POLYONE CORP
Form 4
February 14, 2017

FORM 4

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

OMB APPROVAL

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STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
Van Hulle John V

(Last) (First) (Middle)

POLYONE CENTER, 33587 WALKER ROAD

(Street)

AVON LAKE, OH 44012

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
POLYONE CORP [POL]

3. Date of Earliest Transaction (Month/Day/Year)
02/11/2017

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

_____ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
SVP, President of GCAI

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	02/11/2017		M		4,200	A	(1)	4,360 (2)	D	
Common Stock	02/11/2017		F		1,415	D	$ 34.59	2,945	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)	
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares
Restricted Stock Units	(1)	02/11/2017		M			4,200	02/11/2017	02/11/2017	Common Stock	4,200

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Van Hulle John V POLYONE CENTER 33587 WALKER ROAD AVON LAKE, OH 44012			SVP, President of GCAI	

Signatures

/s/ Lisa K. Kunkle, Power of Attorney For: John V. Van Hulle	02/14/2017
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) Each restricted stock unit represents a contingent right to receive one share of PolyOne common stock.

(2) Includes dividend equivalents earned with respect to the vested restricted stock units.

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Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. cate financial performance for the entire year.

The year-end condensed consolidated balance sheet data was derived from audited financial statements.

Reporting Periods Presented

The accompanying unaudited condensed consolidated financial statements do not include the results of Molson and Kaiser prior to the Merger on February 9, 2005. Further, we have elected to include the results of Kaiser one month in arrears for this and future reporting periods, which means that the operations statement results for Kaiser include only the results for the month of February 2005, after the Merger.

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. As discussed in Note 2, we have preliminarily allocated the acquisition price in the Merger to Molson's assets and liabilities and expect the allocation to change in future reporting periods. To the extent there are material differences between these estimates and actual results, our consolidated financial statements are affected.

Reclassifications

Certain reclassifications have been made to the 2004 financial statements to conform to the 2005 presentation.

Stock-based compensation

We use the intrinsic value method when accounting for options issued to employees in accordance with Accounting Principles Board 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 have always been 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 certain stock option grants that must be accounted for under variable plan accounting. The following table illustrates the effect on net income (loss) and earnings (loss) 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:

	Thirteen Weeks Ended	
	March 27, 2005 (as restated)	March 28, 2004
	(In thousands, except per share data)	
Net (loss) income, as reported	$ (34,184)	$ 4,840
Total stock-based compensation expense, net of related tax benefits, included in the determination of net income (loss), as reported	4,093	88
Total stock-based compensation expense determined under fair value based method for all awards, net of related tax effects	(22,074)	(4,639)
Pro forma net (loss) income	$ (52,165)	$ 289
Earnings per share:		
Basic as reported	$ (0.54)	$ 0.13
Basic pro forma	$ (0.83)	$ 0.01
Diluted as reported	$ (0.54)	$ 0.13
Diluted pro forma	$ (0.83)	$ 0.01

Stock-based compensation expense recognized in the statement of operations consists of restricted stock amortization and stock awards under various executive incentive plans. In 2005, stock compensation expense includes variable plan accounting expense related to change in control benefits. See related Note 5.

Recent Accounting Pronouncements

SFAS 123R, "Share-Based Payment" (Revised 2004)

Statement of Financial Accounting Standard No. 123 (SFAS No. 123R) was revised in December 2004. We adopted the disclosure provisions of SFAS 123 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 determined under the fair value approach 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 first quarter of 2006, we will be required to record these costs in our operations 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 former Molson option holders (excluding certain options held by the former Molson CEO, as discussed in Note 5). The vesting of Coors options are reflected in the notes to the first quarter financial statements as pro forma expense presented above. Therefore, compensation expense recognized beginning in the 2006 will only reflect new option grants after the Merger, and could be impacted by provisions of change in control agreements. See related Note 15.

SFAS No. 128 "Earnings Per Share"

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 they become effective. For our year-to-date diluted calculations, we currently use a quarterly average stock price. Under the revisions to SFAS No. 128, we will be required to use a year-to-date average stock price. 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. MOLSON MERGER

Merger Transaction

The Merger was 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 Company's 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 could defer paying income 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), or
- 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.

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), or

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 Stock Option Holders. A holder of Molson stock options was permitted to exchange each such Molson options for a 0.36 Molson Coors option, each. Approximately 1.3 million options were issued by Molson Coors in the Merger.

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 1.4 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 8, 2005. Therefore, the Special Dividend was Cdn. $12 million (US $10 million) higher than previously disclosed due to the increase in Molson's outstanding Class A common stock as a result of the exercise of these options. As discussed below, the Special Dividend was financed through additional debt.

At its January 28, 2005, meeting, in light of the amount of work involved in completing the Merger transaction, the Board of Directors of Molson authorized payments of: Cdn. $50,000 (US $39,800) to each of the then outside directors of Molson; Cdn. $50,000 (US $39,800) to the chairs of the Independent Committee and Human Resources Committee; and Cdn. $845,000 (US $672,630) in aggregate payments to executive officers and certain other employees of Molson. All Merger-related expenses incurred by Molson prior to the Merger were expensed as incurred.

Reasons for the Merger

The Merger placed our combined company as the world's fifth largest brewer, by volume, with combined annual volume of 50 million barrels. The combined company offers a diverse offering of more than 70 owned and licensed brands in key markets throughout the world. Management has identified $175 million of annual synergies that the combined company can achieve, including the closing of the Memphis plant discussed in Note 5, in addition to administrative, strategic sourcing and other cost reductions.

Pro Forma Results

As discussed in Note 1, the results of Molson have been included in the consolidated financial statements since February 9, 2005; however, the results of Kaiser represent the remainder of February 2005, as a result of our decision to report Kaiser results one month in arrears.

The following pro forma information shows the results of our operations for the thirteen weeks ended March 27, 2005 and March 28, 2004, as if the Merger had occurred at the beginning of each period. Therefore, the pro forma information includes Molson results for January through March of both periods presented and Kaiser results for December through February of both periods presented to simulate the reporting method we have adopted. The pro forma results include special charges of

$40.7 million during the 2005 first quarter, including $7.4 million of merger-related special charges in the US segment for restructuring costs and accelerated depreciation on the company's Memphis brewery, which will be closed during the next two years; a $3.6 million write-off of obsolete brewery assets in the Europe segment; and Corporate segment special charges totaling $29.6 million, primarily due to change-in-control payments and benefits for 12 officers who were employed by Adolph Coors Company prior to the Merger and elected to leave the company following the Merger. Pro forma results include additional special charges totaling $43 million, including merger-related corporate expenses of $24 million, and $19 million in charges related to the closure of sales offices and brewing operations in Brazil. The pro forma results for the period ended March 27, 2005 include largely non-recurring charges in Canada ($9 million) and Brazil ($14 million) attributable to the one-time impact of achieving consistency in accounting conventions in all reporting periods.

	Thirteen weeks ended			
	March 27, 2005 (as restated)		March 28, 2004	
	(In thousands, except per share amounts)			
Net sales	$	1,247,884	$	1,320,191
Pretax (loss) income	$	(95,569)	$	38,479
Net (loss) income	$	(75,697)	$	36,267
Net (loss) income per common share:				
Basic	$	(0.88)	$	0.43
Diluted	$	(0.88)	$	0.43

Preliminary Purchase Accounting

The Merger's equity consideration was valued at $3.6 billion, including the exchange of 46.7 million equivalent shares of stock at a market price of $75.25 per share, the exchange of stock options valued at $4.0 million, and merger-related costs incurred by Coors. Coors was considered the accounting acquirer in the Merger, requiring the purchase consideration to be allocated to Molson's net assets, with the residual to goodwill. The following table summarizes the preliminary fair values of the assets acquired and liabilities assumed at the Merger date. The company is in the process of obtaining third-party valuations for many assets and liabilities. The most significant items for which valuations have not been finalized are the Brazilian business, the guarantees related to the Montreal Canadiens, pre-existing contractual relationships between Coors and Molson, the fixed assets of Brewers Retail Inc. (BRI), a joint venture consolidated under FIN 46R, certain environmental liabilities related to discontinued operations, intangibles and income taxes. In addition, management is currently evaluating potential restructuring activities that could impact our purchase accounting. The significant outstanding items include; evaluation of our organizational structure, decisions on outsourcing and other vendor arrangements and determination of the optimal information technology platform. The value of the Brazil business presents a significant amount of uncertainty. Preliminary projections of future cash flows for this business indicate a value of less than $200.0 million. However, increased perspective gained

with regard to certain pre-acquisition contingencies, specifically certain Brazilian tax liabilities, could have a further negative impact on the value of this business.

	As of February 9, 2005
	(In millions)
Current assets	$ 421.6
Property, plant and equipment	1,065.6
Other assets	303.9
Intangible assets	3,839.8
Goodwill	1,754.9
Total assets acquired	7,385.8
Current liabilities	(2,149.8)
Non-current liabilities	(1,615.5)
Total liabilities assumed	(3,765.3)
Minority interest	(64.7)
Net assets acquired	$ 3,555.8

We have allocated preliminary purchase price to goodwill and intangibles as follows based upon the work of third-party valuation experts, who determined enterprise values for each of the acquired businesses (Canada and Brazil). Overall enterprise values and values of individual intangible assets were determined primarily through the use of discounted cash flow techniques.

	As of February 9, 2005	
	Amount	Estimated Useful Lives in Years
	(In millions)	
Intangible Assets Finite Lived		
Canada Segment		
Distribution Agreements	$ 359.0	7 to 12
Brands	166.6	12
Total Canada Segment	525.6	
Brazil Segment		
Distribution Agreements	11.4	20
Brands	46.9	12 to 25
Total Brazil Segment	58.3	
Total Intangible Assets Finite Lived	**$ 583.9**	
Intangible Assets Indefinite Lived		
Canada Segment		
Distribution Agreements	682.6	
Brands	2,573.3	

	As of February 9, 2005
Total Intangible Assets Indefinite Lived	**3,255.9**
Total Intangible Assets	**$ 3,839.8**
Goodwill	
Canada Segment	1,566.8
Brazil Segment	137.9
US Segment	50.2
Total Goodwill	**$ 1,754.9**

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Merger-related Debt

Subsequent to the Merger, we established a $1.3 billion 364 day bridge facility which was used to refinance a portion of pre-merger Molson debt of approximately $1.5 billion, including that used to finance the Special Dividend and to refinance some of Molson's other pre-merger debt. We had $877.0 million outstanding under the bridge facility at March 27, 2005. The bridge facility is classified as short-term debt. As of March 27, 2005, we had also established a $1.4 billion, five-year credit facility which was used to refinance a portion of the bridge facility borrowings and for general corporate purposes. We had $509.7 million outstanding under the credit facility at March 27, 2005. Upon establishing both of these facilities, the existing bank facilities at both Molson and Coors were terminated.

Merger-related Other

Kaiser is party to a number of claims from the Brazilian tax authorities involving federal excise, social contribution and value-added state taxes. As of March 27, 2005, we have made a preliminary evaluation of these contingencies as part of our allocation of the purchase price following the merger, but intend to evaluate in detail the legal issues involved with these pre-acquisition contingencies during the allocation period. The settlement amount of these contingent tax liabilities could require a significant amount of cash payments in later periods. See Note 12.

Molson sold the Montreal Canadiens professional hockey club to a purchaser in 2001. Molson maintained a 19.9% common ownership interest in the team, as well as a preferred interest, redeemable in 2009. The shareholders of the club (the purchaser and Molson) and the National Hockey League (NHL) are parties to a consent agreement, which requires the purchaser and Molson to abide by funding requirements included in the terms of the shareholders' agreement. In addition, Molson has given certain undertakings to the lenders of the purchaser of the Canadiens and the Bell Centre (formerly the Molson Centre), such that in the event that the Canadiens and the purchaser are not able to meet their obligations, or in the event of a default, Molson shall 1) provide adequate support to the purchaser through necessary cash payments so that the purchaser would have sufficient funds to meet its debt obligations, and 2) exercise control of the entity which owns the hockey club and the entertainment business at predetermined conditions, subject to NHL approval. The obligations of the purchaser to such lenders were $75.5 million at March 27, 2005. As part of the sale transaction, Molson reaffirmed an existing guarantee of the purchaser's payment obligations on a 99-year lease arrangement (which began in 1993) related to the land upon which the Bell Centre has been constructed. Annual lease payments in 2004 were Cdn. $2.4 million, and are based on prevailing interest rates and changes in the consumer price index. Our evaluation of these issues for the purpose of allocating purchase price is preliminary as of March 27, 2005. Issues that we will address during the allocation period include the value of our common and preferred interests and the fair value of guarantees in accordance with FIN 45, *Guarantors' Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others*.

Molson and Coors were partners in two joint ventures, Coors Canada and Molson USA (MUSA), prior to the Merger. EITF 04-1, *Accounting for Preexisting Relationships between the Parties to a Business Combination,* requires management to determine whether the preexisting contractual relationships were at fair value at the merger date. To the extent that these relationships are determined not to be at fair value, any difference would result in a gain or loss to be recorded in the Company's Statement of Operations. We are evaluating any potential impact of this guidance as part of our purchase price accounting process, which is ongoing.

3. BUSINESS SEGMENTS

Because we now have significant operations in Canada and Brazil, we have realigned our reporting segments as a result of the Merger. For comparative purposes, we have also reclassified amounts in the prior period presentation to the new format.

United States (U.S.)

The US segment is focused on the production, marketing, and sales of the Coors and Molson portfolios of brands in the United States and its territories, and the Caribbean, including the results of the Rocky Mountain Metal Container (RMMC) and Rocky Mountain Bottle Company (RMBC) joint ventures consolidated under FIN46R.

Europe

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 (consolidated under FIN46R), and our joint venture arrangement for the physical distribution of products throughout Great Britain (Tradeteam). It includes the sale of Coors Fine Light Beer® in the United Kingdom and Coors Light in the Republic of Ireland. It also includes the small amount of volume that is sold in Asia.

Canada

The Canada segment consists of our production and sale of the Molson brands, principally in Canada; our joint venture arrangements related to the distribution of beer in Ontario and the Western provinces, Brewers Retail, Inc. (BRI) (consolidated under FIN46R), and Brewers Distribution Limited (BDL); and the Coors Light business in Canada.

Brazil

The Brazil segment consists of our production and sale of the Kaiser and Bavaria brands in Brazil.

Corporate

Corporate includes interest and certain other general and administrative costs that are not allocated to any of the 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.

No single customer accounted for more than 10% of our sales. Inter-segment revenues are insignificant. Following is a reconciliation of amounts shown as income (loss) before income taxes, after

minority interests, to income (loss) before income taxes and net income (loss) shown on the condensed consolidated statements of operations.

	Thirteen Weeks Ended March 27, 2005					
	U.S.	Europe	Canada	Brazil(1)	Corporate	Total
	(In thousands)					
Net sales	$ 524,973	$ 327,131	$ 196,331	$ 15,710	$	$ 1,064,145
Income (loss) before income taxes, after minority interests	12,593	(11,030)	15,675	(1,845)	(65,395)	(50,002)
Minority interests, before taxes	2,103	565		(737)	(320)	1,611
Income (loss) before income taxes	$ 14,696	$ (10,465)	$ 15,675	$ (2,582)	$ (65,715)	$ (48,391)
Income tax benefit (as restated)						15,693
Loss before minority interests (as restated)						(32,698)
Minority interests						(1,486)
Net loss (as restated)						$ (34,184)

	Thirteen Weeks Ended March 28, 2004					
	U.S.	Europe	Canada	Brazil(1)	Corporate	Total
	(In thousands)					
Net sales	$ 519,903	$ 391,627	$ 12,463	$	$	$ 923,993
Income (loss) before income taxes, after minority interests	18,437	4,043	12,499		(26,640)	8,339
Minority interests, before taxes	2,401	779			(440)	2,740
Income (loss) before income taxes	$ 20,838	$ 4,822	$ 12,499	$	$ (27,080)	$ 11,079
Income tax expense						(3,733)
Income before minority interests						7,346
Minority interests						(2,506)
Net income						$ 4,840

(1) Includes results from acquisition on February 9, 2005 through February 28, 2005.

The following table represents sales by geographic segment:

	For the thirteen weeks ended	For the years ended

	For the thirteen weeks ended		For the years ended	
	March 27, 2005	March 28, 2004	December 26, 2004	December 26, 2004
			(adjusted)(1)	(historical)
	(In thousands)			
Net sales to unaffiliated customers:				
United States and its territories	$ 524,973	$ 519,903	$ 2,383,076	$ 2,383,076
United Kingdom	319,696	360,127	1,783,985	1,783,985
Canada	196,331	12,463	61,697	
Brazil	15,710			
Other foreign countries	7,435	31,500	77,058	138,755
Net sales	$ 1,064,145	$ 923,993	$ 4,305,816	$ 4,305,816

(1) Adjusted to reflect the new segment structure after the Merger.

The following table represents total assets by reporting segment:

	At March 27, 2005 (as restated)	At December 26, 2004
	(In thousands)	
United States	$ 1,483,113	$ 1,486,598
Europe	2,871,935	3,170,926
Canada	6,992,544	
Brazil	497,442	
Total assets	$ 11,845,034	$ 4,657,524

4. EARNINGS PER SHARE (EPS)

Basic and diluted net income (loss) per common share was determined using the calculations outlined below:

	Thirteen Weeks Ended	
	March 27, 2005 (as restated)	March 28, 2004
	(In thousands, except per share amounts)	
Net (loss) income	$ (34,184)	$ 4,840
Weighted average shares for basic EPS	63,106	36,664
Effect of dilutive securities:		
Stock options granted to employees		583
Restricted shares subject to repurchase excluded from basic EPS		30
Weighted average shares for diluted EPS	63,106	37,277
Basic EPS	$ (0.54)	$ 0.13
Diluted EPS	$ (0.54)	$ 0.13

The dilutive effects of stock options and restricted shares were determined by applying the treasury stock method, assuming we were to purchase common shares with the proceeds from stock option exercises. There were anti-dilutive stock options totaling 0.2 million and 2.2 million in the thirteen weeks ended March 27, 2005 and March 28, 2004, respectively, because their exercise prices were greater than the average fair market value of the Company's stock for the periods presented. Options to purchase an additional 0.8 million shares of common stock whose exercise prices were below the average fair market value of the Company's stock were excluded from the dilutive stock option calculation for the thirteen weeks ended March 27, 2005 due to the net loss.

5. SPECIAL CHARGES

In connection with the Merger and our related synergy goals, we have incurred charges in the first quarter of 2005 that are unusual to our operations. As such, we have separately classified these charges as Special operating expenses. By segment, the following items are included in Special Charges.

US Segment

The U.S. has recognized $7.4 million of special charges in the first quarter. $4.8 million of these charges related to accelerated depreciation and asset write-offs incurred in connection with our previously announced plans to close our Memphis facility over the next two years. The remaining

$2.6 million includes employee termination costs at our Golden facility, of which insignificant expenditures have been made as of March 27, 2005. In the first quarter, we estimated and began to accrue Memphis termination costs for salaried employees; however, termination benefits for our Memphis hourly employees are currently being negotiated with their union and have not been accrued as of March 27, 2005. Retention and severance costs for the Memphis employees will be accrued over the service period during which such benefits are earned by the employees. We may also pay an amount to the union pension plan when we withdraw our participation.

The Memphis closure is among the $175 million of synergies that we expect to achieve as a result of the Merger. Cost savings as a result of the closure are expected to range from $32 million to $35 million annually when the closure is complete currently anticipated at the end of 2006. Total costs to achieve these synergies will include $70 million 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.

Europe Segment

The Europe segment special item of $3.6 million consists of an impairment charge for brewing assets in the U.K.

Corporate Costs

Rights on Change in Control

The special charges shown above resulted primarily from costs associated with 12 Coors officers who elected to leave the Company following the Merger as a result of their exercising rights under change in control agreements. These costs included $18.3 million of severance and related cash benefits, $3.1 million of pension benefits, and $5.8 million of non-cash stock compensation expense associated with changes to these officers' stock options. The remaining special charges are associated primarily with one-time costs associated with the merger.

Coors had agreements with 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 had sole voting control of Coors, and as the Board of Directors of the merged company no longer had a majority of directors who were directors of Coors prior to the Merger. These agreements generally provided for continued compensation and benefits for a period of two years following the year of the change of control.

In addition, these employees were entitled to severance benefits if triggering events specified in the agreement occured. Upon a triggering event (such as the Merger), the officer would receive a multiple of annual salary and bonus and continued health, pension and life insurance benefits. For executives and officers who exercise their rights under the agreements, 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 offered retention benefits to employees covered by the change in control agreements (except for both Coors' then Chairman and Chief Executive Officer), in return for forfeiting their rights under the agreements. Twelve affected employees exercised their rights under the

change in control agreements. Corporate Special Charges include approximately $27.2 million accrued for departing employees under this plan. Costs of the retention plan are being recognized ratably over the period that the employees remain with the Company and earn their retention bonuses. These costs will be included in future operating results and will total approximately $7.2 million over a two-year period. The President/Chief Executive Officer and the Vice Chairman of the Board of Directors of Molson Coors Brewing Company remain parties to change in control agreements that existed prior to the Merger, which provide for a thirteen month period in which the executives can exercise their rights under the agreements.

The remaining $2.5 million of Special Charges consist of Merger-related costs that were incurred by Coors, but did not qualify for capitalization in purchase accounting.

6. EMPLOYEE RETIREMENT PLANS

We offer plans to substantially all our employees in the U.S., U.K. and Canada. As a result of the Merger, we added pension liabilities of approximately $260 million and annual pension expense of approximately $13.4 million, including the obligations existing at BRI, which is a joint venture we are required to consolidate under FIN 46R. The following summarizes our first quarter 2005 pension expense.

	Thirteen Weeks Ended: March 27, 2005			
	US Plans	UK Plan	Canadian Plans	Total
	(In thousands)			
Defined Benefit Plans				
Service cost	$ 5,223	$ 9,372	$ 3,529	$ 18,124
Interest cost	13,344	27,270	10,618	51,232
Expected return on plan assets	(15,016)	(33,685)	(11,345)	(60,046)
Amortization of prior service cost	1,366			1,366
Amortization of net loss	4,277	1,255		5,532
Less expected participant contributions		(2,775)	(537)	(3,312)
Net periodic pension cost	$ 9,194	$ 1,437	$ 2,265	$ 12,896
Other Postretirement Benefits				
Service cost benefits earned during the period	$ 507	$	$ 737	$ 1,244
Interest cost on projected benefit obligation	1,524		1,377	2,901
Amortization of prior service cost	(188)			(188)
Recognized net actuarial loss	448			448
Net periodic post-retirement benefit cost	$ 2,291	$	$ 2,114	$ 4,405

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	Thirteen Weeks Ended:		
	March 28, 2004		
	US Plans	UK Plan	Total
	(In thousands)		
Defined Benefit Plans			
Service cost	$ 5,277	$ 8,488	$ 13,765
Interest cost	13,355	25,212	38,567
Expected return on plan assets	(13,513)	(30,522)	(44,035)
Amortization of prior service cost	1,508		1,508
Amortization of transition obligation	59		59
Amortization of net loss (gain)	3,593	1,203	4,796
Less expected participant contributions		(2,333)	(2,333)
Net periodic pension cost	$ 10,279	$ 2,048	$ 12,327
Other Postretirement Benefits			
Service cost benefits earned during the period	$ 499	$	$ 499
Interest cost on projected benefit obligation	1,564		1,564
Amortization of prior service cost	(5)		(5)
Recognized net actuarial loss	192		192
Net periodic post-retirement benefit cost	$ 2,250	$	$ 2,250

We expect that contributions to the US plans during 2005 will be approximately $90.0 million (including supplemental executive plans). We expect to contribute approximately $87.7 million to the Canadian plans in 2005. We still expect to contribute approximately $37.1 million to the U.K. plan in 2005.

7. CHANGES IN EQUITY AND OTHER COMPREHENSIVE INCOME

The following summarizes the changes in our capital stock and paid-in capital accounts during the first three months of 2005:

	Common Shares Issued		Exchangeable Shares Issued		Common Stock Par		
	Class A	Class B	Class A	Class B	Class A	Class B	Paid-in Capital(1)
	(In thousands)						
Balances at December 26, 2004	1,260	36,392			$ 13	$ 364	$ 105,111
Shares issued in Merger	67	12,125	2,437	32,160		121	3,521,444
Shares exchanged	231	5,832	(399)	(5,664)	2	58	(60)
Shares issued under stock plans		882				9	49,852
Change in control equity benefit (Note 5)							5,828
Tax benefit from shares issued under stock plans							4,275
Balances at March 27, 2005	1,558	55,231	2,038	26,496	$ 15	$ 552	$ 3,686,450

(1) Includes Exchangeable Class A and B equity, as well as paid in capital.

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The following summarizes the changes in other comprehensive income during the first three months of 2005:

	Thirteen Weeks Ended	
	March 27, 2005 (as restated)	March 28, 2004
	(In thousands)	
Net (loss) income	$ (34,184)	$ 4,840
Other comprehensive income (loss):		
Foreign currency translation adjustments, net of tax	42,895	42,413
Currency effect on minimum pension liability	2,998	(3,446)
Unrealized gain (loss) on derivative instruments, net of tax	(3,021)	19,794
Reclassification adjustment derivative instruments, net of tax	(4,473)	(1,651)
Comprehensive income (loss)	$ 4,215	$ 61,950

8. VARIABLE INTEREST ENTITIES

FASB Interpretation No. 46R, Consolidation of Variable Interest Entities An Interpretation of ARB51 (FIN46R) 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 for all periods presented. These include Rocky Mountain Metal Container (RMMC), Rocky Mountain Bottle Company (RMBC) and Grolsch (UK) Limited (Grolsch). We have also consolidated Brewers Retail Inc. (BRI), a joint venture in which Molson participates in Ontario province, effective with the Merger on February 9, 2005.

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.

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. As of March 27, 2005, The Company is the guarantor of approximately $40 million of RMMC debt.

Grolsch

Grolsch is a joint venture between CBL and Royal Grolsch NV 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 NV 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.

Brewers' Retail Inc. (BRI)

BRI is a joint venture beer distribution network for the Ontario region, owned by Molson, Labatt and Sleeman brewers. Ownership percentages fluctuate with sales volumes. At March 27, 2005, Molson's ownership percentage was approximately 52%. BRI operates on a breakeven basis and does not generally have income or loss. The three owners guarantee on a proportional basis to ownership, BRI's debt and pension liabilities, which were $177.5 million and $50.3 million, respectively, at March 27, 2005.

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.

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

	Thirteen Weeks Ended March 27, 2005			Thirteen Weeks Ended March 28, 2004		
	Total Assets	**Sales**	**Pre-tax Income**	**Total Assets**	**Sales**	**Pre-tax Income (loss)**
		(In thousands)			**(In thousands)**	
Grolsch(1)	$ 25,645	$ 8,588	$ 1,237	$ 27,742	$ 12,309	$ 1,896
RMBC(1)	$ 55,089	$ 21,208	$ 3,045	$ 45,102	$ 21,478	$ 4,932
RMMC(1)	$ 78,688	$ 43,379	$ 956	$ 78,377	$ 43,120	$ (520)
BRI(2)	$ 276,390	$ 18,788				

(1) Substantially all such sales are made to the Company, and as such, are eliminated in consolidation.

(2) BRI results from February 9, 2005, the date of the Merger.

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9. GOODWILL AND OTHER INTANGIBLES

The following table presents details of our intangible assets, other than goodwill, as of March 27, 2005:

	Useful Life	Gross	Accumulated Amortization	Net
	(Years)		(In millions)	
Intangible assets subject to amortization:				
Brands	3-20	$ 341.1	$ (53.3)	$ 287.8
Distribution rights	2-10	416.6	(21.0)	395.6
Patents and technology and distribution channels	3-10	30.8	(11.7)	19.1
Other	5-34	16.3	(9.2)	7.1
Intangible assets not subject to amortization:				
Brands	Indefinite	3,011.1		3,011.1
Pension	N/A	34.7		34.7
Distribution networks	Indefinite	699.4		699.4
Other	Indefinite	28.4		28.4
Total		$ 4,578.4	$ (95.2)	$ 4,483.2

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

	Useful Life	Gross	Accumulated Amortization	Net
	(Years)		(In millions)	
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

Based on average foreign exchange rates for the thirteen weeks ended March 27, 2005, the estimated future amortization expense of intangible assets is as follows:

Fiscal Year	Amount
	(In millions)
2005 Remaining	$ 62.0
2006	$ 74.7
2007	$ 70.4
2008	$ 70.0
2009	$ 70.0

Amortization expense of intangible assets was $11.6 million and $6.5 million for the thirteen weeks ended March 27, 2005 and March 28, 2004, respectively

As of March 27, 2005, goodwill was allocated between our reportable segments as follows (as restated):

Segment	Amount (In millions)
U.S.	$ 271.3
Europe	861.2
Canada	1,604.9
Brazil	125.0
Total	$ 2,862.4

The following summarizes the change in goodwill during the first quarter 2005 (in millions) (as restated):

Balance at December 26, 2004	$ 890.8
Acquisition of Molson Inc.	1,754.9
Adjustment of deferred tax asset related to CBL acquisition (Note 1)	142.0
Reclassification of goodwill from MUSA	64.9
Impact of currency exchange and other	9.8
Balance at March 27, 2005	$ 2,862.4

As discussed in Note 2, we preliminarily allocated $1,754.9 million to goodwill as a result of the Merger. As we are still valuing significant assets and liabilities acquired in the Merger, goodwill and other intangible asset allocations shown above are subject to change. See Note 2 for the detailed listing of current values assigned to Molson and Brazil intangibles and goodwill.

10. DEBT

Our total long-term borrowings as of March 27, 2005, and December 26, 2004, were composed of the following:

	As of	
	March 27, 2005	**December 26, 2004**
	(In thousands)	
Short-term borrowings(1)(4)	$ 897,067	$ 12,500
Senior notes(2)	$ 849,791	$ 856,971
Commercial paper(3)	140,737	
Credit facility(5)	509,769	
Other notes payable(6)	246,371	62,735
Total long-term debt (including current portion)	1,746,668	919,706
Less: current portion of long-term debt	(25,062)	(26,028)
Total long-term debt	$ 1,721,606	$ 893,678

(1) Our short-term borrowings consist of various uncommitted lines of credit, short-term bank loans, overdraft facilities and a bridge loan facility as summarized below:

	Outstanding balance at	
	March 27, 2005	**December 26, 2004**
	(In millions)	
Bridge Loan [See (4) below]	$ 877.0	$
US Dollar Lines of Credit		
Two lines totaling $50 million	$	$ 12.5
Interest rates	3.40%	2.95%
Great British Pound Lines of Credit		
Three lines totaling 30 million GBP ($56.1 million)	$	$
Interest rates	5.30%	5.54%
Japanese Yen Lines of Credit		
Two lines totaling 1.1 billion Yen ($10.3 million)	$	$
Interest rates	1.00%	1.00%
Canadian bank overdrafts	$ 6.3	$
Brazil short-term bank loans	$ 13.8	$
Interest rates	20.00%	
Total short-term borrowings	$ 897.1	$ 12.5

(2)

On May 7, 2002, CBC completed a placement of $850 million principal amount of $6^{3}/_{8}$% 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 are guaranteed by Molson Coors Brewing Company and certain subsidiaries. Net proceeds from the sale of the notes, after deducting estimated expenses and underwriting fees, were approximately $841 million.

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 March 27, 2005, we were in compliance with all of these restrictions.

(3)

In June 2003, we issued approximately $300 million in commercial paper. At March 27, 2005, and December 26, 2004, we had $140.7 million and $0.0 million outstanding, respectively. All of our commercial paper balance is classified as long-term as of March 27, 2005 and is backstopped by our five-year credit facility. As of March 27, 2005, and December 26, 2004, the interest rates on our commercial paper borrowings ranged from 2.3% to 2.84%, with a weighted average of 2.65%; and from 1.18% to 2.40%, with a weighted average of 1.50%, respectively. As of March 27, 2005, $141 million of our total $1.4 billion unsecured committed credit arrangement was being used as a backstop for our commercial paper program [see (5) below]. This line of credit has a five-year term expiring 2010.

(4)

In February 2005, we entered into a $1.3 billion bridge loan credit facility available in both Canadian Dollars and Euros, which was initially used to re-finance the payment of the special dividend debt incurred by Molson immediately prior to the Merger and to refinance various issues of Molson's existing debt. See Note 2. The bridge loan borrowings accrue interest at variable rates, which are indexed to the CDOR (Canadian Depository Overnight Rates), plus a spread based on Molson Coors' long-term bond rating. At March 27, 2005, the interest rate on outstanding borrowing was 3.04% and we had $877 million outstanding. The bridge loan credit facility expires in February 2006.

(5)

In March 2005, we entered into a $1.4 billion revolving multicurrency bank credit facility, which was used to refinance the special dividend debt and a portion of the bridge loan credit facility [see (4) above]. Draws against the credit facility accrue interest at variable rates, which are based upon CDOR, plus a spread based upon Molson Coors' long-term bond rating and facility utilization. At March 27, 2005, the average effective interest rate for all borrowings outstanding was 3.02% and we had $509.8 million outstanding. The credit facility expires in March 2010. We plan to replace this facility with long-term debt.

(6)

Other notes payable consist of the following:

	Outstanding balance at	
	March 27, 2005	December 26, 2004
Note payable, denominated in		
Euros	$ 20.9	$ 21.8
Interest rate	5.39%	5.39%
Maturity	October 2005	October 2005
Note payable issued by		
RMMC joint venture (See note 8)	$ 40.9	$ 40.9
Interest rate	7.20%	7.20%
Maturity	December 2013	December 2013
Notes payable issued by		
BRI joint venture, denominated in Canadian dollars (See Note 8)	$ 161.3	$
Plus: premium	$ 16.3	$
Interest rate	7.50%	7.50%
Maturity	June 2011	
Notes payable issued by Kaiser		
In Reals	$ 7.0	$
Interest rate	14.0%	
Maturity	December 2008 and June 2009	
Total other notes payable	$ 246.4	$ 62.7

11. INCOME TAXES

Our effective tax rate for the first quarter is based on the estimated purchase accounting for the merger with Molson and may be adjusted as the purchase accounting is finalized. For example, based on first quarter estimates, a change of $8.7 million in amortization for U.S. GAAP purposes would change the effective tax rate by 1%. Consistent with our proxy statement circulated to stockholders in connection with the Merger, our effective tax rate reflects our intention to file a section 338 election with respect to the merger of Molson and Coors, allowing Coors (the accounting acquirer) to treat the purchase of Molson (the acquired company) as an asset acquisition. This election allows Coors to obtain a stepped-up basis in Molson's assets, resulting in depreciation and amortization charges based upon the fair values of the related assets.

Our first quarter effective tax rate, as restated, was 32.4%, compared to 33.7% a year ago. At the time of the filing of these restated interim financial statements, we anticipate that our full year 2005 effective tax rate will be in the range of 38%-42%, due in large part to losses in a foreign jurisdiction for which no tax benefit can be recognized. Our tax rate is volatile and may move up or down with changes in, among other items, the amount and source of income or loss, our ability to utilize foreign tax credits, the results of our purchase accounting and changes in the earnings and profits of our foreign subsidiaries.

We are evaluating the impact of the repatriation provisions of Section 965 of the Internal Revenue Code, but we do not expect that they will have a material impact on our tax expenses.

12. CONTINGENCIES

Merger

Kaiser is party to a number of claims from the Brazilian tax authorities involving federal excise (IPI), social contribution (PIS and COFINS) and value-added state (ICMS) taxes. We have made a preliminary evaluation of these contingencies as part of our allocation of the purchase price following the merger, resulting in a recorded estimated liability of $176 million. An additional $65 million of claims has been specifically identified for further evaluation as to the probability of loss. Beyond these amounts, there are $273 million of claims whose probability of loss was considered remote. We intend to evaluate in detail the legal issues involved in these pre-acquisition contingencies during the allocation period. It is possible that actual amounts payable resulting from assessments by tax authorities could be materially different from the liabilities recorded.

Molson sold the Montreal Canadiens professional hockey club to a purchaser in 2001. Molson maintained a 19.9% common ownership interest in the team, as well as a preferred interest, redeemable in 2009. The shareholders of the club (the purchaser and Molson) and the National Hockey League (NHL) are parties to a consent agreement, which requires the purchaser and Molson to abide by funding requirements included in the terms of the shareholders' agreement. In addition, Molson has given certain undertakings to the lenders of the purchaser of the Canadiens and the Bell Centre (formerly the Molson Centre), such that in the event that the Canadiens and the purchaser are not able to meet their obligations, or in the event of a default, Molson shall 1) provide adequate support to the purchaser through necessary cash payments so that the purchaser would have sufficient funds to meet its debt obligations, and 2) exercise control of the entity which owns the hockey club and the entertainment business at predetermined conditions, subject to NHL approval. The obligations of the purchaser to such lenders were $75.5 million at March 27, 2005. As part of the sale transaction, Molson reaffirmed an existing guarantee of the purchaser's payment obligations on a 99-year lease arrangement (which began in 1993) related to the land upon which the Bell Centre has been constructed. Annual lease payments in 2004 were Cdn. $2.4 million, and are based on prevailing interest rates and changes in the consumer price index. Our evaluation of these issues for the purpose of allocating purchase price is preliminary as of March 27, 2005. See Note 2.

Litigation and Other Disputes

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

Several years ago, CBL replaced a Bass-specific incentive plan with a new plan. A section of the CBL workforce made a claim to an employee tribunal for non-payment under the replacement plan in 2003. CBL was advised orally on April 22, 2005 that the employee tribunal had ruled in favor of the employee group. It is likely that CBL will appeal the initial ruling. We have estimated the potential cost of this action, if ultimately upheld against the Company to be approximately $1 million.

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.

13. PUB DISPENSE EQUIPMENT OUTSOURCING AGREEMENT

CBL entered into an agreement with two other UK brewers, Scottish Courage Ltd. and Carlsberg UK Ltd., in August 2004, to create a joint venture to outsource the management and servicing of the three brewers' on-trade dispense equipment. The agreement was subject to the approval of the Office of Fair Trading (OFT). While the OFT previously approved a similar agreement between Scottish Courage Ltd. and Carlsberg UK Ltd., the addition of CBL to the venture prompted the OFT to refer the case to the UK Competition Commission. As a result, the agreements between CBL and the other two brewers regarding the joint venture were voided. In March, 2005, the UK Competition Commission concluded that CBL would not be allowed to outsource its dispense equipment management and servicing to the joint venture.

14. DERIVATIVES

Upon the Merger, we added various derivative instruments held by Molson and Kaiser that hedged currency, commodity and interest rate risk in a similar manner as Coors. Certain Molson interest rate swaps were unwound before the Merger occurred. Additionally, interest rate swaps held by BRI and corn derivatives held by Molson do not qualify for hedge accounting under SFAS 133. All other Molson and Kaiser derivative instruments since the Merger have been accounted for in accordance with US GAAP and Coors' derivative policies. Please refer to the Annual Report on Form 10-K filed by Coors with the SEC for the fiscal year ended December 26, 2004 for a description of Coors' derivative policies.

15. SUBSEQUENT EVENTS

Departure of Principal Officer

Daniel J. O'Neill, Vice-Chairman, Synergies and Integration will leave the Company in May of this year. Under the terms of a separation agreement, Mr. O'Neill will receive about $4.5 million in cash compensation, consisting of three years of salary and a special bonus. Mr. O'Neill's 288,000 stock options with an option price of about $68 per share, and 18,000 restricted shares will vest at such time if vesting restrictions are satisfied.

16. SUPPLEMENTAL GUARANTOR INFORMATION

On May 7, 2002, a wholly owned subsidiary of ours, CBC (Issuer), completed a debt offering of $850 million principal amount of 6 3/8% Senior notes due 2012. The notes were 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.

In connection with the bridge facility (Note 2) we entered into subsequent to the Merger, certain of our subsidiaries that did not originally guarantee the obligations under the notes, but which guarantee obligations under the bridge facility, subsequently guaranteed obligations under the notes.

The following information sets forth our Condensed Consolidating Balance Sheets as of March 27, 2005, and December 26, 2004, and the Condensed Consolidating Statements of Operations for the thirteen weeks ended March 27, 2005, and March 28, 2004, and the Condensed Consolidating Statements of Cash Flows for the thirteen weeks ended March 27, 2005, and March 28, 2004. 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 eliminations 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.

MOLSON COORS BREWING COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS

FOR THE THIRTEEN WEEKS ENDED MARCH 27, 2005 (AS RESTATED)
(IN THOUSANDS, UNAUDITED)

	Parent Guarantor	Issuer of Notes	Subsidiary Guarantors	Subsidiary Non Guarantors	Eliminations	Consolidated
Sales	$	$ 543,896	$ 30,766	$ 854,775	$	$ 1,429,437
Excise taxes		(83,519)	(403)	(281,370)		(365,292)
Net sales		460,377	30,363	573,405		1,064,145
Cost of goods sold		(293,388)	(24,536)	(382,190)		(700,114)
Equity in subsidiary earnings	(33,856)	34,773			(917)	
Gross profit	(33,856)	201,762	5,827	191,215	(917)	364,031
Marketing, general and administrative	(191)	(166,968)	(5,374)	(171,488)		(344,021)
Special charges	(5,828)	(31,174)		(3,698)		(40,700)
Operating income (loss)	(39,875)	3,620	453	16,029	(917)	(20,690)
Interest income				3,576		3,576
Interest income (expense), net	6,903	(7,137)	(1,021)	(24,148)		(25,403)
Other income (expense)	(1,141)	(21,306)	37,416	(20,843)		(5,874)
Income (loss) before income taxes	(34,113)	(24,823)	36,848	(25,386)	(917)	(48,391)
Income tax (expense) benefit	(71)	(16,420)	10,152	22,032		15,693
Income (loss) before minority interest	(34,184)	(41,243)	47,000	(3,354)	(917)	(32,698)
Minority interest				(1,486)		(1,486)
Net income (loss)	$ (34,184)	$ (41,243)	$ 47,000	$ (4,840)	$ (917)	$ (34,184)

FOR THE THIRTEEN WEEKS ENDED MARCH 28, 2004
(IN THOUSANDS, UNAUDITED)

	Parent Guarantor	Issuer of Notes	Subsidiary Guarantors	Subsidiary Non Guarantors	Eliminations	Consolidated
Sales	$	$ 551,132	$ 30,633	$ 653,405	$	$ 1,235,170
Beer excise taxes		(86,747)	(356)	(224,074)		(311,177)
Net sales		464,385	30,277	429,331		923,993
Cost of goods sold		(299,282)	(23,981)	(288,481)		(611,744)
Equity in subsidiary (loss) earnings	(2,557)	20,886			(18,329)	
Gross profit (loss)	(2,557)	185,989	6,296	140,850	(18,329)	312,249
Marketing, general and administrative	(133)	(165,259)	(7,898)			