513	$19,440
RMMC	$58,737	$209,594	$ 5,156	$63,676	$205,080	$ 223	$67,692	$211,708	$ (1,260)

1 *Substantially all such sales are made to the Company, and as such, are eliminated in consolidation.*
2 *Excludes receivables from the Company.*

Trigen In 1995, we sold a power plant located at the Golden brewery to Trigen-Nations Colorado LLLP, including nearly all the fixed assets necessary to produce energy for the brewery operations. All output from the power plant is sold to Coors at rates consisting of fixed and variable components. We have no investment in Trigen but, due to the nature of our relationship with Trigen, we believe we may have a variable interest as defined by FIN 46R. We have no legal right or ability to receive or review financial information for the activity that occurs at the power plant. As a result, after exhaustive efforts, we were unable to conclude as to whether the activity which occurs at the power plant is a variable interest entity, and if so, whether we are the primary beneficiary as defined by FIN 46R (see Note 18).

4. Equity Investments and Other Income, Net

The following summarizes information regarding our other equity investments that we have determined are not required to be consolidated under FIN 46R:

(In thousands, fiscal year ended)	Dec. 26, 2004 Total assets	Company share of joint venture income (loss)	Dec. 28, 2003 Total assets	Company share of joint venture income (loss)	Dec. 29,2002 Total assets	Company share of joint venture income (loss)
Non-majority-owned equity investments						
Molson USA, LLC	$ 12,393	$(2,935)	$ 14,982	$(2,683)	$ 11,631	$(4,801)
Tradeteam	$126,008	$(2,405)	$129,386	$ 4,487	$107,873	$ 4,186

Molson USA, LLC (MUSA) In January 2001, we entered into a joint venture partnership agreement with Molson Inc. (Molson), and paid $65.0 million for a 49.9% interest in the joint venture. The joint venture, Molson USA, LLC, was formed to import, market, sell and distribute Molson's brands of beer in the United States. We account for this joint venture by using the equity method of accounting. We recognize our share of the joint venture results in the other income, net, line in our Consolidated Statements of Income, given the immateriality of its results. We believe our maximum exposure to loss over the required ownership period to be $42 million. We have determined that, while Molson USA is a variable interest entity as defined by FIN 46R, we are not the primary beneficiary of the entity. As a result of the Merger, we will be consolidating Molson USA, LLC in 2005.

Tradeteam Tradeteam was formed in 1995 by CBL (then Bass Brewers Limited) and Exel Logistics. CBL has a 49.9% interest in this joint venture. The joint venture operates a system of satellite warehouses and a transportation fleet for deliveries between CBL breweries and customers. Tradeteam also delivers products for other UK brewers. Our share of pre-tax joint venture results has been included in the other income, net, line of our Consolidated Statements of Income beginning in 2003, given the commencement of significant third party trade and immateriality of its results. Prior to 2003, our share of pre-tax joint venture results was included in cost of goods sold. We do not believe there is a significant exposure to loss in our current relationship over our expected ownership period. We have determined that Tradeteam is not a variable interest entity as defined in FIN 46R.

(In thousands, fiscal year ended)	Dec. 26, 2004 Total assets	Company share of partnership pre-tax income	Dec. 28, 2003 Total assets	Company share of partnership pre-tax income	Dec. 29,2002 Total assets	Company share of partnership pre-tax income
Majority-owned, non-consolidated equity investment						
Coors Canada	$17,902	$60,693	$23,204	$47,528	$17,714	$37,002

Molson Coors Canada Inc. (MCC), formerly Coors Canada, Inc., a wholly owned subsidiary, formed a partnership, Coors Canada, with Molson to market and sell our products in Canada beginning in 1998. MCC and Molson had a 50.1% and 49.9% interest, respectively, in Coors Canada. Under the partnership agreement, Coors Canada was responsible for marketing our products in Canada, and contracted with Molson for brewing, distribution and sales of these brands. In December 2000, the partnership and licensing agreements between Molson and Coors were extended for an indefinite period and included the addition of Molson performance standards for the Coors brand. Coors Canada received an amount from Molson generally equal to net sales revenue generated from our brands less production, distribution, sales and overhead costs related to these sales. Our share of pre-tax income from this partnership is included in Sales in our Condensed Consolidated Statements of Income. Although we believe Coors Canada is a variable interest entity, we have determined that we are not the primary beneficiary of the entity. For the year ended December 26, 2004, Coors Canada meets the definition of a significant subsidiary of Molson Coors, as defined by the United States Securities and Exchange Commission (SEC). As Coors Canada is not consolidated, we are required to provide audited financial statements for Coors Canada supplemental to this Form 10-K. We will file this supplemental information as an amendment to the Form 10-K. As a result of the Merger, Coors Canada was dissolved into Molson Canada, and will carry on the Coors Light business in Canada.

Summarized condensed balance sheet information for Coors Canada is as follows:

(In thousands, as of)	Dec. 26, 2004	Dec. 28, 2003
Current assets	$17,489	$22,840
Non-current assets	$ 413	$ 364
Current liabilities	$ 3,255	$ 6,171
Non-current liabilities	$ –	$ –

Summarized condensed income statement information for Coors Canada is as follows:

(In thousands, fiscal year ended)	Dec. 26, 2004	Dec. 28, 2003	Dec. 29, 2002
Revenues	$308,332	$139,191	$111,193
Pre-tax income	$121,149	$ 94,232	$ 73,856
Equity in pre-tax income	$ 60,693	$ 47,528	$ 37,002

(In thousands, fiscal year ended)	Dec. 26, 2004	Dec. 28, 2003	Dec. 29, 2002
Other income, net			
Share of non-majority owned equity investment income (loss), net[1]	$ (5,340)	$1,804	$(4,801)
Royalty income, net[2]	9,246	2,639	2,446
Foreign currency gains (losses), net	775	1,252	(2,105)
Non-operating asset disposition gains, net[3]	11,601	3,520	5,875
Investment gains	–	–	6,359
Other, net	(3,336)	(818)	273
Total other income, net	$12,946	$8,397	$ 8,047

1 *Relates to income (loss) from Tradeteam and MUSA.*
2 *In 2004, under a court settlement, we received past due royalty payments of $4.8 million for an operation we no longer own, but for which we were owed royalties. Due to uncertainty regarding collection, we have been recognizing income as payments were received. We will no longer receive royalties from this operation.*
3 *Includes non-operating real estate sales, net of losses, as discussed below.*

Sale of Real Estate to Cabela's On December 23, 2004, we sold 80 acres of land at our Golden brewery site to Cabela's, upon which they intend to build a retail sporting goods store. A gain of $3.2 million is included in Other income. The contract also calls for Cabela's to reimburse Coors for costs we will incur to reclaim a former gravel pit.

We expect to recognize an additional $2.1 million gain, before reclamation expense of approximately $1.0 million, in future years as we receive reimbursement from Cabela's for the amounts exceeding the pre-existing reclamation liability.

South Table Mountain Land Sale On December 12, 2004, we sold real estate on South Table Mountain, adjacent to the Golden brewery, to Jefferson County of Colorado. The property will be preserved as public open space. We received $9.9 million in cash, and recorded an $8.2 million gain that is included in Other Income.

5. Segment and Geographic Information

We categorize our operations into two operating segments: the Americas and Europe. These segments are managed by separate operating teams, even though both consist primarily of the manufacture, marketing, and sale of beer and other beverage products.

No single customer accounted for more than 10% of our sales.

Summarized financial information concerning our reportable segments is shown in the following table:

(In thousands, fiscal year ended)	Dec. 26, 2004	Dec. 28, 2003	Dec. 29, 2002
Income statement information			
Americas			
Net sales	**$2,481,038**	**$2,409,595**	**$2,400,849**
Income before income taxes, after minority interests	**247,668**	**221,208**	**219,004**
Europe			
Net sales	**1,824,778**	**1,590,518**	**1,375,473**
Interest income[1]	**16,024**	**17,156**	**16,390**
Income before income taxes, after minority interest	**151,805**	**137,702**	**129,073**
Total Operating Segments			
Net sales from operating segments	**4,305,816**	**4,000,113**	**3,776,322**
Income before income taxes from operating segments, after minority interests	**399,473**	**358,910**	**348,077**
Corporate unallocated expenses	**(109,565)**	**(105,092)**	**(91,477)**
Total consolidated income before income taxes, after minority interests	**$ 289,908**	**$ 253,818**	**$ 256,600**

1 *Related primarily to interest on trade loans.*

Following is a reconciliation of amounts shown as income before income taxes, after minority interests, to income before income taxes and net income shown on the Consolidated Statements of Income for 2004. Minority interests exist in 2004 due to the consolidation of certain variable interest entities as a result of the adoption of FIN 46R (Note 3).

(In thousands, fiscal year ended)	Dec. 26, 2004 Americas	Europe	Corporate	Total
Income before income taxes, after minority interests	**$247,668**	**$151,805**	**$(109,565)**	**$289,908**
Minority interests before taxes	**13,015**	**6,854**	**(1,595)**	**18,274**
Income (loss) before income taxes	**260,683**	**158,659**	**(111,160)**	**308,182**
Income tax expense				**(95,228)**
Income before minority interests				**212,954**
Minority interests				**(16,218)**
Net income				**$196,736**

(In thousands, as of)	Dec. 26, 2004	Dec. 28, 2003
Balance sheet information		
Americas		
Total assets	**$ 954,870**	**$1,576,873**
Europe		
Total assets	**3,702,654**	**2,867,867**
Total		
Total consolidated assets	**$4,657,524**	**$4,444,740**

(In thousands, fiscal year ended)	Dec. 26, 2004	Dec. 28, 2003	Dec. 29, 2002
Cash flow information			
Americas			
Depreciation, depletion and amortization[1]	**$140,061**	**$125,151**	**$127,592**
Capital expenditures[2]	**105,322**	**94,419**	**152,228**
Europe			
Depreciation and amortization[1]	**125,860**	**111,670**	**99,540**
Capital expenditures[2]	**106,208**	**146,039**	**94,614**
Total			
Depreciation, depletion and amortization[1]	**265,921**	**236,821**	**227,132**
Capital expenditures[2]	**211,530**	**240,458**	**246,842**

1 *Depreciation, depletion and amortization amounts do not reflect amortization of bond discounts, fees, or other debt-related items.*
2 *Capital expenditures include additions to properties and intangible assets, excluding assets acquired in the CBL purchase in 2002.*

The following tables represent sales and long-lived assets by geographic segment:

(In thousands, fiscal year ended)	Dec. 26, 2004	Dec. 28, 2003	Dec. 29, 2002
Net sales to unaffiliated customers[1]			
United States and its territories	**$2,383,076**	**$2,325,874**	**$2,328,664**
United Kingdom	**1,783,985**	**1,575,710**	**1,357,918**
Other foreign countries	**138,755**	**98,529**	**89,740**
Net sales	**$4,305,816**	**$4,000,113**	**$3,776,322**

(In thousands, as of)	Dec. 26, 2004	Dec. 28, 2003
Long-lived assets[2]		
United States and its territories	**$ 873,796**	**$ 904,599**
United Kingdom	**571,571**	**545,968**
Other foreign countries	**217**	**218**
Total long-lived assets	**$1,445,584**	**$1,450,785**

1 *Net sales attributed to geographic areas is based on the location of the customer.*
2 *Long-lived assets include net properties.*

6. Income Taxes

The pre-tax income on which the provision for income taxes was computed is as follows:

(In thousands, fiscal year ended)	Dec. 26, 2004	Dec. 28, 2003	Dec. 29, 2002
Domestic	**$154,305**	**$134,479**	**$134,207**
Foreign	**153,877**	**119,339**	**122,393**
Total	**$308,182**	**$253,818**	**$256,600**

Income tax expense (benefit) includes the following current and deferred provisions:

(In thousands, fiscal year ended)	Dec. 26, 2004	Dec. 28, 2003	Dec. 29, 2002
Current			
Federal	**$45,631**	**$7,993**	**$50,071**
State	**8,176**	**274**	**9,863**
Foreign	**26,808**	**16,985**	**19,924**
Total current tax expense	**80,615**	**25,252**	**79,858**
Deferred			
Federal	**11,423**	**39,355**	**4,132**
State	**2,502**	**5,369**	**1,255**
Foreign	**(7,710)**	**8,773**	**6,292**
Total deferred tax expense	**6,215**	**53,497**	**11,679**
Other			
Allocation to paid-in capital	**8,398**	**412**	**3,410**
Total income tax expense	**$95,228**	**$79,161**	**$94,947**

Our income tax expense varies from the amount expected by applying the statutory federal corporate tax rate to income as follows:

(Fiscal year ended)	Dec. 26, 2004	Dec. 28, 2003	Dec. 29, 2002
Expected tax rate	**35.0%**	**35.0%**	**35.0%**
State income taxes, net of federal benefit	**2.2**	**2.1**	**2.9**
Effect of foreign tax rates	**(6.5)**	**(4.8)**	**(1.7)**
Other, net	**0.2**	**1.8**	**0.8**
Audit resolution	**–**	**(2.9)**	**–**
Effective tax rate	**30.9%**	**31.2%**	**37.0%**

Our deferred taxes are composed of the following:

(In thousands, as of)	Dec. 26, 2004	Dec. 28, 2003
Current deferred tax assets		
Deferred compensation and other employee related	**$16,518**	**$15,124**
Retirement reserves	**3,776**	**2,172**
Balance sheet reserves and accruals	**6,253**	**6,517**
Foreign balance sheet reserves and accruals	**3,228**	**3,106**
Total current deferred tax assets	**29,775**	**26,919**
Current deferred tax liabilities		
Hedging	**9,346**	**14,100**
Unremitted earnings	**23,053**	**–**
Total current deferred tax liabilities	**32,399**	**$14,100**
Net current tax assets	**$ 3,228**	**$12,819**
Net current tax liabilities	**$ 5,852**	**$ –**

(In thousands, as of)	Dec. 26, 2004	Dec. 28, 2003
Non-current deferred tax assets		
Deferred compensation and other employee related	**$ 55,188**	**$ 40,189**
Retirement reserves	**100,366**	**119,545**
Partnership investments	**–**	**18,116**
Environmental accruals	**3,650**	**3,005**
Foreign exchange losses	**86,976**	**32,570**
Deferred foreign tax credits	**196,838**	**201,647**
Valuation allowance	**(40,000)**	**(40,000)**
Total non-current deferred tax assets	**403,018**	**375,072**
Non-current deferred tax liabilities		
Balance sheet reserves and accruals	**–**	**1,116**
Partnership investments	**12,577**	**–**
Foreign intangibles	**122,791**	**121,427**
Foreign depreciation	**67,165**	**67,164**
Foreign other	**8,113**	**6,932**
Un-remitted earnings	**32,124**	**45,589**
Depreciation and capitalized interest	**141,871**	**123,563**
Total non-current deferred tax liabilities	**384,641**	**365,791**
Net non-current deferred tax asset (domestic)	**$168,304**	**$204,804**
Net non-current deferred tax liability (foreign)	**$149,927**	**$195,523**

During 2002, in connection with the purchase of CBL, we recorded a deferred tax liability on the books of CBL and a corresponding deferred tax asset on the books of the acquiring company for the difference between the purchase price and historical basis of the CBL assets. Concurrently, we recorded a $40.0 million valuation allowance to reduce our deferred tax asset to the amount that is more likely than not to be realized. In 2004, we evaluated the valuation allowance and determined no adjustment was required.

We do not provide deferred taxes on certain outside basis differences in our acquired foreign subsidiary's stock, Coors Brewers Limited (CBL). This outside basis difference is permanent in duration under SFAS No. 109 because we do not intend to take any action that would result in recognizing the gain inherent in certain book-over-tax basis differences.

We have not presumed any earnings from foreign subsidiaries to be permanently reinvested under APB No. 23 and, therefore, we have provided deferred taxes on those amounts. Beginning in 2005 we anticipate repatriating a portion of our foreign earnings.

Our effective tax rate for the fourth quarter of 2004 was 29.9%, down from 33.1% a year ago. Our year-to-date effective tax rate was 30.9% down from 31.2% for the prior year due primarily to lower income tax on our UK business. These lower taxes result largely from the fact that the incremental US tax recorded on the UK income is recorded on the business's earnings and profits. Earnings and Profits is computed in accordance with US tax standards resulting in lower earnings being subjected to US tax due in large part to the amortization of indefinite lived intangible assets and goodwill, which are not deductions for US GAAP.

Our effective tax rate can be volatile due in large part to the difficulty in projecting the earnings and profits amount, which is impacted by many different factors.

We have not yet completed our evaluation of the repatriation provisions of the American Jobs Creation Act of 2004. As such, we are not yet in a position to decide on whether, and to what extent, we might repatriate foreign earnings that have not yet been remitted to the US. Based on our analysis to date it is possible we may repatriate some amount between $50 million and $60 million of UK earnings, which will result in an estimated decrease to our accrued liability for US tax on unremitted earnings of between $7.0 million and $8.4 million respectively. We expect to complete our evaluation of these repatriation provisions in the third quarter of 2005.

The FASB is currently considering changes to accounting for uncertain tax positions. Because the nature and extent of the changes are not fully known we are not able to predict the impact on our tax contingency reserve. We are evaluating our longer-term tax rate in light of the Molson Merger and expect to complete our analysis of the impact of the Merger during 2005.

Our 2003 effective tax rate was impacted by the favorable completion of federal tax audits for the years 1996 through 2000. Based on our current analysis, we believe our remaining income tax contingency reserves are adequate to address other worldwide income tax issues.

7. Special Items, Net

Cape Hill Brewery Sale We sold our Cape Hill brewery property in May 2004 for £26 million (approximately $50 million at current exchange rates), with £6 million payable to us in 2004 and £20 million due in 2005, resulting in a one-time pretax gain of approximately £4 million ($7.5 million, which has been included in Special items on the accompanying Consolidated Statement of Income). We recorded an insignificant portion of the ultimate gain in the second quarter of 2004 under the installment method. We recorded the remaining gain on sale in the fourth quarter of 2004 after the remaining 2004 payment was received. The note receivable is included in other current receivables.

In 2002, we recorded charges related to the closing of our Cape Hill brewery, which were included as part of our purchase accounting upon the acquisition of CBL. Closure of the Cape Hill brewery commenced in July 2002 with the shut down of the kegging line. All production ceased in December 2002, at which time the assets, which were included in properties, were reclassified as held-for-sale. No impairment was taken on the assets, as their market value exceeded their carrying value. The payment of severance and other termination benefits started in July 2002 and was completed in December 2004. We reduced goodwill for unpaid restructuring liabilities upon full gain recognition in December 2004. The closure of the Cape Hill brewery was possible as a result of the cessation of the production contract for Interbrew UK Ltd., which was in existence upon acquisition of CBL. The annual savings from the Cape Hill closure, net of the loss of income from the Interbrew UK Ltd production contract, approximates £11 million (approximately $20 million at current exchange rates), reflected primarily in cost of goods sold and generally in line with expectations.

2002 Special Items During 2002, we incurred net pretax special charges of $6.3 million. We recorded special charges of $2.7 million related to acquisition costs for CBL, including accounting, appraisal and legal fees. Offsetting these charges was a credit of $2.8 million related to cash payments received on a debt due to us from our former partner in a brewing business in South Korea. We also incurred net restructuring charges of $6.4 million primarily related to restructuring initiatives in our US operations and Golden Brewery business in an effort to consolidate and lower our future overhead costs. The restructuring charges consisted primarily of employee severance costs, which were paid during 2003. We estimate annual savings from the US/Golden restructuring programs approximate $10 million, reflected primarily in cost of goods sold.

8. Container Outsourcing Arrangement

CBL outsourced the ownership, procurement and tracking of its approximately 1.2 million kegs and casks with TrenStar, Inc. in the second quarter of 2004. TrenStar acquired CBL's keg and cask inventory and will provide ongoing container management services for CBL in the United Kingdom, including installation of radio frequency identification tags on each container and the use of container tracking technology under a 15-year service agreement. We received a cash payment of approximately £28 million ($50 million at second quarter exchange rates) for our UK keg and cask inventory. An insignificant loss was recognized on the sale.

9. Stock Activity and Earnings Per Share
Coincident with the Merger, our capital stock terms were changed. A description of our new capital structure is provided in Note 20, Subsequent Events.

Capital Stock Prior to the Merger, at a special meeting of our shareholders in October 2003, Class A and Class B shareholders voted to approve a proposal that resulted in a change of our place of incorporation from Colorado to Delaware. The change was beneficial to us, due to Delaware's comprehensive, widely used and extensively interpreted corporate law. The re-incorporation did not result in any change in our name, headquarters, business, jobs, management, location of offices or facilities, number of employees, taxes payable to the State of Colorado, assets, liabilities, or net worth. However, the par value of all our classes of stock changed to $0.01 per share, effective in the fourth quarter of 2003, resulting in a reclassification of amounts from par value to paid-in-capital.

From October 2003 to the effective date of the Merger, both classes of common stock had the same rights and privileges, except for voting, which (with certain limited exceptions) was the sole right of the holder of Class A common stock.

At December 26, 2004, December 28, 2003, and December 29, 2002, 25 million shares of no par value preferred stock were authorized but unissued.

Pursuant to our former by-laws, restricted Class B shares were required to first be offered to us for repurchase. The board of directors authorized the repurchase of up to $40 million per year of our outstanding Class B common stock on the open market during 2002; however, no repurchases of either restricted shares or from the open market were authorized for 2003 and 2004.

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

(In thousands, except per share data, fiscal year ended)	Dec. 26, 2004	Dec. 28, 2003	Dec. 29, 2002
Net income available to common shareholders	$196,736	$174,657	$161,653
Weighted average shares for basic EPS	37,159	36,338	36,140
Effect of dilutive securities			
Stock options	629	227	397
Contingently issuable shares	101	–	–
Unvested restricted shares	20	31	29
Weighted average shares for diluted EPS	37,909	36,596	36,566
Basic EPS	$ 5.29	$ 4.81	$ 4.47
Diluted EPS	$ 5.19	$ 4.77	$ 4.42
Anti-dilutive securities	1,215	3,573	1,384

The dilutive effects of stock options were determined by applying the treasury stock method, assuming we were to purchase common shares with the proceeds from stock option exercises. Anti-dilutive securities were not included in our calculation because the stock options' exercise prices were greater than the average market price of the common shares during the periods presented.

10. Properties
The cost of properties and related accumulated depreciation, depletion and amortization consists of the following:

(In thousands, as of)	Dec. 26, 2004	Dec. 28, 2003
Land and improvements	$ 142,328	$ 173,116
Buildings and improvements	729,715	741,384
Machinery and equipment	2,785,985	2,935,388
Natural resource properties	3,607	2,991
Software	213,819	252,360
Construction in progress	53,740	40,670
	3,929,194	4,145,909
Less accumulated depreciation, depletion and amortization	(2,483,610)	(2,695,124)
Net properties	$ 1,445,584	$ 1,450,785

Land, buildings and machinery and equipment are stated at cost. Depreciation is calculated principally on the straight-line method over the following estimated useful lives: buildings and improvements, 10 to 40 years; and machinery and equipment, 3 to 20 years. Certain equipment held under capital lease is classified as equipment and amortized using the straight-line method over the lease term. Lease amortization is included in depreciation expense. Expenditures for new facilities and improvements that substantially extend the capacity or useful life of an asset are capitalized. Start-up costs associated with manufacturing facilities, but not related to construction, are expensed as incurred. Ordinary repairs and maintenance are expensed as incurred.

We capitalize certain software development costs that meet established criteria, in accordance with Statement of Position, *"Accounting for the Costs of Computer Systems Developed or Obtained for Internal Use,"* (SOP 98-1). We amortize software costs over 3-5 years. During 2004 and 2003, we placed into service approximately $44.0 million of software assets related to our supply chain processes and systems implementation. Software development costs not meeting the criteria in SOP 98-1, including system reengineering, are expensed as incurred.

11. Goodwill and Intangible Assets

The following tables present details of our intangible assets, other than goodwill, as of December 26, 2004:

(In millions)	Useful life (years)	Gross	Accumulated amortization	Net
Intangible assets subject to amortization				
Brands	**3 – 20**	**$130.1**	**$(48.5)**	**$ 81.6**
Distribution rights	**2 – 10**	**38.4**	**(14.4)**	**24.0**
Patents and technology and distribution channels	**3 – 10**	**31.7**	**(11.6)**	**20.1**
Other	**5 – 34**	**16.3**	**(9.1)**	**7.2**
Intangible assets not subject to amortization				
Brands	**Indefinite**	**385.5**	**–**	**385.5**
Pension	**N/A**	**34.7**	**–**	**34.7**
Other	**Indefinite**	**27.9**	**–**	**27.9**
Total		**$664.6**	**$(83.6)**	**$581.0**

The following tables present details of our intangible assets, other than goodwill, as of December 28, 2003:

(In millions)	Useful life (years)	Gross	Accumulated amortization	Net
Intangible assets subject to amortization				
Brands	**3 – 20**	**$ 93.9**	**$(21.4)**	**$ 72.5**
Distribution rights	**2 – 10**	**35.4**	**(10.0)**	**25.4**
Patents and technology and distribution channels	**3 – 10**	**28.2**	**(7.0)**	**21.2**
Other	**5 – 34**	**16.7**	**(7.1)**	**9.6**
Intangible assets not subject to amortization				
Brands	**Indefinite**	**355.0**	**–**	**355.0**
Pension	**N/A**	**40.7**	**–**	**40.7**
Other	**Indefinite**	**27.7**	**–**	**27.7**
Total		**$597.6**	**$(45.5)**	**$552.1**

Based on December 2004 average foreign exchange rates, the estimated future amortization expense of intangible assets is as follows:

(In millions, fiscal year)	Amount
2005	**$17.7**
2006	**$17.3**
2007	**$13.0**
2008	**$12.6**
2009	**$12.6**

Amortization expense of intangible assets was $25.1 million, $22.2 million and $20.9 million for the years ended December 26, 2004, December 28, 2003, and December 29, 2002, respectively.

Upon the acquisition of CBL on February 2, 2002, we recorded $637 million of goodwill. The total goodwill was determined using the residual method under SFAS No. 141 and 142. This goodwill was allocated between our Europe and Americas segments based on which segment would benefit from certain synergies created by the acquisition. A portion of the acquired goodwill was attributable to operating and financial synergies resulting from the combination. The financial synergy goodwill was calculated by comparing the risk premiums expected by investors associated with the CBC business with and without the CBL acquisition. This synergy was then associated with the segments based on an analysis of the Europe segment with and without the weighted average cost of capital differential as well as the two segments' relative earnings contributions. Operating synergies were allocated to reporting units based on where the savings were expected to occur. Application of this methodology resulted in the following allocations:

	Feb. 2, 2002		
(In millions, as of)	Europe	Americas	Total
Goodwill	**$445**	**$ –**	**$445**
Financial synergies	**47**	**75**	**122**
Operational synergies	**30**	**40**	**70**
Total Goodwill	**$522**	**$115**	**$637**

Goodwill was allocated between our reportable segments as follows:

(In millions, balance at)	Dec. 26, 2004	Dec. 28, 2003
Americas	**$160.5**	**$148.0**
Europe	**730.3**	**648.4**
Total	**$890.8**	**$796.4**

Changes in our goodwill from December 28, 2003 to December 26, 2004, and from the acquisition date, were the result of foreign currency exchange rate fluctuations.

SFAS No. 142 stipulates that we are required to perform goodwill and other intangible asset impairment tests on at least an annual basis and more frequently in certain circumstances. We completed the required impairment testing of goodwill and other intangible assets under SFAS No. 142 during the third quarter of 2004 and determined that no goodwill or other intangible asset was impaired.

In addition, goodwill related to our joint venture investment with Molson, totaling approximately $61 million, was evaluated during 2004 under Accounting Principles Board Opinion No. 18, "The Equity Method of Accounting for Investments in Common Stock," (APB No. 18), and found not to be impaired. As a result of the Merger, we will consolidate our Molson investment and reclassify our related investments in joint ventures in goodwill.

Notes to Consolidated Financial Statements

12. Debt

(In thousands, as of)	Dec. 26, 2004	Dec. 28, 2003
Short-term borrowings[1]	**$ 12,500**	**$ 21,309**
Senior private placement notes[2]	**$ –**	**$ 20,000**
6⅜% Senior notes due 2012[3]	**856,971**	**854,043**
Senior Credit Facility[4]	**–**	**86,000**
Commercial paper[5]	**–**	**249,645**
Other notes payable[6]	**62,735**	**20,006**
Total long-term debt (including current portion)	**$919,706**	**$1,229,694**
Less: current portion of long-term debt	**(26,028)**	**(69,856)**
Total long-term debt	**$893,678**	**$1,159,838**

1 *Our short-term borrowings consist of various uncommitted lines of credit. At December 26, 2004, we had two USD uncommitted lines of credit totaling $50 million. We had $12.5 million and $7.0 million outstanding under these lines of credit as of December 26, 2004, and December 28, 2003, respectively. Amounts outstanding under the lines of credit bear interest at a rate stated by the lenders. The interest rate at December 26, 2004, and December 28, 2003, was 2.95% and 1.80%, respectively. We also had three uncommitted lines of credit totaling £30.0 million, or approximately $57.7 million based on foreign exchange rates at December 26, 2004. These lines of credit bear interest at a floating rate determined by the lenders. At December 26, 2004, there was no balance outstanding and at December 28, 2003, the balance outstanding totaled $11.9 million. The interest rate at December 28, 2003, was 4.30%. In addition, we have two uncommitted lines of credit totaling 1.1 billion Japanese yen, or approximately $10.6 million, at December 26, 2004. Interest rates are below 1% and amounts outstanding totaled $2.4 million at December 28, 2003. There was no balance outstanding at December 26, 2004.*

2 *At December 28, 2003, we had $20.0 million in unsecured senior notes that were due July 2005. We repaid the notes, in full in 2004.*

3 *On May 7, 2002, CBC completed a private placement of $850 million principal amount of 6⅜% senior notes, due 2012, with interest payable semi-annually. The notes were priced at 99.596% of par for a yield to maturity of 6.43%, are unsecured, are not subject to any sinking fund provision and include a redemption provision (make-whole provision) if the notes are retired before their scheduled maturity. The redemption price is equal to the greater of (1) 100% of the principal amount of the notes plus accrued and unpaid interest and (2) the make whole amount of the notes being redeemed, which is equal to the present value of the principal amount of the notes and interest to be redeemed. The notes were issued with registration rights and are guaranteed by Molson Coors Brewing Company and certain domestic subsidiaries. Net proceeds from the sale of the notes, after deducting estimated expenses and underwriting fees, were approximately $841 million. The net proceeds were used to (1) repay the $750 million of loans outstanding under our senior unsecured bridge facility, which we entered into in connection with our acquisition of CBL and (2) to repay approximately $91 million of outstanding term borrowings under our senior unsecured credit facilities. We have also entered into hedges related to these borrowings, which are further described in Note 17, Derivative Instruments.*

Simultaneous with the private placement, we entered into a registration rights agreement pursuant to which we exchanged the unregistered notes for substantially identical notes registered with the SEC. The exchange of all the notes was completed on September 16, 2002.

Under the terms of the notes, we must comply with certain restrictions. These restrictions include restrictions on debt secured by certain types of mortgages, secured certain threshold percentages of consolidated net tangible assets, and restrictions on certain types of sale-leaseback transactions. As of December 26, 2004, we were in compliance with all of these restrictions.

4 *At December 28, 2003, we had $86.0 million outstanding on an unsecured senior credit facility consisting of a US dollar-denominated amortizing term loan. We paid the outstanding balance off in full during the first quarter of 2004. In connection with the repayments on our term loan, we accelerated the amortization of fees associated with the loan, resulting in a $0.4 million charge to interest expense during the first quarter of 2004.*

5 *In June 2003, we issued approximately $300 million in commercial paper. At December 26, 2004, and December 28, 2003, we had $0 million and $250 million outstanding, respectively. As of December 28, 2003, the interest rates on our commercial paper borrowings ranged 1.24% to 1.27%, with a weighted average of 1.255%. As of December 26, 2004, none of our total $500 million unsecured committed credit arrangement was being used as a backstop for our commercial paper program. This line of credit has a five-year term expiring 2007.*

6 *Our other notes payable consist of a CBL note payable totaling approximately $21 million and denominated in Euros that existed at the time of the CBL acquisition; and a note payable totaling approximately $41 million issued by our RMMC joint venture (See Notes 2 and 3). The CBL note bears interest at 5.39% and matures in October 2005. The RMMC notes bear interest at 7.20% and mature in December 2013. CBC guarantees the RMMC notes.*

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

(In thousands, fiscal year)	Amount
2005	**$ 38,528**
2006	**4,202**
2007	**4,202**
2008	**4,202**
2009	**4,202**
Thereafter	**876,870**
Total	**$932,206**

Interest Interest incurred, capitalized and expensed were as follows:

(In thousands, fiscal year ended)	Dec. 26, 2004	Dec. 28, 2003	Dec. 29, 2002
Interest incurred	**$74,341**	**$84,187**	**$75,071**
Interest capitalized	**(1,900)**	**(2,992)**	**(4,152)**
Interest expensed	**$72,441**	**$81,195**	**$70,919**

13. Stock Option, Restricted Stock Award and Employee Award Plans

At December 26, 2004, we had three stock-based compensation plans, which are described in greater detail below. We apply Accounting Principles Board Opinion No. 25 and related interpretations in accounting for our plans. Accordingly, as the exercise prices upon grant are equal to quoted market values, no compensation cost has been recognized for the stock option portion of the plans.

Equity Compensation Plan for Non-Employee Directors The Equity Compensation Plan for Non-Employee Directors (EC Plan) provides for awards of the Company's Class B shares of restricted stock or options for Class B shares. Awards vest after completion of the director's annual term. The compensation cost associated with the EC Plan is amortized over the director's term. Compensation cost associated with this plan was immaterial in 2004, 2003, and 2002. Common stock authorized for the EC Plan as of December 26, 2004, was 60,000 shares.

The 1990 Plan The 1990 Equity Incentive Plan (1990 EI Plan) generally provides for two types of grants: stock options and restricted stock awards for our employees. The stock options have a term of 10 years and one-third of the stock option grant vests in each of the three successive years after the date of grant. Total authorized shares of Class B common stock for issuance under the 1990 EI Plan were 15.0 million shares at December 26, 2004.

A summary of the status of the option portion of our 1990 EI Plan and EC Plan, combined, is presented below:

	Options available for grant	Outstanding options	Weighted-average exercise price	Options exercisable at year-end: Shares	Options exercisable at year-end: Weighted-average exercise price
As of December 30, 2001	3,512,194	3,821,280	$55.41	1,374,961	$43.68
Granted	(1,869,700)	1,869,700	56.54		
Exercised	–	(358,522)	40.17		
Forfeited	273,868	(273,868)	60.82		
As of December 29, 2002	1,916,362	5,058,590	56.62	2,084,056	52.82
Authorized	2,250,000	–	–		
Granted	(1,884,150)	1,884,150	49.37		
Exercised	–	(69,904)	35.67		
Forfeited	314,590	(314,590)	56.66		
As of December 28, 2003	2,596,802	6,558,246	54.75	3,297,810	55.46
Authorized	2,000,000	–	–		
Granted	(1,924,422)	1,924,422	65.37		
Exercised	–	(1,194,014)	54.38		
Forfeited	289,294	(289,294)	56.40		
As of December 26, 2004	2,961,674	6,999,360	$57.59	3,570,097	$56.28

The following table summarizes information about stock options outstanding at December 26, 2004:

	Options outstanding			Options exercisable	
(Range of exercise prices)	Shares	Weighted-average remaining contractual life (years)	Weighted-average exercise price	Shares	Weighted-average exercise price
$18.75 – $39.14	293,638	2.5	$29.11	293,638	$29.11
$44.91 – $49.95	1,685,558	7.6	48.85	654,610	48.62
$50.26 – $59.75	2,061,336	6.3	55.67	1,510,149	55.62
$60.48 – $75.81	2,958,828	8.0	66.73	1,111,700	68.87
	6,999,360	7.2	$57.59	3,570,097	$56.28

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

(Fiscal year ended)	Dec. 26, 2004	Dec. 28, 2003	Dec. 29, 2002
Risk-free interest rate	3.08%	2.89%	4.38%
Dividend yield	1.23%	1.68%	1.23%
Volatility	22.94%	33.95%	27.99%
Expected term (years)	3.5	5.4	5.4
Weighted average fair market value	$12.38	$14.87	$16.97

As a result of shifts in exercise patterns, we adjusted the expected term for stock options issued in 2004 to 7.0 years for options granted to Section 16b officers and to 3.5 years for other option grantees, from 5.4 years for all option holders in 2003 and 2002. We amortize pro forma expense on a straight-line basis over the option-vesting period of three years.

We issued 3,000 and 13,000 shares of restricted stock in 2003 and 2002, respectively, under the 1990 EI Plan. We issued no restricted stock in 2004. All restrictions on these shares lapsed effective with the Merger on February 9, 2005. As a result, any remaining compensation cost associated with these awards will be recognized during the first quarter of 2005. Compensation cost associated with these awards was insignificant in 2004, 2003, and 2002.

In May 2002, the Company approved a stock award to be issued contingent upon certain debt reduction milestones as of December 31, 2004. The number of shares to be issued under this incentive plan was 100,870. As the debt reduction goals were met under this award, the shares were issued on December 31, 2004. Compensation expense totaling $7.6 million was recognized ratably from May through December 2004, as it was probable that the shares would be earned and issued on December 31, 2004.

14. Other Comprehensive Income (Loss)

(In thousands)	Foreign currency translation adjustments	Unrealized gain (loss) available-for-sale securities and derivative instruments	Minimum pension liability adjustment	Accumulated other comprehensive income (loss)
Balances, December 30, 2001	$ (357)	$ (3,747)	$ (8,487)	$ (12,591)
Foreign currency translation adjustments	71,035			71,035
Unrealized gain on available-for-sale securities and derivative instruments		25,136		25,136
Minimum pension liability adjustment			(345,343)	(345,343)
Reclassification adjustment – available-for-sale securities and derivative instruments		8,172		8,172
Tax (expense) benefit	(151)	(12,957)	133,251	120,143
Balances, December 29, 2002	70,527	16,604	(220,579)	(133,448)
Foreign currency translation adjustments	95,180			95,180
Unrealized gain on derivative instruments		282		282
Minimum pension liability adjustment			(11,258)	(11,258)
Reclassification adjustment on derivative instruments		7,112		7,112
Effect of foreign currency fluctuation on foreign-denominated pension			(9,239)	(9,239)
Tax (expense) benefit	52,623	(2,877)	5,466	55,212
Balances, December 28, 2003	218,330	21,121	(235,610)	3,841
Foreign currency translation adjustments	91,686			91,686
Unrealized (loss) on derivative instruments		(355)		(355)
Minimum pension liability adjustment			(42,346)	(42,346)
Purchase price adjustment (Note 15)			38,227	38,227
Reclassification adjustment on derivative instruments		(7,669)		(7,669)
Effect of foreign currency fluctuation on foreign-denominated pension			(9,591)	(9,591)
Tax (expense) benefit, net of purchase price adjustments to deferred tax asset	31,325	3,121	(10,338)	24,108
Balances, December 26, 2004	$341,341	$ 16,218	$(259,658)	$ 97,901

15. Employee Retirement Plans

Defined Benefit Plans The Company has US and UK pension plans that cover substantially all its employees. Benefits for all employees are generally based on salary and years of service. Plan funding strategies are influenced by employee benefits laws and tax laws. The Company's UK plan includes provision for employee contributions and inflation-based benefit increases for retirees. Total defined benefit pension plan expense was $43.7 million, $38.7 million and $18.6 million in 2004, 2003 and 2002, respectively. The increase in pension expense from 2003 to 2004 was due to a decline in discount rates and actuarial losses due to higher than expected early retirements. The increase in pension expense from 2002 to 2003 is primarily due to the decline in the market value of plan investments that occurred from 2000 through 2002. Although pension investment returns were significant in 2003, the impact of the three previous years' returns and a continued decline in interest rates reduced the funded positions of the plans to a level that resulted in the amortization of previously unrecognized actuarial losses. In addition, service cost for the UK plan in US dollars increased due to the appreciation of the GBP against the dollar. The aggregate funded position of the Company's plans resulted in the recognition of an additional minimum liability in 2004, 2003 and 2002.

Both US and UK plan assets consist of equity securities with smaller holdings of bonds and real estate. Equity assets are well diversified between international and domestic investments, with additional diversification in the domestic category through allocations to large-cap, small-cap, and growth and value investments. Relative allocations reflect the demographics of the respective plan participants. The following compares target asset allocation percentages as of February 25, 2005, with actual asset allocations at December 26, 2004:

	US Plan assets		UK Plan assets	
	Target allocations	Actual allocations	Target allocations	Actual allocations
Equities	**80.0%**	**80.8%**	**65.0%**	**66.0%**
Fixed Income	**11.0%**	**13.8%**	**28.0%**	**26.9%**
Real Estate	**9.0%**	**5.3%**	**7.0%**	**6.2%**
Other	**–**	**0.1%**	**–**	**0.9%**

Investment return assumptions for both plans have been determined by applying the returns to assets on a weighted average basis and adding an active management premium where appropriate.

Although we don't expect any required contributions to our plans, it is expected that contributions to the US plans during 2005 will be approximately $41.1 million (including supplemental executive plans), and contributions to the UK plan during 2005 will be approximately £19.3 million ($37.1 million) (UK plan contributions translated to USD at December 26, 2004 rates).

The following represents our net periodic pension cost:

(In thousands, fiscal year ended)	Dec. 26, 2004			Dec. 28, 2003			Dec. 29, 2002		
	US Plans	UK Plans	Total	US Plans	UK Plans	Total	US Plans	UK Plans	Total
Components of net periodic pension cost									
Service cost – benefits earned during the year	**$ 20,492**	**$ 33,857**	**$ 54,349**	**$ 18,412**	**$ 28,963**	**$ 47,375**	**$ 17,294**	**$ 18,567**	**$ 35,861**
Interest cost on projected benefit obligation	**51,849**	**100,564**	**152,413**	**48,842**	**83,439**	**132,281**	**46,996**	**69,744**	**116,740**
Expected return on plan assets	**(52,948)**	**(121,743)**	**(174,691)**	**(48,483)**	**(99,630)**	**(148,113)**	**(52,407)**	**(85,023)**	**(137,430)**
Amortization of prior service cost	**5,858**	**–**	**5,858**	**5,880**	**–**	**5,880**	**6,074**	**–**	**6,074**
Amortization of net transition/obligation	**240**	**–**	**240**	**240**	**–**	**240**	**240**	**–**	**240**
Recognized net actuarial loss	**13,948**	**916**	**14,864**	**9,116**	**–**	**9,116**	**1,007**	**–**	**1,007**
Less expected participant and national insurance contributions	**–**	**(9,307)**	**(9,307)**	**–**	**(8,063)**	**(8,063)**	**–**	**(3,929)**	**(3,929)**
Net periodic pension cost (income)	**$ 39,439**	**$ 4,287**	**$43,726**	**$ 34,007**	**$ 4,709**	**$ 38,716**	**$ 19,204**	**$ (641)**	**$ 18,563**

The changes in the projected benefit obligation and plan assets and the funded status of the pension plans are as follows:

(In thousands, fiscal year ended)	Dec. 26, 2004			Dec. 28, 2003		
	US Plans	UK Plans	Total	US Plans	UK Plans	Total
Actuarial present value of accumulated benefit obligation	$ 873,237	$1,867,084	$2,740,321	$ 773,164	$1,639,328	$2,412,492
Change in projected benefit obligation						
Projected benefit obligation at beginning of year	$ 850,450	$1,774,463	$2,624,913	$ 732,436	$1,466,606	$2,199,042
Service cost, net of expected employee contributions	20,492	24,550	45,042	18,412	20,900	39,312
Interest cost	51,849	100,564	152,413	48,842	83,439	132,281
Amendments	–	–	–	4,678	–	4,678
Actual employee contributions	–	5,918	5,918	–	5,233	5,233
Actuarial loss	49,176	38,895	88,071	83,414	116,113	199,527
Benefits paid	(42,680)	(76,032)	(118,712)	(37,332)	(82,588)	(119,920)
Foreign currency exchange rate change	–	157,376	157,376	–	164,760	164,760
Projected benefit obligation at end of year	$ 929,287	$2,025,734	$2,955,021	$ 850,450	$1,774,463	$2,624,913
Change in plan assets						
Fair value of assets at beginning of year	$ 561,400	$1,440,258	$2,001,658	$ 435,200	$1,182,235	$1,617,435
Actual return on plan assets	68,044	157,780	225,824	126,480	187,907	314,387
Employer contributions	64,059	30,816	94,875	37,052	13,901	50,953
Actual employee contributions	–	5,918	5,918	–	5,233	5,233
Benefits and plan expenses paid	(42,680)	(83,855)	(126,535)	(37,332)	(82,588)	(119,920)
Foreign currency exchange rate change	–	129,453	129,453	–	133,570	133,570
Fair value of plan assets at end of year	$ 650,823	$1,680,370	$2,331,193	$ 561,400	$1,440,258	$2,001,658
Reconciliation of funded status						
Funded status – shortfall	$(278,464)	$ (345,364)	$ (623,828)	$(289,050)	$ (334,205)	$ (623,255)
Unrecognized net actuarial loss	297,784	318,589	616,373	277,651	320,374	598,025
Unrecognized prior service cost	34,707	–	34,707	40,565	–	40,565
Unrecognized net transition amount	–	–	–	240	–	240
Net amount recognized	$ 54,027	$ (26,775)	$ 27,252	$29,406	$ (13,831)	$15,575
Amounts reflected in the Consolidated Balance Sheet consist of						
Non-current accrued benefit liability cost	$(222,414)	$ (186,714)	$ (409,128)	$(211,764)	$ (199,070)	$ (410,834)
Non-current intangible asset	34,707	–	34,707	40,805	–	40,805
Accumulated other comprehensive loss	241,734	159,939	401,673	200,365	185,239	385,604
Net amount reflected	$ 54,027	$ (26,775)	$27,252	$ 29,406	$ (13,831)	$ 15,575

Pension expense is actuarially calculated annually based on data available at the beginning of each year. Assumptions used in the calculation include the settlement discount rate selected and disclosed at the end of the previous year as well as other assumptions detailed in the table below.

	US Plan		UK Plan	
(Fiscal year ended)	Dec. 26, 2004	Dec. 28, 2003	Dec. 26, 2004	Dec. 28, 2003
Weighted average assumptions				
Settlement discount rate[1]	**5.875%**	**6.250%**	**5.500%**	**5.625%**
Rate of compensation increase	**3.000%**	**3.250%**	**4.000%**	**4.000%**
Expected return on plan assets	**9.000%**	**9.000%**	**7.800%**	**7.800%**
Price inflation rate	**–**	**–**	**2.500%**	**2.500%**

1 *Rate selected at year-end for the following year's pension expense and related balance sheet amounts at current year-end.*

Expected Cash Flows Information about expected cash flows for the consolidated retirement plans follows:

(In thousands)	Amount
Expected benefit payments	
2005	**$139,586**
2006	**$146,000**
2007	**$147,026**
2008	**$150,740**
2009	**$154,388**
2010 – 2014	**$860,441**

Purchase Price Adjustments In July 2004, we received £14 million (approximately $26 million at then-current exchange rates) from Interbrew, related to mistakes in pension participant data when CBL was purchased in 2002. The corrected data increased our pension liability at the time of the acquisition (approximately £21 million or $38 million at then-current exchange rates). Goodwill associated with the purchase price of CBL was adjusted for the change in the pension liability and for the cash collected from Interbrew during the third quarter. The net effect of adjusting goodwill for the pension liability and the cash received was insignificant. The effect on equity was to increase other comprehensive income by $26.8 million, net of tax, due to a decrease in the minimum pension liability adjustment. The effect of the adjustment to pension expense will be to increase the interest component of annual service cost by approximately £1 million or $2 million.

Defined Contribution Plan US employees are eligible to participate in the Coors Savings and Investment Plan, a qualified voluntary defined contribution plan. We match 50% of the employees' contributions up to 6% of employee compensation. Both employee and employer contributions are made in cash in accordance with participant investment elections. There are no minimum amounts that are required to be invested in CBC stock. Our contributions in 2004, 2003 and 2002 were $7.2 million, $6.9 million and $6.4 million, respectively.

Multiemployer Plan Certain of our employees in Memphis participate in a union multi-employer union retirement plan, into which we make contributions on behalf of our Memphis employees. Contributions totaled $1.9 million, $2.4 million and $3.0 million in 2004, 2003, and 2002, respectively. We recently announced our intention to close the Memphis facility (Note 20). We are currently evaluating our obligations under the multi-employer plan as a result of this action.

16. Postretirement Benefits

CBC has postretirement plans that provide medical benefits and life insurance for retirees and eligible dependents. The plans are not funded.

The obligation under these plans was determined by the application of the terms of medical and life insurance plans, together with relevant actuarial assumptions and health care cost trend rates ranging ratably from 11.00% in 2004 to 5.00% in 2009. The discount rate used in determining the projected postretirement benefit obligation was 5.50% and 6.00% at December 26, 2004, and December 28, 2003, respectively.

The changes in the benefit obligation of the postretirement benefit plans are as follows:

(In thousands, fiscal year ended)	Dec. 26, 2004	Dec. 28, 2003	Dec. 29, 2002
Components of net periodic postretirement benefit cost			
Service cost – benefits earned during the year	**$1,999**	**$1,603**	**$1,295**
Interest cost on projected benefit obligation	**6,266**	**6,757**	**6,266**
Amortization of prior service cost (benefit)	**(20)**	**(20)**	**(19)**
Amortization of net actuarial loss	**768**	**364**	**–**
Net periodic postretirement benefit cost	**$9,013**	**$8,704**	**$7,542**

(In thousands, as of)	Dec. 26, 2004	Dec. 28, 2003
Change in projected postretirement benefit obligation		
Projected postretirement benefit obligation at beginning of year	**$ 107,470**	**$ 105,749**
Service cost	**1,999**	**1,603**
Interest cost	**6,266**	**6,757**
Actuarial loss	**16,412**	**2,264**
Plan amendment[1]	**(6,473)**	**–**
Benefits paid, net of participant contributions	**(11,850)**	**(8,903)**
Projected postretirement benefit obligation at end of year	**$ 113,824**	**$ 107,470**
Funded status – shortfall	**$(113,824)**	**$(107,470)**
Unrecognized net actuarial loss	**35,684**	**20,039**
Unrecognized prior service cost	**(6,133)**	**320**
Accrued postretirement benefits	**(84,273)**	**(87,111)**
Less current portion	**10,146**	**9,305**
Long-term postretirement benefits	**$ (74,127)**	**$ (77,806)**

[1] *We changed certain insurance providers during 2004, which resulted in a reduction in our benefit obligation.*

Expected Cash Flows Information about expected cash flows for the consolidated post-retirement plans follows:

(In thousands)	Amount
Expected benefit payments	
2005	**$10,146**
2006	**$10,764**
2007	**$11,305**
2008	**$11,539**
2009	**$11,687**
2010 – 2014	**$51,999**

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

(In thousands)	One-percentage-point increase (unfavorable)	One-percentage-point decrease (favorable)
Effect on total of service and interest cost components	**$ 318**	**$ (429)**
Effect on postretirement benefit obligation	**$3,668**	**$(4,818)**

17. Derivative Instruments

In the normal course of business, we are exposed to fluctuations in interest rates, the value of foreign currencies and production and packaging materials prices. We have established policies and procedures that govern the strategic management of these exposures through the use of a variety of financial instruments. By policy, we do not enter into such contracts for trading purposes or for the purpose of speculation.

Our objective in managing our exposure to fluctuations in interest rates, foreign currency exchange rates and production and packaging materials prices is to decrease the volatility of our earnings and cash flows affected by changes in the underlying rates and prices. To achieve this objective, we enter into foreign currency forward contracts, commodity swaps, interest rate swaps and cross currency swaps, the values of which change in the opposite direction of the anticipated cash flows. We do not hedge the value of net investments in foreign-currency-denominated operations or translated earnings of foreign subsidiaries. Our primary foreign currency exposures are the British Pound Sterling (GBP), the Canadian dollar (CAD) and the Japanese yen (YEN).

Derivatives are either exchange-traded instruments or over-the-counter agreements entered into with highly rated financial institutions. No losses on over-the-counter agreements due to counterparty credit issues are anticipated. All over-the-counter agreements are entered into with counterparties rated no lower than A (S&P) or A2 (Moody's). In some instances our counterparties and we have reciprocal collateralization agreements regarding fair value positions in excess of certain thresholds. These agreements call for the posting of collateral in the form of cash, treasury securities or letters of credit if a fair value loss position to our counterparties or us exceeds a certain amount. At December 26, 2004, no collateral was posted by our counterparties or us.

All derivatives are recognized on the balance sheet at their fair value. Unrealized gain positions are recorded as other current assets or other non-current assets. Unrealized loss positions are recorded as other liabilities or other long-term liabilities. Changes in unrealized gains and losses are classified in the income statement consistent with the classification of the corresponding income or expense line item being hedged.

The majority of all derivatives entered into by the Company qualify for, and are designated as, foreign-currency cash flow hedges, commodity cash flow hedges or fair value hedges, including those derivatives hedging foreign currency denominated firm commitments as per the definitions of Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities, as amended and interpreted, incorporating FASB Statements No. 137, 128 and 149" (SFAS No. 133).

The Company considers whether any provisions in non-derivative contracts represent "embedded" derivative instruments as described in SFAS No. 133. As of December 26, 2004, we have concluded that no "embedded" derivative instruments warrant separate fair value accounting under SFAS No. 133.

Changes in fair values of outstanding derivatives that are highly effective as per the definition of SFAS No. 133 are recorded in other comprehensive income, until earnings are affected by the variability of cash flows of the underlying hedged transaction. In most cases amounts recorded in other comprehensive income will be released to earnings at maturity of the related derivative. The recognition of effective hedge results in the consolidated statement of income offsets the gains or losses on the underlying exposure.

We formally document all relationships between hedging instruments and hedged items, as well as the risk-management objective and strategy for undertaking hedge transactions. This process includes linking all derivatives that are designated as foreign-currency cash flow hedges and commodity cash flow hedges either to specific assets and liabilities on the balance sheet or specific firm commitments or forecasted transactions. We also formally assess, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions have been highly effective in offsetting changes in the cash flows of hedged items and whether those derivatives may be expected to remain highly effective in future periods. When it is determined that a derivative is not, or has ceased to be, highly effective as a hedge, we discontinue hedge accounting prospectively, as discussed below.

We discontinue hedge accounting prospectively when (1) the derivative is no longer highly effective, as per SFAS No. 133, in offsetting changes in the cash flows of a hedged item (including hedged items such as firm commitments or forecasted transactions); (2) the derivative expires or is sold, terminated, or exercised; (3) it is no longer probable that the forecasted transaction will occur; or (4) management determines that designating the derivative as a hedging instrument is no longer appropriate.

When we discontinue hedge accounting because it is no longer probable that the forecasted transaction will occur in the originally expected period, the gain or loss on the derivative remains in accumulated other comprehensive income is reclassified into earnings when the forecasted transaction affects earnings. However, if it is no longer probable that a forecasted transaction will occur by the end of the originally specified time period or within an additional two-month period of time thereafter, the gains and losses that were accumulated in other comprehensive income will be recognized immediately in earnings. In all situations in which hedge accounting is discontinued and the derivative remains outstanding, we will carry the derivative at its fair value on the balance sheet until maturity, recognizing future changes in the fair value in current-period earnings. Any hedge ineffectiveness, as per SFAS No. 133, is recorded in current-period earnings. During 2004 and 2003, we recorded an insignificant loss relating to such ineffectiveness of all derivatives in Other income, net. Effectiveness is assessed based on the comparison of current forward rates to the rates established on our hedges.

As of December 26, 2004, $7.8 million of deferred net gains (net of tax) on both outstanding and matured derivatives accumulated in other comprehensive income are expected to be reclassified to earnings during the next twelve months as a result of expected gains or losses on underlying hedged transactions also being recorded in earnings. Actual amounts ultimately reclassified to earnings are dependent on the applicable rates in effect when derivatives contracts that are currently outstanding mature. As of December 26, 2004, the maximum term over which we are hedging exposures to the variability of cash flows for all forecasted and recorded transactions is 10 years.

We are exposed to credit-related losses in the event of non-performance by counterparties to hedging instruments and do not enter into master netting arrangements. The counterparties to derivative transactions are major financial institutions with investment grade credit ratings of at least A, A2 or better. However, this does not eliminate our exposure to credit risk with these institutions. This credit risk is generally limited to the unrealized gains in such contracts should any of these counterparties fail to perform as contracted. To manage this risk, we have established counterparty credit guidelines that are monitored and reported to management according to prescribed guidelines. We utilize a portfolio of financial institutions either headquartered or operating in the same countries we conduct our business. As a result of the above considerations, we consider the risk of counterparty default to be minimal.

As of December 26, 2004, we are a party to certain cross currency swaps totaling 530 million GBP (approximately $774 million at the date of entering the transaction). The swaps included an initial exchange of principal on the settlement date of our 6⅜% private placement fixed rate debt (see Note 12, Debt) and will require final principal exchange in May 2012. The swaps also call for an exchange of fixed GBP interest payments for fixed US dollar interest receipts. At the initial principal exchange, we paid US dollars to a counterparty and received GBP. Upon final exchange, we will provide GBP to the counterparty and receive US dollars. The cross currency swaps have been designated as cash flow hedges of the changes in value of the future GBP interest and principal receipts that results from changes in the US dollar to GBP exchange rates on an intercompany loan between our Europe subsidiary and us.

We entered into interest rate swap agreements related to our 6⅜% fixed rate debt. The interest rate swaps convert $201.2 million notional amount from fixed rates to floating rates and mature in 2012. We will receive fixed US dollar interest payments semi-annually at a rate of 6 3/8% per annum and pay a rate to our counterparty based on a credit spread plus the three-month LIBOR rate, thereby exchanging a fixed interest obligation for a floating interest rate obligation. There was no exchange of principal at the inception of the swaps. We designated the interest rate swaps as a fair value hedge of the changes in the fair value of the $201.2 million fixed rate debt attributable to changes in the LIBOR swap rates.

18. Commitments and Contingencies

Letters of Credit As of December 26, 2004, we had approximately $12.1 million outstanding in letters of credit with financial institutions. These letters expire at different points in 2005, but contain a feature that automatically renews the letters for an additional year if no cancellation notice is submitted. These letters of credit are being maintained as security for reimbursements to insurance companies, for deductibles or retention payments made on our behalf, and for operations of underground storage tanks.

Power Supplies In 1995, Coors Energy Company (CEC), a wholly owned subsidiary, sold a power plant located at the Golden brewery location to Trigen-Nations Energy Company, LLLP (Trigen). We have an agreement to purchase substantially all of the electricity and steam produced by Trigen and needed to operate the brewery's Golden facilities through 2020. Our financial commitment under this agreement is divided between a fixed, non-cancelable cost, which adjusts annually for inflation, and a variable cost, which is generally based on fuel cost and our electricity and steam use. Total purchases, fixed and variable, under this contract in 2004, 2003 and 2002 were $33.5 million, $32.1 million, and $28.0 million, respectively.

Supply Contracts We have various long-term supply contracts with unaffiliated third parties and our joint venture partners to purchase materials used in production and packaging, such as starch, cans and glass. The supply contracts provide that we purchase certain minimum levels of materials throughout the terms of the contracts. The approximate future purchase commitments under these supply contracts are:

(In thousands)	Amount
2005	**$231,638**
2006	**192,104**
2007	**169,000**
2008	**139,000**
2009	**65,000**
Thereafter	**130,000**
Total	**$926,742**

Our total purchases under these contracts in 2004, 2003 and 2002 were approximately $273.4 million, $422.2 million, and $441.7 million, respectively.

US Logistics Contract In the US, we have consolidated portions of our warehousing into two separate contracts with Exel Logistics, Inc. The contracts provide for warehousing services in Ontario, California and Golden, Colorado under seven and five year operating agreements with Exel Logistics, respectively. We have committed to $2.6 million in operating expenses to these contracts in 2005. Annual reviews of the scope of services with Exel Logistics will determine pricing in future years, limited to 3% increases annually.

England and Wales Distribution Contract Tradeteam Ltd., the joint venture between CBL and Exel Logistics, Inc. has an exclusive contract with CBL to provide distribution services in England and Wales until at least 2010. The approximate future financial commitments under the distribution contract are as follows:

(In thousands)	Amount
2005	**$ 181,194**
2006	**186,666**
2007	**186,666**
2008	**194,207**
2009	**194,207**
Thereafter	**150,039**
Total	**$1,092,979**

The financial commitments on termination of the distribution agreement are to essentially take over property, assets and people used by Tradeteam to deliver the service to CBL, paying Tradeteam's net book value for assets acquired.

UK Container Operations CBL outsourced the ownership, procurement and tracking of its approximately 1.2 million kegs and casks with TrenStar, Inc. in the second quarter of 2004. The approximate future financial commitments under the kegging outsource contract are as follows:

(In thousands)	Amount
2005	**$14,777**
2006	**17,839**
2007	**17,839**
2008	**14,729**
2009	**14,729**
Thereafter	**–**
Total	**$79,913**

Graphic Packaging Corporation We have a packaging supply agreement with a subsidiary of Graphic Packaging Corporation (GPC), a related party under which we purchase our paperboard requirements. Our purchases under the packaging agreement in 2004, 2003 and 2002 totaled approximately $104.5 million, $106.4 million and $111.0 million, respectively. We expect purchases in 2005 to be approximately the same as 2004. Related accounts payable balances included in Affiliates accounts payable on the Consolidated Balance Sheets were $3.4 million and $5.0 million as of December 26, 2004, and December 28, 2003, respectively.

Advertising and Promotions We have various long-term non-cancelable commitments for advertising and promotions, including marketing at sports arenas, stadiums and other venues and events. At December 26, 2004, these future commitments are as follows:

(In thousands)	Amount
2005	**$102,389**
2006	**31,008**
2007	**22,539**
2008	**8,085**
2009	**1,826**
Thereafter	**4,142**
Total	**$169,989**

Leases We lease certain office facilities and operating equipment under cancelable and non-cancelable agreements accounted for as operating leases. Future minimum lease payments under operating leases that have initial or remaining non-cancelable terms in excess of one year are as follows:

(In thousands)	Amount
2005	**$25,579**
2006	**19,536**
2007	**15,178**
2008	**8,390**
2009	**6,559**
Thereafter	**25,074**
Total	**$100,316**

Total rent expense was $30.6 million, $14.3 million and $22.5 million in 2004, 2003 and 2002, respectively.

Environmental When we determine that it is probable that a liability for environmental matters or other legal actions exists and the amount of the loss is reasonably estimable, an estimate of the future costs are recorded as a liability in the financial statements. Costs that extend the life, increase the capacity or improve the safety or efficiency of company-owned assets or are incurred to mitigate or prevent future environmental contamination may be capitalized. Other environmental costs are expensed when incurred.

We are one of a number of entities named by the Environmental Protection Agency (EPA) as a potentially responsible party (PRP) at the Lowry Superfund site. This landfill is owned by the City and County of Denver (Denver), and is managed by Waste Management of Colorado, Inc. (Waste Management). In 1990, we recorded a pretax charge of $30 million, a portion of which was put into a trust in 1993 as part of a settlement with Denver and Waste Management regarding the then outstanding litigation. Our settlement was based on an assumed cost of $120 million (in 1992 adjusted dollars). We are obligated to pay a portion of future costs in excess of that amount.

In January 2004, Waste Management provided us with updated annual cost estimates through 2032. We reviewed these cost estimates, in the assessment of our accrual related to this issue. We used certain assumptions that differ from Waste Management's estimates to assess our expected liability. Our expected liability (based on the $120 million threshold being met) is based on our best estimates available.

The assumptions used are as follows:

- trust management costs are included in projections with regard to the $120 million threshold, but are expensed only as incurred,
- income taxes, which we believe not to be an included cost, are not included in projections with regard to the $120 million threshold,
- a 2% inflation rate for future costs, and
- certain operations and maintenance costs were discounted using a 4.60% risk-free rate of return.

Based on these assumptions, the present value and gross amount of the discounted costs are approximately $1.4 million and $3.3 million, respectively. Accordingly, we believe that the existing accrual is adequate as of December 26, 2004. We did not assume any future recoveries from insurance companies in the estimate of our liability.

Considering the estimates extend through the year 2032 and the related uncertainties at the site, including what additional remedial actions may be required by the EPA, new technologies, and what costs are included in the determination of when the $120 million threshold is reached, the estimate of our liability may change as facts further develop. We cannot predict the amount of any such change, but additional accruals in the future are possible.

We are aware of groundwater contamination at some of our properties in Colorado resulting from historical, ongoing or nearby activities. There may also be other contamination of which we are currently unaware.

From time to time, we have been notified that we are or may be a PRP under the Comprehensive Environmental Response, Compensation and Liability Act or similar state laws for the cleanup of other sites where hazardous substances have allegedly been released into the environment. We cannot predict with certainty the total costs of cleanup, our share of the total cost, the extent to which contributions will be available from other parties, the amount of time necessary to complete the cleanups or insurance coverage.

While we cannot predict the eventual aggregate cost for environmental and related matters in which we are currently involved, we believe that any payments, if required, for these matters would be made over a period of time in amounts that would not be material in any one year to our operating results, cash flows or our financial or competitive position. We believe adequate reserves have been provided for losses that are probable and estimable.

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

As with any transaction of the size and nature of the Merger, contingencies could be identified, and we are undertaking a review to determine whether any such contingencies exist.

We are involved in other disputes and legal actions arising in the ordinary course of our business. While it is not feasible to predict or determine the outcome of these proceedings, in our opinion, based on a review with legal counsel, none of these disputes and legal actions is expected to have a material impact on our consolidated financial position, results of operations or cash flows. However, litigation is subject to inherent uncertainties, and an adverse result in these or other matters, including the above-described advertising practices case, may arise from time to time that may harm our business.

Insurance We are self-insured for certain insurable risks consisting primarily of employee health insurance programs, as well as workers' compensation, general liability, automobile liability and property insurance deductibles or retentions. During 2004 we fully insured future risks for long-term disability, and, in most states, workers' compensation, but maintained a self-insured position for workers' compensation for certain self-insured states and for claims incurred prior to the inception of the insurance coverage in Colorado in 1997.

19. Quarterly Financial Information (Unaudited)

The following summarizes selected quarterly financial information for each of the two years in the period ended December 26, 2004:

(In thousands, except per share data)	First	Second	Third	Fourth	Year
2004					
Sales – domestic and international	$1,234,688	$1,550,325	$1,487,828	$1,546,886	$ 5,819,727
Beer excise taxes	(311,177)	(399,631)	(383,522)	(419,581)	(1,513,911)
Net sales	923,511	1,150,694	1,104,306	1,127,305	4,305,816
Cost of goods sold	(611,744)	(703,024)	(688,384)	(738,542)	(2,741,694)
Gross profit	$ 311,767	$ 447,670	$ 415,922	$ 388,763	$1,564,122
Net income	$ 4,840	$ 72,036	$ 64,142	$ 55,718	$ 196,736
Net income per share – basic	$ 0.13	$ 1.94	$ 1.72	$ 1.49	$ 5.29
Net income per share – diluted	$ 0.13	$ 1.90	$ 1.68	$ 1.45	$ 5.19
2003					
Sales – domestic and international	$1,100,855	$1,469,371	$1,420,191	$1,396,803	$ 5,387,220
Beer excise taxes	(272,714)	(368,995)	(371,467)	(373,931)	(1,387,107)
Net sales	828,141	1,100,376	1,048,724	1,022,872	4,000,113
Cost of goods sold	(559,474)	(683,087)	(658,016)	(686,206)	(2,586,783)
Gross profit	$ 268,667	$ 417,289	$ 390,708	$ 336,666	$ 1,413,330
Net income	$806	$ 76,342	$ 61,428	$ 36,081	$ 174,657
Net income per share – basic	$ 0.02	$ 2.10	$ 1.69	$ 1.00	$ 4.81
Net income per share – diluted	$ 0.02	$ 2.09	$ 1.68	$ 0.98	$ 4.77

20. Subsequent Events

On February 9, 2005, Adolph Coors Company and Molson Inc. ("Molson") consummated a merger according to the terms and conditions of a Combination Agreement (the "Merger"). The transactions contemplated by the Merger were approved by shareholder vote and were effected through a court-approved plan of arrangement in Canada (the "Plan of Arrangement"). In connection with the Merger, Adolph Coors Company changed its name to Molson Coors Brewing Company. The Merger creates the world's fifth largest brewer, by volume, with combined annual volume of 50 million barrels. The combined company will have a diverse product offering of more than 70 owned and licensed brands in key markets throughout the world.

Based upon the price of Molson Coors stock at the date of the Merger, the purchase price for Molson is estimated to be $3.5 billion. We are in the process of obtaining third-party valuations of certain tangible and intangible assets and of pension and other liabilities, and analyzing other market or historical information for certain estimates for purposes of preparing our purchase price allocation. We are also finalizing the tax and financing structure of the acquired business and evaluating certain restructuring plans. Accordingly, the allocation of the purchase price is subject to change.

The Merger was adopted and approved at a special meeting of the shareholders of Molson on January 28, 2005, and a separate meeting of Molson option holders on January 27, 2005, and amendments to the certificate of incorporation and a proposal to approve the issuance of shares of Class A common stock, Class B common stock, special Class A voting stock and special Class B voting stock (and any shares convertible into or exchangeable for shares of that stock) were approved by the Coors shareholders on February 1, 2005. The Merger was effected through an exchange of stock, in which Molson shareholders received stock in the new Molson Coors Brewing Company according to an exchange ratio, depending upon the type of stock held. Also, Molson shareholders were permitted to receive a combination of common stock and exchangeable shares in the new company. Canadian resident holders who received exchangeable shares in the Merger may electively defer paying taxes on the transaction until such time as they exchange the shares for common stock or otherwise dispose of them.

In the Merger, Molson shareholders received the following:

Molson Class A Shareholders. A holder of Molson Class A non-voting shares who was a Canadian resident for Canadian income tax purposes was permitted to elect to receive for each of those shares:

- 0.360 of a Class B exchangeable share of Molson Coors Exchangeco (and ancillary rights),
- through a series of exchanges, 0.360 of a share of Class B common stock of Molson Coors, or
- a combination of Class B exchangeable shares (and ancillary rights) and, through a series of exchanges, shares of Class B common stock.

A holder of Molson Class A non-voting shares with an address in Canada, as recorded on Molson's share register, who did not make any election received Class B exchangeable shares. A holder of Molson Class A non-voting shares with an address outside of Canada, as recorded on Molson's share register, who did not make any election received, through a series of exchanges, for each of those shares, 0.360 of a share of Class B common stock of Molson Coors.

Molson Class B Shareholders. A holder of Molson Class B common shares who was a Canadian resident for Canadian income tax purposes was permitted to elect to receive for each of those shares:

- 0.126 of a Class A exchangeable share and 0.234 of a Class B exchangeable share of Molson Coors Exchangeco (and ancillary rights),
- through a series of exchanges, an aggregate of 0.360 of a share of Molson Coors common stock, comprised of 0.126 of a share of Class A common stock and 0.234 of a share of Class B common stock, or
- a combination of exchangeable shares (and ancillary rights) and, through a series of exchanges, shares of Molson Coors common stock.

Molson Class A non-voting and Class B common shareholders, excluding Pentland (a company controlled by Eric Molson, a related party), also received a special dividend (the "Special Dividend") of Cdn. $5.44 per share, or a total of approximately Cdn. $652 million (US $523 million) paid by Molson in connection with the Merger to Molson shareholders of record at the close of business on February 8, 2005. Included in the number of outstanding shares of Molson's common stock were approximately 1.9 million shares issued upon the exercise of options to purchase Molson Class A common stock by Molson's directors and senior management between January 28, 2005, and February 8th. Therefore, the Special Dividend was Cdn. $12 million higher than previously disclosed due to the increase in Molson's outstanding Class A common stock as a result of the exercise of options permitted by such Board action. As discussed below, the special dividend was financed through additional debt.

In addition, at its January 28, 2005, meeting, the Board of Directors of Molson made Merger-completion cash bonus payments of: an additional Cdn. $50,000 (US $39,800) to each of the then outside directors of Molson Inc.; Cdn. $50,000 (US $39,800) to the chairs of the Independent Committee and Human Resources Committee; and authorized Cdn. $845,000 (US $672,630) in aggregate Merger completion bonuses to be paid to executive officers and certain other employees of Molson Inc. All Merger-related expenses incurred by Molson prior to the Merger were expensed as incurred. As of December 26, 2004, Merger costs incurred by Molson, excluding the bonus payments, were approximately Cdn. $24.0 million.

Debt Structure Standard & Poors downgraded our credit rating from BBB+ to BBB subsequent to the Merger. Concerns regarding the health of the Brazilian and Canadian businesses influenced this decision, in addition to the debt burden as a result of the special dividend. Our Moody's credit rating is BAA2.

A special dividend equal to Cdn. $652 million ($523 million) was paid to the holders of record of Molson stock on February 8, 2005, as a condition for completing the Merger. As a result, the newly combined company has increased its debt obligations to pay the dividend.

Subsequent to the Merger we established a $1.3 billion bridge facility which was used to finance the special dividend and will be used to refinance Molson's existing debt. We also established a $1.4 billion, five-year credit facility which was used to refinance the special dividend and will also be used for general corporate purposes and as a commercial paper back-stop. Subsequent to establishing both of these facilities, the existing bank financing at both Molson and Coors was terminated.

Changes to Pension and Retiree Medical Benefit Plans In February 2005, we announced changes to both the US defined benefit and defined contribution retirement plans for a certain portion of pension eligible employees. The defined benefit formula will change, effective June 30, 2005, from a) a calculation of a percentage multiplied by the product of years of service and a period-defined highest average salary to b) a calculation of a percentage multiplied by all accumulated earnings following June 30, 2005. This change is expected to generally reduce pension costs in the future. Based upon a $40 million contribution to the defined pension plan in 2005, our expense will be reduced by approximately $4 million in 2005. With regard to the defined contribution plan, the company will increase its matching contributions from $0.50 per $1.00 contributed to $0.75 per $1.00 contributed, up to 6% of base pay. This change to the defined contribution plan is expected to partially offset the pension expense savings resulting from the changes made to the defined benefit plan formula. We are also eliminating a cap on Company contributions to our retiree medical plan for employees retiring after June 2005, which was scheduled to go into effect in 2009. It is estimated that this plan change will increase our retiree medical obligation by $11.6 million and increase 2005 expense by $2.5 million.

Memphis Closure In February 2005, we announced plans to close our Memphis, Tennessee brewery, with the shutdown process to begin later in 2005 and to be completed by 2007. The closure is among the initiatives that are expected to achieve the $175 million in cost synergies outlined when the Merger was announced in July 2004. Cost savings are expected to be in the range of $32 to $35 million annually when the closure is complete. To effect this change, we will invest $70 to $90 million in capital expenditures in our North American network, along with restructuring and other costs that will be finalized nearer the closing of the Memphis facility.

Rights on Change of Control Coors has agreements with 12 executive officers, and certain other members of management relating to a change of control of Coors. The Merger constituted a change in control of Coors under these agreements as the Adolph Coors, Jr. Trust no longer has voting control of Coors, and as the Board of Directors of the merged company no longer has a majority of directors who were directors of Coors prior to the Merger. Certain terms of these agreements were triggered by the Merger. These agreements generally provide for continued compensation and benefits for a period of two years following the change of control.

In addition, these employees are entitled to severance benefits if triggering events specified in the agreement occur. These events include direct or constructive termination without cause, resignation for good reason or resignation by the employee during a 30-day period beginning one year after the change of control. Upon a triggering event, the officer will be paid a multiple of annual salary and bonus and will receive continued health, pension and life insurance benefits. For terminated executives and officers, stock option exercises are subject to a floor price equal to the price of Coors' stock on the date of the change of control.

For each of Coors' then Chairman and Chief Executive Officer, the compensation includes a payment for the rest of the current year plus three times annual salary, bonus and fringe benefits, plus benefits for the equivalent of three years coverage, plus three years credit for additional service toward pension benefits. For all other executive officers with these agreements, the compensation includes a payment for the rest of the current year plus two times annual salary, bonus and fringe benefits, plus two years equivalent benefit coverage, plus vesting and credit for two years additional service toward pension benefits.

The Company is currently in discussions with each employee covered by the change in control agreements. In return for forfeiting their rights under the agreements, some executives are being offered a retention plan. The impact on future financial results of employees leaving the company or staying under the retention plans has not been determined at this time.

Performance Based Options and Restricted Shares The Merger transaction with Molson resulted in the vesting of all outstanding stock options and restricted share units held by employees of both Molson and Coors with the exception of performance based options and restricted share units held by the CEO of Molson. There are 288,000 stock options subject to performance based criteria, and 18,000 restricted shares that can increase to 54,000 based on defined performance criteria. The company will account for both the performance-based stock options and restricted stock under variable accounting, which could have an impact on future financial results depending on the likelihood of meeting the performance targets.

21. Supplemental Guarantor Information

On May 7, 2002, our wholly owned subsidiary, CBC (Issuer), completed a private placement of $850 million principal amount of 6⅜% Senior notes due 2012. The notes were issued with registration rights and were guaranteed on a senior and unsecured basis by Molson Coors Brewing Company (Parent Guarantor) and certain domestic subsidiaries (Subsidiary Guarantors). The guarantees are full and unconditional, and joint and several. A significant amount of the Issuer's income and cash flow is generated by its subsidiaries. As a result, funds necessary to meet the Issuer's debt service obligations are provided in large part by distributions or advances from its subsidiaries. Under certain circumstances, contractual and legal restrictions, as well as our financial condition and operating requirements and those of certain domestic subsidiaries, could limit the Issuer's ability to obtain cash for the purpose of meeting its debt service obligation including the payment of principal and interest on the notes.

Simultaneously with the private placement, we entered into a registration rights agreement pursuant to which we registered the exchange of the notes for substantially identical notes. The exchange of all the notes was completed on September 16, 2002.

The following information sets forth our Condensed Consolidating Balance Sheet as of December 26, 2004, and December 28, 2003, and the Condensed Consolidating Statements of Income and Cash Flows for the fiscal years ended December 26, 2004, December 28, 2003, and December 29, 2002. Investments in our subsidiaries are accounted for on the equity method; accordingly, entries necessary to consolidate the Parent Guarantor, Issuer and all of its subsidiaries are reflected in the elimination column. Separate complete financial statements of the Issuer and the Subsidiary Guarantors would not provide additional material information that would be useful in assessing their financial composition.

Condensed Consolidating Statements of Income

						Dec. 26, 2004
(In thousands, fiscal year ended)	Parent guarantor	Issuer of notes	Subsidiary guarantors	Subsidiary non-guarantors	Eliminations	Consolidated
Sales – domestic and international	$ –	$ 2,516,530	$ 139,716	$ 3,163,481	$ –	$ 5,819,727
Beer excise taxes	–	(390,562)	(2,017)	(1,121,332)	–	(1,513,911)
Net sales	–	2,125,968	137,699	2,042,149	–	4,305,816
Cost of goods sold	–	(1,325,798)	(109,344)	(1,306,552)	–	(2,741,694)
Equity in subsidiary earnings (loss)	176,550	205,030	–	–	(381,580)	–
Gross profit	176,550	1,005,200	28,355	735,597	(381,580)	1,564,122
Marketing, general and administrative expense	(8,280)	(717,195)	(23,946)	(473,798)	–	(1,223,219)
Special item	–	–	–	7,522	–	7,522
Operating income	168,270	288,005	4,409	269,321	(381,580)	348,425
Interest income	–	109	217	18,926	–	19,252
Interest income (expense)	38,109	(43,967)	16,365	(82,948)	–	(72,441)
Other (expense) income	(451)	(81,348)	207,734	(112,989)	–	12,946
Income before income taxes	205,928	162,799	228,725	92,310	(381,580)	308,182
Income tax (expense) benefit	(9,192)	13,210	(71,554)	(27,692)	–	(95,228)
Income before minority interests	196,736	176,009	157,171	64,618	(381,580)	212,954
Minority interests	–	–	–	(16,218)	–	(16,218)
Net income	$196,736	$ 176,009	$ 157,171	$ 48,400	$(381,580)	$ 196,736

Condensed Consolidating Statements of Income

(In thousands, fiscal year ended)	Dec. 28, 2003 Parent guarantor	Issuer of notes	Subsidiary guarantors	Subsidiary non-guarantors	Eliminations	Consolidated
Sales – domestic and international	$ –	$ 2,487,414	$117,118	$ 2,782,688	$ –	$ 5,387,220
Beer excise taxes	–	(393,974)	(1,688)	(991,445)	–	(1,387,107)
Net sales	–	2,093,440	115,430	1,791,243	–	4,000,113
Cost of goods sold	–	(1,316,586)	(85,577)	(1,184,620)	–	(2,586,783)
Equity in subsidiary earnings (loss)	143,382	155,231	–	–	(298,613)	–
Gross profit	143,382	932,085	29,853	606,623	(298,613)	1,413,330
Marketing, general and administrative expense	(492)	(671,770)	(27,714)	(405,983)	–	(1,105,959)
Operating income	142,890	260,315	2,139	200,640	(298,613)	307,371
Interest income	728	72	144	18,301	–	19,245
Interest income (expense)	45,558	(60,645)	8,127	(74,235)	–	(81,195)
Other (expense) income	(125)	(62,289)	162,725	(91,914)	–	8,397
Income before income taxes	189,051	137,453	173,135	52,792	(298,613)	253,818
Income tax (expense) benefit	(14,394)	5,603	(54,570)	(15,800)	–	(79,161)
Net income	$174,657	$ 143,056	$118,565	$ 36,992	$(298,613)	$ 174,657

Condensed Consolidating Statements of Income

(In thousands, fiscal year ended)	Dec. 29, 2002 Parent guarantor	Issuer of notes	Subsidiary guarantors	Subsidiary non-guarantors	Eliminations	Consolidated
Sales – domestic and international	$ –	$ 2,553,818	$ 71,043	$2,332,086	$ –	$ 4,956,947
Beer excise taxes	–	(398,523)	(2,194)	(779,908)	–	(1,180,625)
Net sales	–	2,155,295	68,849	1,552,178	–	3,776,322
Cost of goods sold	–	(1,379,969)	(39,204)	(995,357)	–	(2,414,530)
Equity in subsidiary earnings (loss)	142,233	94,158	–	–	(236,391)	–
Gross profit	142,233	869,484	29,645	556,821	(236,391)	1,361,792
Marketing, general and administrative expense	(357)	(665,125)	(25,482)	(366,276)	–	(1,057,240)
Special items	–	(6,267)	–	–	–	(6,267)
Operating income	141,876	198,092	4,163	190,545	(236,391)	298,285
Interest income	1,000	1,569	30	18,588	–	21,187
Interest income (expense)	30,396	(46,204)	10,536	(65,647)	–	(70,919)
Other income (expense)	6,219	27,062	40,067	(65,301)	–	8,047
Income before income taxes	179,491	180,519	54,796	78,185	(236,391)	256,600
Income tax expense	(17,838)	(32,010)	(23,581)	(21,518)	–	(94,947)
Net income	$161,653	$ 148,509	$ 31,215	$ 56,667	$(236,391)	$ 161,653

Condensed Consolidating Balance Sheets

(In thousands, as of)	Parent guarantor	Issuer of notes	Subsidiary guarantors	Subsidiary non-guarantors	Eliminations	Consolidated
	Dec. 26, 2004					
Assets						
Current assets						
Cash and cash equivalents	$ 3,200	$ 16,988	$ 2,552	$ 100,273	$ –	$ 123,013
Accounts receivable, net	–	79,089	6,765	606,518	–	692,372
Notes and other receivables, net	–	43,874	–	88,814	–	132,688
Deferred tax asset	–	–	–	3,228	–	3,228
Total inventories	–	110,707	6,893	117,161	–	234,761
Other current assets	–	36,591	411	45,152	–	82,154
Total current assets	3,200	287,249	16,621	961,146	–	1,268,216
Properties, net	–	785,157	19,777	640,650	–	1,445,584
Goodwill	40,000	160,497	(164,601)	854,925	–	890,821
Other intangibles, net	–	58,595	10,286	512,162	–	581,043
Investments in joint ventures	–	64,365	–	76,267	–	140,632
Net investments in and advances to subs	1,654,247	2,113,427	–	–	(3,767,674)	–
Non-current deferred tax asset	(34,011)	(50,929)	251,381	1,863	–	168,304
Other non-current assets	5,775	–	–	157,149	–	162,924
Total assets	$1,669,211	$3,418,361	$ 133,464	$3,204,162	$(3,767,674)	$4,657,524
Liabilities and Shareholders' Equity						
Current liabilities						
Accounts payable	$ –	$ 126,073	$ 1,747	$ 198,214	$ –	$ 326,034
Accrued salaries and vacations	7,568	52,226	1,798	21,310	–	82,902
Accrued excise taxes	–	8,957	769	186,994	–	196,720
Deferred tax liabilities	–	(16,588)	23,144	(704)	–	5,852
Accrued expenses and other liabilities	36,035	181,247	1,730	307,849	–	526,861
Short-term borrowings and current portion of long-term debt	–	12,157	–	26,371	–	38,528
Total current liabilities	43,603	364,072	29,188	740,034	–	1,176,897
Long-term debt	–	857,315	–	36,363	–	893,678
Long-term deferred tax liability	–	–	–	149,927	–	149,927
Other long-term liabilities	24,442	544,607	54,053	175,886	–	798,988
Total liabilities	68,045	1,765,994	83,241	1,102,210	–	3,019,490
Minority interests	–	–	–	36,868	–	36,868
Total shareholders' equity	1,601,166	1,652,367	50,223	2,065,084	(3,767,674)	1,601,166
Total liabilities and shareholders' equity	$1,669,211	$3,418,361	$ 133,464	$3,204,162	$(3,767,674)	$4,657,524

Condensed Consolidating Balance Sheets

	Dec. 28, 2003					
(In thousands, as of)	Parent guarantor	Issuer of notes	Subsidiary guarantors	Subsidiary non-guarantors	Eliminations	Consolidated
Assets						
Current assets						
Cash and cash equivalents	$ 454	$ 802	$ 2,849	$ 15,335	$ –	$ 19,440
Accounts receivable, net	35	45,018	8,990	564,010	–	618,053
Notes and other receivables, net	–	66,483	2,220	64,316	–	133,019
Deferred tax asset	–	9,417	(61)	3,463	–	12,819
Total inventories	–	109,113	5,619	94,753	–	209,485
Other current assets	–	30,626	484	54,922	–	86,032
Total current assets	489	261,459	20,101	796,799	–	1,078,848
Properties, net	–	813,996	18,919	617,870	–	1,450,785
Goodwill	–	151,868	(149,974)	794,526	–	796,420
Other intangibles, net	–	66,913	82,782	402,417	–	552,112
Investments in joint ventures	–	95,392	–	98,190	–	193,582
Net investment in and advances to subs	1,285,272	1,851,260	–	–	(3,136,532)	–
Non-current deferred tax asset	18,392	(125)	135,047	51,490	–	204,804
Other non-current assets	5,318	37,212	2,648	123,011	–	168,189
Total assets	$1,309,471	$3,277,975	$ 109,523	$2,884,303	$(3,136,532)	$4,444,740
Liabilities and Shareholders' Equity						
Current liabilities						
Accounts payable	$ –	$ 137,969	$ 1,091	$ 215,813	$ –	$ 354,873
Accrued salaries and vacations	–	47,640	1,203	8,750	–	57,593
Accrued excise taxes	–	10,741	715	179,527	–	190,983
Accrued expenses and other liabilities	14,739	162,048	3,456	258,865	–	439,108
Current portion of long-term debt	–	76,855	–	14,310	–	91,165
Total current liabilities	14,739	435,253	6,465	677,265	–	1,133,722
Long-term debt	20,000	1,119,832	(865)	20,871	–	1,159,838
Deferred tax liability	–	–	–	195,523	–	195,523
Other long-term liabilities	7,356	438,915	840	241,170	–	688,281
Total liabilities	42,095	1,994,000	6,440	1,134,829	–	3,177,364
Total shareholders' equity	1,267,376	1,283,975	103,083	1,749,474	(3,136,532)	1,267,376
Total liabilities and shareholders' equity	$1,309,471	$3,277,975	$ 109,523	$2,884,303	$(3,136,532)	$4,444,740

Condensed Consolidating Statement of Cash Flows

	Dec. 26, 2004				
(In thousands, fiscal year ended)	Parent guarantor	Issuer of notes	Subsidiary guarantors	Subsidiary non-guarantors	Consolidated
Net cash provided by operating activities	$ 71,752	$ 100,841	$ 116,804	$ 210,511	$ 499,908
Cash flows from investing activities					
Additions to properties and intangible assets	–	(99,228)	(2,593)	(109,709)	(211,530)
Proceeds from sales of properties	–	14,209	428	57,426	72,063
Adjustment to purchase price for pension settlement	–	–	–	25,836	25,836
Cash recognized on initial consolidation of joint ventures	–	–	–	20,840	20,840
Net trade loan repayments from customers	–	–	–	28,087	28,087
Investment in Molson USA, LLC	–	(2,744)	–	–	(2,744)
Net cash (used in) provided by investing activities	–	(87,763)	(2,165)	22,480	(67,448)
Cash flows from financing activities					
Issuances of stock under stock plans	66,764	–	–	–	66,764
Dividends paid	(30,535)	–	–	–	(30,535)
Dividends paid to minority interest	–	–	–	(7,218)	(7,218)
Net payments on short-term borrowings	–	5,000	–	(13,761)	(8,761)
Proceeds from (payments on) commercial paper	–	(250,000)	–	–	(250,000)
Payments on debt and capital lease obligations	(17,461)	(86,000)	–	(11,168)	(114,629)
Change in overdraft balances	–	6,189	–	2,526	8,715
Other net activity in investment and advances (to) from subsidiaries	(87,774)	327,919	(116,553)	(123,592)	–
Net cash used in financing activities	(69,006)	3,108	(116,553)	(153,213)	(335,664)
Cash and cash equivalents					
Net increase (decrease) in cash and cash equivalents	2,746	16,186	(1,914)	79,778	96,796
Effect of exchange rate changes on cash and cash equivalents	–	–	1,617	5,160	6,777
Balance at beginning of year	454	802	2,849	15,335	19,440
Balance at end of year	$ 3,200	$ 16,988	$ 2,552	$ 100,273	$ 123,013

Notes to Consolidated Financial Statements

Condensed Consolidating Statement of Cash Flows

(In thousands, fiscal year ended)	Parent guarantor	Issuer of notes	Subsidiary guarantors	Subsidiary non-guarantors	Consolidated
					Dec. 28, 2003
Net cash provided by operating activities	$ 32,232	$ 257,794	$ 79,588	$ 159,214	$ 528,828
Cash flows from investing activities					
Additions to properties and intangible assets	–	(92,782)	(1,334)	(146,342)	(240,458)
Proceeds from sales of properties	–	620	10,190	5,594	16,404
Trade loan repayments from customers, net	–	–	–	15,310	15,310
Investment in Molson USA, LLC	–	(5,240)	–	–	(5,240)
Other	–	(630)	–	–	(630)
Net cash (used in) provided by investing activities	–	(98,032)	8,856	(125,438)	(214,614)
Cash flows from financing activities					
Issuances of stock under stock plans	2,491	–	–	–	2,491
Dividends paid	(29,820)	–	–	–	(29,820)
Net payments on short-term borrowings	–	(15,100)	–	(69,070)	(84,170)
Proceeds from commercial paper	–	249,645	–	–	249,645
Payments on debt and capital lease obligations	–	(462,547)	–	–	(462,547)
Change in overdraft balances	–	(32,992)	–	–	(32,992)
Net activity in investment and advances (to) from subsidiaries	(4,610)	101,535	(86,687)	(10,238)	–
Net cash used in financing activities	(31,939)	(159,459)	(86,687)	(79,308)	(357,393)
Cash and cash equivalents					
Net increase (decrease) in cash and cash equivalents	293	303	1,757	(45,532)	(43,179)
Effect of exchange rate changes on cash and cash equivalents	–	–	458	2,994	3,452
Balance at beginning of year	161	499	634	57,873	59,167
Balance at end of year	$ 454	$ 802	$ 2,849	$ 15,335	$ 19,440

Condensed Consolidating Statement of Cash Flows

(In thousands, fiscal year ended)	Parent guarantor	Issuer of notes	Subsidiary guarantors	Subsidiary non-guarantors	Consolidated
					Dec. 29, 2002
Net cash provided by operating activities	$ 12,779	$ 139,888	$ 67,293	$ 25,008	$ 244,968
Cash flows from investing activities					
Sales and maturities of securities	232,758	–	–	–	232,758
Additions to properties and intangible assets	185	(147,798)	(4,469)	(94,760)	(246,842)
Proceeds from sales of properties	–	9,810	1,545	16,002	27,357
Acquisition of CBL, net of cash acquired	–	(115,105)	(92,650)	(1,379,545)	(1,587,300)
Trade loan repayments from customers, net	–	–	–	13,577	13,577
Investment in Molson USA, LLC	–	(2,750)	–	–	(2,750)
Other	–	(7,561)	–	–	(7,561)
Net cash provided by (used in) investing activities	232,943	(263,404)	(95,574)	(1,444,726)	(1,570,761)
Cash flows from financing activities					
Issuances of stock under stock plans	15,645	–	–	–	15,645
Dividends paid	(29,669)	–	–	–	(29,669)
Proceeds from issuance of debt	–	2,391,934	–	–	2,391,934
Proceeds from short-term borrowings	–	250,900	–	80,433	331,333
Payments on debt and capital lease obligations	(85,000)	(1,293,075)	–	(1,643)	(1,379,718)
Debt issuance costs	(185)	(9,889)	–	–	(10,074)
Change in overdraft balances	–	(27,783)	–	–	(27,783)
Net activity in investment and advances (to) from subsidiaries	(204,917)	(1,192,862)	29,411	1,368,368	–
Net cash (used in) provided by financing activities	(304,126)	119,225	29,411	1,447,158	1,291,668
Cash and cash equivalents					
Net (decrease) increase in cash and cash equivalents	(58,404)	(4,291)	1,130	27,440	(34,125)
Effect of exchange rate changes on cash and cash equivalents	–	–	(1,220)	17,379	16,159
Balance at beginning of year	58,565	4,790	724	13,054	77,133
Balance at end of year	$ 161	$ 499	$ 634	$ 57,873	$ 59,167

Selected Financial Data

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

(In thousands, except per share data)	2004	2003	2002[2]	2001	2000[1]
Consolidated Statement of Operations					
Gross sales	$ 5,819,727	$ 5,387,220	$ 4,956,947	$ 2,842,752	$ 2,841,738
Beer excise taxes	(1,513,911)	(1,387,107)	(1,180,625)	(413,290)	(427,323)
Net sales	4,305,816	4,000,113	3,776,322	2,429,462	2,414,415
Cost of goods sold	(2,741,694)	(2,586,783)	(2,414,530)	(1,537,623)	(1,525,829)
Gross profit	1,564,122	1,413,330	1,361,792	891,839	888,586
Marketing, general and administrative	(1,223,219)	(1,105,959)	(1,057,240)	(717,060)	(722,745)
Special items, net	7,522	–	(6,267)	(23,174)	(15,215)
Operating income	348,425	307,371	298,285	151,605	150,626
Interest (expense) income, net	(53,189)	(61,950)	(49,732)	14,403	14,911
Other income, net	12,946	8,397	8,047	32,005	3,988
Income before income taxes	308,182	253,818	256,600	198,013	169,525
Income tax expense	(95,228)	(79,161)	(94,947)	(75,049)	(59,908)
Income before minority interest	212,954	174,657	161,653	122,964	109,617
Minority interests[3]	(16,218)	–	–	–	–
Net income	$ 196,736	$ 174,657	$ 161,653	$ 122,964	$ 109,617
Net income per common share – basic	$ 5.29	$ 4.81	$ 4.47	$ 3.33	$ 2.98
Net income per common share – diluted	$ 5.19	$ 4.77	$ 4.42	$ 3.31	$ 2.93
Consolidated Balance Sheet Data					
Cash and cash equivalents	$ 123,013	$ 19,440	$ 59,167	$ 309,705	$ 386,195
Working capital	$ 91,319	$ (54,874)	$ (93,995)	$ 88,984	$ 118,415
Total assets	$ 4,657,524	$ 4,444,740	$ 4,297,411	$ 1,739,692	$ 1,629,304
Current portion of long-term debt and other short-term borrowings	$ 38,528	$ 91,165	$ 144,049	$ 88,038	$ –
Long-term debt	$ 893,678	$ 1,159,838	$ 1,383,392	$ 20,000	$ 105,000
Stockholders' equity	$ 1,601,166	$ 1,267,376	$ 981,851	$ 951,312	$ 932,389
Consolidated Cash Flow Data					
Cash provided by operations	$ 499,908	$ 528,828	$ 244,968	$ 193,396	$ 280,731
Cash (used in) investing activities	$ (67,448)	$ (214,614)	$(1,570,761)	$ (196,749)	$ (297,541)
Cash (used in) provided by financing activities	$ (335,664)	$ (357,393)	$ 1,291,668	$ (38,844)	$ (26,870)
Other Information					
Barrels of beer and other beverages sold	32,703	32,735	31,841	22,713	22,994
Dividends per share of common stock	$ 0.820	$ 0.820	$ 0.820	$ 0.800	$ 0.720
Depreciation, depletion and amortization	$ 265,921	$ 236,821	$ 227,132	$ 121,091	$ 129,283
Capital expenditures and additions to intangible assets	$ 211,530	$ 240,458	$ 246,842	$ 244,548	$ 154,324

1 *53-week year versus 52-week year.*
2 *Results for the first five weeks of fiscal 2002 and all prior fiscal years exclude CBL.*
3 *Minority interests represent the minority owners' share of income generated in 2004 by RMBC, RMMC, and Grolsch joint ventures, all of which were consolidated for the first time in 2004 under FIN 46R.*

Officers

Molson Coors Brewing Company

As of March 18, 2005

W. Leo Kiely III
Chief Executive Officer

Daniel J. O'Neill
Vice Chairman, Synergies and Integration

Kevin T. Boyce
President and Chief Executive Officer,
Molson Canada

Robert Coallier
Chief Business Development Officer,
Global

Peter M. R. Kendall
President and Chief Executive Officer,
Coors Brewers Limited

Sylvia Morin
Chief Corporate Affairs Officer, Global

Cathy Noonan
Chief Synergies Officer, Global

Peter Swinburn
President and Chief Executive Officer,
Coors Brewing Worldwide

Fernando Tigre
President and Chief Executive Officer,
Cervejarias Kaiser Brasil S.A.

Frits van Paasschen
President and Chief Executive Officer,
Coors Brewing Company
As of March 29, 2005

Gregory L. Wade
Chief Technical Officer, Global

Samuel D. Walker
Chief Legal Officer, Global

Timothy V. Wolf
Chief Financial Officer, Global

W. Leo Kiely III

Daniel J. O'Neill

Kevin T. Boyce

Robert Coallier

Peter M. R. Kendall

Sylvia Morin

Cathy Noonan

Peter Swinburn

Fernando Tigre

Frits van Paasschen

Gregory L. Wade

Samuel D. Walker

Timothy V. Wolf

Board of Directors

Molson Coors Brewing Company

As of March 18, 2005

Eric H. Molson ★
Chairman of the Board,
Molson Coors Brewing Company

Peter H. Coors ■ ★
Vice Chairman,
Molson Coors Brewing Company

Daniel J. O'Neill
Vice Chairman, Synergies and Integration
Molson Coors Brewing Company

W. Leo Kiely III
Chief Executive Officer,
Molson Coors Brewing Company

Melissa E. Coors ★
Brand Manager Hispanic Marketing
Coors Brewing Company

Andrew T. Molson ★
Senior Consultant,
NATIONAL Public Relations

Dr. Francesco Bellini ◆
Chairman and Chief Executive Officer,
Neurochem Inc.

John E. Cleghorn ★
Chairman of the Board,
SNC-Lavalin Group, Inc.

Charles M. Herington ◆
President and Chief Executive Officer,
America Online Latin America

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Former Chief Executive Officer,
Houlihan Lokey Howard & Zukin and
Partner, One Equity Partners

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Chairman of the Board,
EnCana Corporation

Pamela H. Patsley ●
President,
First Data International

H. Sanford Riley ◆
President and Chief Executive Officer,
Richardson Financial Group

Dr. Albert C. Yates ◆
President Emeritus,
Colorado State University

William K. Coors
Director Emeritus

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Director Emeritus

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Peter H. Coors

Daniel J. O'Neill

W. Leo Kiely III

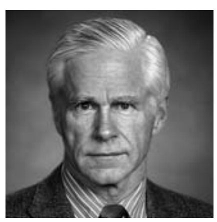
Melissa E. Coors

Andrew T. Molson

Dr. Francesco Bellini

John E. Cleghorn

Charles M. Herington



Franklin W. Hobbs

David P. O'Brien

Pamela H. Patsley

H. Sanford Riley

Dr. Albert C. Yates

● *Audit*
◆ *Compensation and Human Resources*
■ *Finance*
★ *Nominating Committee*
Black symbol indicates committee chair.

Investor Information

Shareholder Relations
Questions about stock ownership and dividends should be directed to Shareholder Relations, (303) 277-7759. Shareholders may obtain a copy of the Company's 2004 Annual Report on Form 10-K filed with the Securities and Exchange Commission by visiting our website, www.molsoncoors.com; writing to the Consumer Information Center, Mail No. NH475, Molson Coors Brewing Company, P.O. Box 4030, Golden, Colorado 80401; or by calling (800) 642-6116.

Investor Relations
Securities analysts, investment professionals and shareholders with business-related inquiries regarding Molson Coors Brewing Company should contact Dave Dunnewald or Kevin Caulfield in Investor Relations, (303) 279-6565. For the latest copy of the Company's annual report to shareholders, visit the Investor Relations section of our website, www.molsoncoors.com; write to the Consumer Information Center, Mail No. NH475, Molson Coors Brewing Company, P.O. Box 4030, Golden, Colorado 80401; or call (800) 642-6116.

Customer/News Media Relations
Customers are invited to call our Consumer Information Center, (800) 642-6116, or access our website, www.molsoncoors.com, for information about the Company and our products.

The news media should direct questions to Corporate Communications, (514) 521-1786; FAX (514) 598-6866.

Transfer Agents
EquiServe Trust Company, N.A., Shareholder Services, 250 Royall Street, Canton, Massachusetts 02021 or P.O. Box 43010, Providence, Rhode Island 02940-3010, (781) 575-3400 or (800) 426-5523, or access the website, www.equiserve.com.

CIBC Mellon Trust Company, 2001 University Street, Suite 1600 Montreal, Quebec H3A2A6 or P.O. Box 700, Station B, Montreal, Quebec H3B2K3, (514) 285-3600, or (800) 387-0825, or access the website at www.cibcmellon.com, or email at www.inquiries@cibcmellon.com.

Stock Information
Molson Coors Brewing Company
Class B Common Stock non-voting NYSE: TAP; TSX: TAP.NV
Class A Common Stock voting NYSE: TAP.A; TSX: TAP.LV.A

Stockholders of record as of February 28, 2005:
Class B Common Stock: 3,039
Class A Common Stock: 22

Class B common shares outstanding as of February 28, 2005: 48,792,599
Class A common shares outstanding as of February 28, 2005: 1,324,418

Molson Coors Canada, Inc.
Class B Exchangeable Shares Toronto Stock Exchange: TPX.NV
Class A Exchangeable Shares Toronto Stock Exchange: TPX.LV.A

Shareholders of record as of February 28, 2005:
Class B Exchangeable Holders: 3,462
Class A Exchangeable Holders: 395

Class B exchangeable shares outstanding as of February 28, 2005: 31,530,315
Class A exchangeable shares outstanding as of February 28, 2005: 2,437,513

Dividends on the common stock have historically been paid by the company in the months of March, June, September and December to stockholders of record on the last business day of the preceding month. Molson Coors Canada, Inc. intends to pay an equivalent dividend to holders of exchangeable shares in Canadian dollars.

The current dividend is payable on March 15 and is US $0.32 per share for the common shares and the Canadian dollar equivalent for the exchangeable shares.

Equal Opportunity at Molson Coors Brewing
Molson Coors Brewing employs approximately 14,000 people worldwide, which includes 3,100 in Canada, 2,500 in Brazil, 3,000 employees of Coors Brewers Limited in the United Kingdom, and 5,400 in the United States, maintaining a long-standing commitment to equal opportunity in the areas of employment, promotion and purchasing.

We enthusiastically support the Company's policy, which prohibits discrimination on the basis of race, color, national origin, sexual orientation, religion, disability, veteran status, gender or age.

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Molson Coors Brewing Company

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