

COORS ADOLPH CO  
Form PRER14A  
December 01, 2004

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

**SCHEDULE 14A**

Proxy Statement Pursuant to Section 14(a) of  
the Securities Exchange Act of 1934

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, For Use of the Commission Only (as permitted by Rule 14(a)-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

**ADOLPH COORS COMPANY**

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(Name of Registrant as Specified in its Charter)

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(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

(1) Title of each class of securities to which transaction applies:  
Class A non-voting shares of Molson Inc. (including associated options)

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Class B common shares of Molson Inc.

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(2)

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Aggregate number of securities to which transaction applies:

113,716,607 Class A non-voting shares of Molson Inc. (including shares issuable upon exercise of outstanding options to purchase Class A non-voting shares), which represents the number of such shares to be exchanged, in a series of transactions, for shares representing interests in the combined company pursuant to the Combination Agreement (the "Combination Agreement"), dated July 21, 2004, as amended, by and among Adolph Coors Company, Molson Coors Canada Inc. and Molson Inc.

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19,856,822 Class B common shares of Molson Inc., which represents the number of such shares to be exchanged, in a series of transactions, for shares representing interests in the combined company pursuant to the Combination Agreement

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- (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

\$25.71 per Class A non-voting share of Molson Inc., which is the average of the high and low sales prices reported on the Toronto Stock Exchange for such shares on September 13, 2004, converted to U.S. dollars by applying the exchange rate on such date, which was 0.7692 U.S. dollars for each Canadian dollar (the "Exchange Rate")

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\$25.79 per Class B common share of Molson Inc., which is the average of the high and low sales prices reported on the Toronto Stock Exchange for such shares on September 13, 2004, converted to U.S. dollars by applying the Exchange Rate

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- (4) Proposed maximum aggregate value of transaction:

\$3,436,728,815, which is the maximum value calculated pursuant to Rule 0-11 of the Exchange Act of 1934, as amended

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- (5) Total fee paid:  
\$435,434
- 

ý Fee paid previously with preliminary materials.

o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

- (1) Amount previously paid:

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- (2) Form, Schedule or Registration Statement No.:

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- (3) Filing Party:

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- (4) Date Filed:

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, 2004

Dear Molson shareholders and optionholders and Coors stockholders:

Enclosed are proxy materials with important facts about the proposed merger of equals of Molson Inc. and Adolph Coors Company and why we believe the merger is the right decision for both companies. Since the completion of the merger transaction requires approval of Molson shareholders and Coors stockholders, **YOUR VOTE IS IMPORTANT**. Molson optionholders will vote separately on the exchange of their options for options of the combined company and not on the merger transaction itself. We urge you to read the enclosed materials carefully and to promptly vote by following the instructions shown on the appropriate enclosed proxy card.

The Molson and Coors boards of directors have concluded that this combination offers significant achievable benefits to our shareholders and builds on the solid existing business relationship between Molson and Coors. Each board recommends that you vote **FOR** the merger transaction.

The merger will create one of the world's largest brewers, Molson Coors Brewing Company, with the operational scale and financial strength necessary to compete more effectively in today's consolidating market. Together, we would be the world's fifth largest brewing company by volume, with pro forma combined annual beer sales of 60 million hectoliters, or 51 million barrels, for the year ended December 28, 2003 and a strong foundation of established brands in four of the world's top ten beer markets. We estimate that Molson's former shareholders and Coors' stockholders will own approximately 55% and 45%, respectively, of the outstanding economic interest in the combined company upon completion of the merger transaction. In addition, Molson Class A non-voting and Class B common shareholders, excluding Pentland Securities (1981), Inc., a company owned by Eric Molson and Stephen Molson, will receive a special dividend of Cdn.\$3.26 per share, or a total of approximately Cdn.\$381 million (U.S.\$316 million as of \_\_\_\_\_), payable by Molson in connection with the plan of arrangement to Molson shareholders of record at the close of business on the last trading day immediately prior to the date of closing of the merger transaction. In the interest of demonstrating its support for the merger transaction, Pentland has waived any participation in the special dividend. Had Pentland not waived participation in the special dividend, the special dividend to be declared would have been Cdn.\$3.00 per share instead of Cdn.\$3.26 per share. No additional merger premium will be paid to either company's shareholders.

We expect annual cost savings resulting from the merger of approximately U.S.\$50 million and U.S.\$90 million in the first and second years, respectively, following the merger. Thereafter, we expect annual cost savings resulting from the merger of approximately U.S.\$175 million.

We will build an enhanced growth platform, balance sheet and cash flow to fund future investment. The combined company will be able to make targeted investments in support of key brands and key markets, renewed investments in product innovations and disciplined capital improvements to drive productivity growth.

Both Molson and Coors have long-standing heritages in the brewing industry, but more is needed in today's increasingly global and highly dynamic brewing market. Together we can build a stronger, more adaptable company with the necessary scope, scale and financial strength to meet the challenges of a fast-changing industry.

**We urge you to vote FOR the merger by promptly submitting your proxy by signing, dating and returning the appropriate enclosed proxy card in the postage-paid envelope provided, or alternatively, if you are a Molson shareholder or optionholder, voting by telephone or via the Internet as described in the easy instructions included on your proxy card.** Returning the proxy does not deprive you of your right to attend the special meeting and to vote your shares in person. Thank you for your consideration of this matter and your continued support.

Sincerely,

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Daniel J. O'Neill  
President and Chief Executive Officer  
Molson Inc.

W. Leo Kiely III  
President and Chief Executive Officer  
Adolph Coors Company

If you are a Molson shareholder or optionholder with questions about the merger transaction  
or about how to submit your vote, please call Innisfree M&A Incorporated toll-free at:

877-825-8772 (English speakers)

877-825-8777 (French speakers)

(Banks and brokers may call collect at 212-750-5833).

If you are a Coors stockholder with questions about the merger transaction  
or about how to submit your vote, please call Georgeson Shareholder Communications Inc. toll-free at:  
888-897-6020.

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**MOLSON INC.**  
**1555 NOTRE DAME STREET EAST**  
**4<sup>th</sup> FLOOR**  
**MONTRÉAL, QUÉBEC, CANADA, H2L 2R5**

**NOTICE OF SPECIAL MEETING OF SHAREHOLDERS OF MOLSON INC.**  
**TO BE HELD ON \_\_\_\_\_, 2005**

A special meeting of the holders of Class A non-voting shares and Class B common shares of Molson Inc. ("Molson") will be held at \_\_\_\_\_, 2005 at \_\_\_\_\_ (Montréal time) for the following purposes:

1. To consider, pursuant to an interim order of the Superior Court, District of Montréal, Province of Québec dated \_\_\_\_\_, 2004, and, if deemed advisable, to pass, with or without variation, a special resolution to approve an arrangement under Section 192 of the Canada Business Corporations Act to effect the combination of Molson and Adolph Coors Company ("Coors").
2. To transact other business that may properly come before the special meeting or any adjournment or postponement of the special meeting.

The arrangement is described in the attached document, which serves as (i) a management information circular in connection with Molson management's solicitation of proxies, and (ii) a proxy statement in connection with Coors' solicitation of proxies for the amendment of Coors' certificate of incorporation and the issuance of shares of common stock in connection with the arrangement. The full text of the Molson shareholders resolution is set forth as Annex A-I to the attached document. Molson's notice of application for the interim order and for a final order approving the arrangement and the full text of the interim order are set forth as Annex C to the attached document.

In accordance with the interim order referred to above, registered holders of Class A non-voting shares or Class B common shares of Molson may dissent from the arrangement. If the arrangement becomes effective, dissenting Molson shareholders will be entitled to be paid the fair value of their shares. Failure to comply strictly with the applicable dissent procedures may result in the loss or unavailability of any right to dissent.

The record date for receiving notice of, and voting securities at, the Molson special meeting is November 22, 2004. If you were a registered shareholder of Molson at the close of business on the record date, you are entitled to vote at the special meeting. If you are a non-registered holder of Molson shares, please read the instructions from your broker or other intermediary regarding how to vote your Molson shares.

Your vote is important. Whether or not you plan to attend the special meeting in person, you are urged to complete, sign, date and return the appropriate enclosed form of proxy to Molson or vote by telephone or via the Internet as indicated in your proxy form.

By Order of the Board of Directors

Eric H. Molson  
Chairman of the Board  
, 2004

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**MOLSON INC.**  
**1555 NOTRE DAME STREET EAST**  
**4<sup>th</sup> FLOOR**  
**MONTRÉAL, QUÉBEC, CANADA, H2L 2R5**

**NOTICE OF MEETING OF OPTIONHOLDERS OF MOLSON INC.**  
**TO BE HELD ON \_\_\_\_\_, 2005**

A meeting of the holders of options to purchase Class A non-voting shares of Molson Inc. ("Molson") will be held in the John Molson Room located at 1670 Notre-Dame Street East, Montréal, Québec, on \_\_\_\_\_, 2005 at \_\_\_\_\_ (Montréal time) for the following purposes:

1. To consider, pursuant to an interim order of the Superior Court, District of Montréal, Province of Québec dated \_\_\_\_\_, 2004, and, if deemed advisable, to pass, with or without variation, a Molson optionholders resolution to approve those provisions of the arrangement under Section 192 of the Canada Business Corporations Act which effect the exchange of options to purchase Class A non-voting shares of Molson for options to purchase shares of Class B common stock of Molson Coors Brewing Company.
2. To transact other business that may properly come before the meeting or any adjournment or postponement of the meeting.

The arrangement is described in the attached document, which serves as (i) a management information circular in connection with Molson management's solicitation of proxies, and (ii) a proxy statement in connection with Coors' solicitation of proxies for the amendment of Coors' certificate of incorporation and the issuance of shares of common stock in connection with the arrangement. The full text of the Molson optionholders resolution is set forth as Annex A-II to the attached document. Molson's notice of application for the interim order and for a final order approving the arrangement and the full text of the interim order are set forth as Annex C to the attached document.

The record date for receiving notice of, and voting securities at, the meeting of optionholders is November 22, 2004. If you were an optionholder of Molson at the close of business on the record date, you are entitled to vote at the meeting.

Your vote is important. Whether or not you plan to attend the meeting in person, you are urged to complete, sign, date and return the appropriate enclosed form of proxy to Molson or vote by telephone or via the Internet as indicated in your proxy form.

By Order of the Board of Directors

Eric H. Molson  
Chairman of the Board  
, 2004

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**ADOLPH COORS COMPANY**

311 10<sup>th</sup> Street  
Golden, Colorado 80401

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**NOTICE OF SPECIAL MEETING OF STOCKHOLDERS TO BE HELD ON \_\_\_\_\_, 2005**

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To our stockholders:

You are cordially invited to attend a special meeting of stockholders of Adolph Coors Company ("Coors"), which will be held at \_\_\_\_\_ (Denver time), on \_\_\_\_\_, 2005 at Coors Brewing Company in the Sixth Floor Auditorium in the Brewery Complex, 1<sup>st</sup> and Ford Streets, Golden, Colorado 80401 to consider and vote on:

a proposal to adopt a restated certificate of incorporation of Coors in the form attached as Annex G to the enclosed document, which we refer to as the charter amendment proposal, such approval to include, among other things, the following proposals:

1. to change the company's name to "Molson Coors Brewing Company" from "Adolph Coors Company";
2. to increase the number of authorized shares of Class A common stock and Class B common stock to 500,000,000 for each class;
3. to authorize the creation of one share each of special Class A voting stock and special Class B voting stock, through which the holders of Class A exchangeable shares and Class B exchangeable shares described in this proxy statement, respectively, will exercise their voting rights with respect to the combined company;
4. to include additional governance and corporate actions among the actions requiring the approval of the holders of the Class A common stock and the special Class A voting stock (acting upon the instructions of the holders of Class A exchangeable shares), voting as a single class;
5. to provide that no dividend may be declared or paid on the Class A common stock or Class B common stock unless an equal dividend is declared or paid on the Class B common stock or Class A common stock, as applicable;
6. to provide that shares of Class A common stock will be convertible at the election of the holder into shares of Class B common stock;
7. to provide that shares of Class B common stock will be convertible into shares of Class A common stock in limited circumstances relating to specified offers which are not made to holders of Class B common stock;
8. to provide that holders of the Class B common stock and the special Class B voting stock (acting upon the instructions of the holders of Class B exchangeable shares), voting as a single class, will be entitled to elect three members of the Molson Coors board of directors;
- 9.

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to provide for a nominating committee, related nominating procedures and procedures for filling vacancies on the Molson Coors board of directors not previously provided for in the existing Coors certificate of incorporation;

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10. subject to the right of the holders of Class B common stock and special Class B voting stock (acting upon the instructions of the holders of Class B exchangeable shares) to vote on any charter amendment to increase or decrease the authorized number of shares of Class B common stock, to provide that the number of authorized shares of any class of stock of Molson Coors may be increased or decreased by the affirmative vote of the holders of Class A common stock and special Class A voting stock (acting upon the instructions of the holders of Class A exchangeable shares), voting together as a single class;
11. to provide that the size of the Molson Coors board of directors shall be determined by resolution of the Molson Coors board of directors in accordance with the bylaws;
12. to provide that (i) any director may be removed, with cause, by a vote of holders of a majority of the voting power of the Class A common stock, special Class A voting stock (acting upon the instructions of the holders of Class A exchangeable shares), Class B common stock and special Class B voting stock (acting upon the instructions of the holders of Class B exchangeable shares), voting together as a single class and (ii) any director may be removed, without cause, by a vote of the holders of a majority of the voting power of the class or classes that elected the director;
13. to provide that the power of the Molson Coors board of directors to amend the Molson Coors bylaws may be limited by a provision of the bylaws in effect as of the date of the filing of the restated certificate of incorporation of Molson Coors; and
14. to provide that, except as otherwise provided in the bylaws, Molson Coors shall be required to indemnify a person otherwise entitled to indemnification pursuant to the Molson Coors restated certificate of incorporation in connection with a proceeding commenced by such person only if the commencement of such proceeding was authorized by the Molson Coors bylaws, any written agreement between such person and Molson Coors, or in the specific case by the Molson Coors board of directors;

a proposal to approve the issuance, which we refer to in this document as the Coors share 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) as contemplated by the combination agreement, dated as of July 21, 2004, as amended, by and among Coors, Molson Coors Canada Inc. and Molson Inc., which agreement is attached as Annex B to the attached document, and the plan of arrangement referred to in that agreement, a form of which is attached as Annex D to the attached document; and

any other matters as may properly come before the special meeting and any adjournment or postponement of the special meeting, including any proposal to adjourn the meeting to solicit additional proxies in favor of the foregoing proposals.

All of the proposed amendments to the certificate of incorporation and the Coors share issuance are described in the attached document, which serves as (i) a proxy statement under applicable U.S. securities laws in connection with Coors' solicitation of proxies, and (ii) a management information circular for Molson in connection with the combination of Molson and Coors.

The record date for receiving notice of, and voting shares at, the Coors special meeting is November 22, 2004. At the special meeting or any adjournment or postponement of the special meeting, holders of record of shares of Class A common stock and Class B common stock of Coors at the close of business on the record date are entitled to vote, as separate classes, with respect to the charter amendment proposals set forth in the first bullet point and proposal nos. 2 to 8, 10 and 12. The holders of record of shares of Class A common stock of Coors at the close of business on the record date are entitled to vote with respect to proposal nos. 1, 9, 11, 13 and 14, the Coors share issuance and other matters as may come before the special meeting and/or any adjournment or postponement thereof.

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None of the proposed amendments to the existing certificate of incorporation of Coors or the proposed Coors share issuance will be implemented unless all are approved and the merger transaction is completed.

Your vote is important. Whether or not you plan to attend the special meeting, you are urged to complete, date, sign and return the enclosed proxy in the accompanying envelope in accordance with the instructions included with the proxy card. If your shares are held by a broker or other intermediary, please read the instructions from your broker or other intermediary regarding how to vote your Coors shares.

By Order of the Board of Directors

Peter H. Coors  
Chairman

Golden, Colorado  
, 2004

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MOLSON INC.  
1555 NOTRE DAME STREET EAST  
4<sup>th</sup> FLOOR  
MONTRÉAL, QUÉBEC H2L 2R5  
(514) 521-1786

ADOLPH COORS COMPANY  
311 10<sup>th</sup> STREET  
GOLDEN, COLORADO 80401  
(303)

JOINT PROXY STATEMENT/MANAGEMENT INFORMATION CIRCULAR

, 2004

This document is being furnished to shareholders and optionholders of Molson Inc., a corporation incorporated under the laws of Canada, in connection with the solicitation of proxies by management of Molson for use at the special meeting of the Molson shareholders, to be held at \_\_\_\_\_, on \_\_\_\_\_, 2005 at \_\_\_\_\_ (Montréal time), the separate meeting of Molson optionholders, to be held in the John Molson Room located at 1670 Notre-Dame Street East, Montréal, Québec, on \_\_\_\_\_, 2005 at \_\_\_\_\_ (Montréal time) and any adjournment or postponement of these meetings.

This document is also being furnished to holders of common stock of Adolph Coors Company, a Delaware corporation, in connection with the solicitation of proxies by the board of directors of Coors for use at the special meeting of Coors stockholders to be held at Coors Brewing Company in the Sixth Floor Auditorium in the Brewery Complex, 12<sup>th</sup> and Ford Streets, Golden, Colorado 80401, on \_\_\_\_\_, 2005 at \_\_\_\_\_ (Denver time), and any adjournment or postponement of the special meeting.

Our respective boards of directors unanimously recommend a merger-of-equals transaction between Molson and Coors under which, among other things:

Adolph Coors Company will change its name to "Molson Coors Brewing Company" and amend its certificate of incorporation and bylaws to implement the proposed merger transaction, including amending the terms of Coors common stock and adding a right for the holders of Molson Coors Class B common stock and special Class B voting stock to elect three directors;

Molson Class A non-voting and Class B common shareholders, other than Pentland Securities (1981), Inc., a company owned by Eric Molson and Stephen Molson, and its subsidiaries, which we refer to collectively as Pentland in this document, will receive a special dividend of Cdn.\$3.26 per share, payable by Molson in connection with the plan of arrangement to Molson shareholders of record at the close of business on the last trading day immediately prior to the date of closing of the merger transaction. In the interest of demonstrating its support for the merger transaction, Pentland has waived any participation in the special dividend;

each Molson share will, through a series of exchanges, be exchanged for the equivalent of 0.360 of a share of Molson Coors common stock and/or exchangeable shares of Molson Coors Canada Inc., a subsidiary of Molson Coors, as described in the enclosed document; and

Coors stockholders will retain their shares, which will remain outstanding as shares of Molson Coors.

This document and the accompanying form of proxy and letter of transmittal will first be mailed to shareholders and optionholders of Molson and stockholders of Coors on or about \_\_\_\_\_, 2004 and is dated \_\_\_\_\_, 2004. You should not assume that the information contained in this document is accurate as of any date other than that date, and the mailing of this document to you does not create any implication to the contrary.

***Please see the section entitled "Risk Factors" beginning on page 47 for considerations relevant to approval of the resolution and proposals to be considered at the Molson and Coors special meetings and an investment in the securities referred to in this document.***

*The securities to be issued in connection with the merger transaction described in this document have not been approved or disapproved by the U.S. Securities and Exchange Commission or any securities regulatory authority of any state of the United States or province or territory of Canada, nor has the U.S. Securities and Exchange Commission or any securities regulatory authority of any state of the United States or province or territory of Canada passed on the adequacy or accuracy of this document. Any representation to the contrary is a criminal offense.*

The information concerning Coors contained or incorporated by reference in this document, including the attached annexes, has been provided by Coors, and the information concerning Molson contained or incorporated by reference in this document, including the attached annexes, has been provided by Molson. The information concerning Coors and Molson after the completion of the combination of the two companies and the information used to derive the pro forma financial information has been provided jointly by Coors and Molson.

You should rely only on the information contained or incorporated by reference in this document to vote your securities at your special meeting. No person is authorized to give any information or to make any representation not contained in this document and, if given or made, that information or representation should not be relied upon as having been authorized. This document does not constitute an offer to sell, or a solicitation of an offer to purchase, any securities, or the solicitation of a proxy, by any person in any jurisdiction in which such an offer or solicitation is not authorized or in which the person making the offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such an offer or solicitation.

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**SUMMARY VOTING INSTRUCTIONS**

**IF YOU ARE A MOLSON SHAREHOLDER AND YOU SUPPORT THE PROPOSED MERGER OF MOLSON INC. AND ADOLPH COORS COMPANY, YOU SHOULD:**

**Ensure that your shares can be voted at the Molson meeting by submitting your proxy or contacting your broker.**

*If your Molson shares are registered in the name of your broker:* contact your broker in order to (a) obtain directions as to how to ensure that your shares are voted in favor of the proposed merger, and (b) confirm that your broker has instructions from you as to whether you wish to receive Molson Coors common stock or, if you are eligible to receive exchangeable shares, exchangeable shares, or a combination of both, pursuant to the merger.

*If your Molson shares are registered in your name:* submit your proxy on or prior to \_\_\_\_\_, 2005 by telephone, via the Internet or by signing, dating and returning the appropriate enclosed form of proxy in the envelope provided (which must be received on or prior to \_\_\_\_\_, 2005), so that your shares can be voted in favor of the proposed merger (instructions regarding telephone and Internet voting are included on the appropriate form of proxy).

Innisfree M&A Incorporated is acting as proxy solicitor for Molson. If you have any questions about the merger transaction or about how to vote your shares, please call Innisfree toll free at the following number: 877-825-8772 (English speakers) 877-825-8777 (French speakers). Banks and brokers may call collect at 212-750-5833.

**IF YOU ARE A COORS CLASS B COMMON STOCKHOLDER AND YOU SUPPORT SOME OR ALL OF THE PROPOSALS THAT ARE NECESSARY FOR THE MERGER TRANSACTION AND THAT ARE DESCRIBED ON PAGES 13-14 (THE APPROVAL OF EACH OF WHICH IS A CONDITION TO THE COMPLETION OF THE PROPOSED MERGER OF MOLSON INC. AND ADOLPH COORS COMPANY), YOU SHOULD:**

**Ensure that your shares can be voted at the Coors meeting by submitting your proxy or contacting your broker.**

*If your shares of Coors Class B common stock are registered in the name of your broker:* contact your broker in order to obtain directions as to how to ensure that your shares are voted in favor of the proposals you wish to vote for.

*If your shares of Coors Class B common stock are registered in your name:* submit your proxy by signing, dating and returning the enclosed form of proxy in the envelope provided (which must be received on or prior to [ ]), so that your shares can be voted in favor of the proposals you wish to vote for.

Georgeson Shareholder Communications Inc. is acting as proxy solicitor for Coors. If you have any questions about the merger transaction or about how to vote your shares, please call Georgeson toll free at 888-897-6020.

**All shareholders should review the information contained in this document, including the annexes. This document contains important information about Molson, Coors and the merger transaction.**

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**Reporting Currencies and Accounting Principles**

The financial information regarding Molson, including Molson's audited consolidated financial statements, Molson's unaudited consolidated financial statements and the summaries of those consolidated financial statements, contained in this document are reported in Canadian dollars, unless otherwise indicated, and have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"), which differs from U.S. generally accepted accounting principles ("U.S. GAAP") in certain significant respects. See Note 24 of the Molson audited consolidated financial statements and Note 12 of the Molson unaudited financial statements set forth in Annex R to this document for a reconciliation of Molson's shareholders' equity and net earnings to U.S. GAAP.

The financial information regarding Coors, including Coors' audited financial statements, Coors' unaudited financial statements and the summaries of those financial statements, contained in this document are reported in U.S. dollars and have been prepared in accordance with U.S. GAAP. The unaudited pro forma financial statements of Molson Coors contained in this document are reported in U.S. dollars and have been prepared in accordance with U.S. GAAP. These financial statements have not been prepared in accordance with Canadian GAAP and may not be comparable to financial statements of Canadian issuers.

In this document, unless otherwise stated, dollar amounts are expressed in either Canadian dollars (Cdn.\$) or U.S. dollars (U.S.\$).

## Exchange Rates

**Exchanging Canadian Dollars.** The following table sets forth, for each period indicated, the high and low exchange rates for one Canadian dollar during that period, the average of the exchange rates during that period, and the exchange rate at the end of that period, in each case expressed in U.S. dollars, based upon the noon buying rate in New York City for cable transfers in foreign currencies as certified for customs purposes by the Federal Reserve Bank of New York:

	Nine months ended September 30, 2004	Year ended December 31,				
		2003	2002	2001	2000	1999
(In U.S.\$ per Cdn.\$1)						
High	0.791	0.774	0.662	0.670	0.697	0.693
Low	0.716	0.635	0.620	0.624	0.641	0.654
Average	0.753	0.714	0.637	0.646	0.673	0.673
Period End	0.791	0.774	0.633	0.628	0.667	0.693

On July 21, 2004, the last trading day prior to the announcement of the merger transaction, the exchange rate for one Canadian dollar expressed in U.S. dollars, based upon the noon buying rate in New York City for cable transfers in foreign currencies as certified for customs purposes by the Federal Reserve Bank of New York, was U.S.\$0.7616. On \_\_\_\_\_, 2004, the exchange rate for one Canadian dollar expressed in U.S. dollars, based upon the noon buying rate in New York City for cable transfers in foreign currencies as certified for customs purposes by the Federal Reserve Bank of New York, was U.S.\$ \_\_\_\_\_.

**Exchanging U.S. Dollars.** The following table sets forth, for each period indicated, the high and low exchange rates for one U.S. dollar during that period, the average of the exchange rates during that period, and the exchange rate at the end of that period, in each case expressed in Canadian dollars, based upon the noon buying rate in New York City for cable transfers in foreign currencies as certified for customs purposes by the Federal Reserve Bank of New York:

	Nine months ended September 30, 2004	Year ended December 31,				
		2003	2002	2001	2000	1999
(In Cdn.\$ per U.S.\$1)						
High	1.397	1.575	1.613	1.602	1.560	1.530
Low	1.265	1.292	1.511	1.493	1.435	1.444
Average	1.329	1.401	1.570	1.549	1.486	1.486
Period End	1.265	1.292	1.580	1.593	1.500	1.444

On July 21, 2004, the last trading day prior to the announcement of the merger transaction, the exchange rate for one U.S. dollar expressed in Canadian dollars, based upon the noon buying rate in New York City for cable transfers in foreign currencies as certified for customs purposes by the Federal Reserve Bank of New York, was Cdn.\$1.32. On \_\_\_\_\_, 2004, the exchange rate for one U.S. dollar expressed in Canadian dollars, based upon the noon buying rate in New York City for cable transfers in foreign currencies as certified for customs purposes by the Federal Reserve Bank of New York, was Cdn.\$ \_\_\_\_\_.

**Recent Exchange Rates.** The following table sets forth, for each period indicated, the high and low exchange rates for one U.S. dollar during that period, expressed in Canadian dollars and for one Canadian dollar during that period, expressed in U.S. dollars, respectively. The rates are based upon

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the noon buying rate in New York City for cable transfers in foreign currencies as certified for customs purposes by the Federal Reserve Bank of New York.

2004	December 1- December	November	October	September	August	July	June	May
(In U.S.\$ per Cdn.\$1)								
High			0.820	0.791	0.772	0.764	0.746	0.737
Low			0.786	0.765	0.750	0.748	0.726	0.715
(In Cdn.\$ per U.S.\$1)								
High			1.273	1.307	1.332	1.337	1.377	1.398
Low			1.219	1.265	1.296	1.309	1.341	1.357

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**Questions and Answers About the Merger Transaction and the Special Meetings**

When we use the term "merger transaction" throughout this document, it means the transactions contemplated by the combination agreement and the other documents referred to in the combination agreement. When we refer to "Molson Coors" in this document, we are referring to the combined company following the completion of the merger transaction, which will be named Molson Coors Brewing Company. When we use the term "we" or "us," we are referring to Molson Coors after the merger transaction or, collectively, to Molson and Coors before the merger transaction. "Molson Coors Exchangeco" or "Exchangeco" refers to Molson Coors Canada Inc., a subsidiary of Molson Coors.

**GENERAL QUESTIONS AND ANSWERS**

**Q: What are Molson and Coors proposing?**

A: Molson and Coors are proposing to combine the two companies in a merger of equals to create Molson Coors Brewing Company. We refer to the merger transaction as a merger of equals because each company's controlling shareholder will share governance of the combined company through voting trust agreements, the companies have relatively equivalent market capitalization, and each company's shareholders will collectively have relatively equal ownership of the combined company. The merger transaction will feature the following steps:

Coors, a Delaware corporation, will change its name to "Molson Coors Brewing Company" and amend its certificate of incorporation and bylaws to implement various features of the merger transaction, including changing some of the terms of Coors' common stock and adding a right for the holders of Molson Coors Class B common stock and special Class B voting stock to elect three directors, all as described in this document.

Molson Class A non-voting and Class B common shareholders, excluding Pentland, will receive a special dividend of Cdn.\$3.26 per share, payable by Molson in connection with the plan of arrangement to Molson shareholders of record at the close of business on the last trading day immediately prior to the date of closing of the merger transaction. In the interest of demonstrating its support for the merger transaction, Pentland has waived any participation in the special dividend.

All of Molson's shares will, through a series of exchanges, be exchanged for shares of Molson Coors common stock and/or exchangeable shares of Molson Coors Canada Inc., a subsidiary of Molson Coors, as described under "What will I receive in the merger transaction?" below.

The Coors stockholders will retain their shares, which will remain outstanding as shares of Molson Coors.

The combination will be carried out in accordance with a combination agreement, dated as of July 21, 2004, as amended, by and among Molson, Coors and Molson Coors Exchangeco, and the documents referred to in that agreement.

**Q: How do the Molson and Coors boards of directors recommend that I vote?**

A: Molson's board of directors unanimously recommends that Molson's shareholders vote **FOR** the Molson shareholders resolution to approve the merger transaction and that Molson's optionholders vote **FOR** the Molson optionholders resolution. Coors' board of directors unanimously recommends that Coors stockholders vote **FOR** Coors' amendment of its certificate of incorporation and its share issuance necessary to implement the merger transaction.

**Q: Why are Molson and Coors proposing to combine?**

A: We believe that the trend toward consolidation in the international brewing industry will continue and that scale and ability to operate internationally will be increasingly essential to compete effectively. The proposed merger transaction builds on the strategic and cultural fit between the two companies and provides us with the added scale, resources and geographic coverage necessary to compete more effectively in this changing competitive environment. It leverages the solid existing business relationship between the two companies.

We expect the merger transaction to deliver immediate tangible benefits to shareholders through substantial synergies, including estimated annual cost savings resulting from the merger of approximately U.S.\$50 million in the first year after the merger transaction, an incremental U.S.\$40 million in the second year after the merger transaction (for a total savings of U.S.\$90 million in the second year), and an incremental U.S.\$85 million in the third year after the merger transaction (for a total savings of U.S.\$175 million in the third year). Thereafter, we expect total annual cost savings resulting from the merger of approximately U.S.\$175 million. While these cost savings estimates are based on management's estimates, information available currently and assumptions which we believe to be reasonable, there is no assurance that these cost savings and other benefits of the merger will be attained. We believe that the enhanced financial strength expected to result from the anticipated cost savings will provide the combined company with the opportunity to grow revenue through added investments in marketing and other support for key brands. We also believe that our larger operating scale and enhanced financial strength resulting from the merger transaction will create a platform for our continued value-added participation in the global brewing industry consolidation.

**Q: Are there risks I should consider in deciding whether to vote for the proposed merger transaction?**

A: Yes. The proposed merger is subject to a number of risks and uncertainties. We may not realize the benefits we currently anticipate, including the annual estimated cost savings described above, due to the challenges associated with integrating the companies. We may be unable to coordinate sales, distribution and marketing efforts to effectively promote the products of the combined company. Molson has recorded impairment charges and may have to take further impairment charges as a result of its Brazilian operations. The proposed governance arrangements of the combined company, which provide that voting control would be shared by Pentland and the Adolph Coors Jr. Trust dated September 12, 1969, which we refer to as the Coors Trust in this document, may result in stalemates between them. In addition, the proposed merger transaction is subject to the receipt of consents and approvals from government entities that could delay completion of the merger transaction or impose conditions on the combined company. Certain, but not all, of these regulatory approvals have already been received. See "Regulatory Matters" beginning on page 100 and other information included in this document.

Before deciding whether to vote for or against the proposed transaction, you should carefully consider these and other risks as well as the more detailed discussion of "Risk Factors" beginning on page 47 and other information included in this document.

**Q: What will I receive in the merger transaction?**

A: **Molson Class A Shareholders.** A holder of Molson Class A non-voting shares who is a Canadian resident for Canadian income tax purposes may 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

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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 does not make any election will receive 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 does not make any election will receive, 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 is a Canadian resident for Canadian income tax purposes may 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.

A holder of Molson Class B common shares with an address in Canada, as recorded on Molson's share register, who does not make any election will receive exchangeable shares. A holder of Molson Class B common shares with an address outside of Canada, as recorded on Molson's share register, who does not make any election will receive, through a series of exchanges, for each of those shares, 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 of Molson Coors and 0.234 of a share of Class B common stock of Molson Coors.

Molson shareholders will be paid cash in lieu of any fractional shares. Dissenting shareholders who properly exercise their dissent rights will be entitled to be paid the fair value of their shares.

**Special Dividend to Molson Shareholders.** Molson Class A non-voting and Class B common shareholders, excluding Pentland, will receive a special dividend of Cdn.\$3.26 per share, or a total of approximately Cdn.\$381 million (U.S.\$316 million), payable by Molson in connection with the plan of arrangement to Molson shareholders of record at the close of business on the last trading day immediately prior to the date of closing of the merger transaction. Molson will issue a news release announcing the record date and closing date once they have been determined. In the interest of demonstrating its support for the merger transaction, Pentland has waived any participation in the special dividend. Had Pentland not waived participation in the special dividend, the special dividend to be declared would have been Cdn.\$3.00 per share instead of Cdn.\$3.26 per share.

**Molson Optionholders.** Options to purchase Class A non-voting shares of Molson will be exchanged for options to purchase shares of Molson Coors Class B common stock. The number of shares issuable upon the exercise of these options, and their applicable exercise prices, will be adjusted to take into account the 0.360 exchange ratio applicable to the merger transaction.

**Coors Stockholders.** Holders of shares of Class A common stock and Class B common stock of Coors will retain their shares, which will remain outstanding as shares of Molson Coors Class A common stock and Molson Coors Class B common stock, respectively, following the merger transaction. Some terms of the Coors common stock are being amended as a result of an amendment and restatement of Coors' certificate of incorporation, as described in this document, including adding a right for the holders of Molson Coors Class B common stock to vote as a class,



together with a trustee holder of the special Class B voting stock (acting upon the instructions of the holders of Class B exchangeable shares), to elect three directors.

**Coors Optionholders.** Options to purchase shares of Class B common stock of Coors will remain outstanding as options to acquire shares of Class B common stock of Molson Coors.

**Q: Why are exchangeable shares being offered to Canadian residents in the merger transaction?**

A: The exchangeable share structure will provide an opportunity for shareholders of Molson who are eligible Canadian residents to make a tax election to defer Canadian income tax on any capital gain otherwise arising on the exchange of their Molson shares. In this document we refer to these exchangeable shares of Molson Coors Exchangeco as "exchangeable shares."

Each exchangeable share of Molson Coors Exchangeco is substantially the economic equivalent of a share of the corresponding class of Molson Coors common stock and is exchangeable at any time on a one-for-one basis for a share of the corresponding class of Molson Coors common stock. In addition, each holder of an exchangeable share will, through a trust agreement and special Molson Coors voting stock, effectively have the ability to cast votes along with holders of shares of the corresponding class of Molson Coors common stock.

**Q: What is the difference between Class A and Class B shares of Molson Coors common stock?**

A: Molson Coors Class A common stock will entitle holders to the right to vote for the election of 12 of the 15 members of the board of directors of the combined company and will otherwise be voting shares under Delaware law and the Molson Coors certificate of incorporation. Molson Coors Class B common stock will entitle holders the right to vote for the election of three of the 15 directors of the combined company and will be non-voting stock under Delaware law and the Molson Coors certificate of incorporation.

**Q: What percentage of the combined company will the shareholders of Molson and Coors own?**

A: Upon completion of the merger transaction, we estimate that Molson's former shareholders and Coors' stockholders will own approximately 55% and 45%, respectively, of the outstanding economic interest in the combined company. To reduce the dilution from the companies' stock option programs, we intend that Molson Coors will adopt a policy of purchasing, from time to time, subject to market conditions and when permitted by applicable law, shares of its Class B common stock in the open market following the completion of the merger transaction. We expect the number of shares purchased from time to time to have an aggregate market value approximately equal to the aggregate cash proceeds received in respect of exercised stock options (including replacement options issued in exchange for Molson options).

**Q: What will be the effects of the amendments to Coors' certificate of incorporation?**

A: As a result of the amendments to the certificate of incorporation of Coors in connection with the merger transaction, the number of authorized shares of Class A common stock and Class B common stock each will be amended to 500,000,000, and the relative rights, privileges and preferences of each class of common stock will be amended as described in this document, including to provide that:

holders of the Class B common stock, together with a trustee holder of the special Class B voting stock (acting upon the instructions of the holders of Class B exchangeable shares), will be entitled to elect three of the 15 members of the board of directors of Molson Coors;

holders of Class A common stock, together with a trustee holder of the special Class A voting stock (acting upon the instructions of the holders of Class A exchangeable shares), will elect 12 of the 15 members of the board of directors and have the right to vote as a class regarding corporate actions on which they are entitled to vote;



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shares of Class A common stock will be convertible at the election of the holder into shares of Class B common stock; and

shares of Class B common stock will be convertible into shares of Class A common stock in limited circumstances relating to specified offers which are not made to holders of Class B common stock.

**Q: What will be the quarterly dividend payable on the Molson Coors common stock and the exchangeable shares after the closing of the merger transaction?**

A: Coors and Molson have agreed that Molson Coors will increase its dividend by adopting a policy of paying, subject to applicable law, a quarterly dividend on Molson Coors common stock equal to the quarterly dividend payable on the Molson shares in effect on July 21, 2004, subject to adjustment for (i) the exchange rate of U.S.\$0.7616 per Canadian dollar on that date and (ii) the 0.360 exchange ratio. As a result, following completion of the merger transaction, Molson Coors' quarterly dividend rate is expected to be U.S.\$0.317 per share. Coors' current dividend rate is U.S.\$0.205 per share.

The quarterly dividend on exchangeable shares will be equal to the dividend on Molson Coors common stock and will be payable at the option of the holder in either U.S. dollars or Canadian dollars.

**Q: Where will the shares of Molson Coors and the exchangeable shares be listed?**

A: The Toronto Stock Exchange has conditionally approved the listing of those shares as set forth below, subject to fulfillment of all of the requirements of the Toronto Stock Exchange on or before February 3, 2005. Coors has submitted listing applications for those shares as set forth below to the New York Stock Exchange.

<u>Class of Securities</u>	<u>NYSE Symbol</u>	<u>TSX Symbol</u>
Molson Coors Class A common stock	"TAP.A"	"TAP.A"
Molson Coors Class B common stock	"TAP"	"TAP.NV"
Class A exchangeable shares		"TPX.A"
Class B exchangeable shares		"TPX.NV"

**Q: When do Molson and Coors expect to complete the merger transaction?**

A: Molson and Coors will complete the merger transaction when all of the conditions to completion of the merger transaction have been satisfied or waived. Molson and Coors are working toward satisfying these conditions and completing the merger transaction as quickly as possible. Molson and Coors currently plan to complete the merger transaction in January 2005. Because the merger transaction is subject to a number of other conditions, some of which are beyond Coors' and Molson's control, the exact timing cannot be predicted.

### MOLSON SECURITYHOLDER QUESTIONS AND ANSWERS

**Q: On what am I being asked to vote?**

A: If you are a Molson shareholder, you are being asked to approve the Molson shareholders resolution relating to the merger transaction between Molson and Coors. If you are a Molson optionholder, you are being asked to approve the Molson optionholders resolution

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relating to the exchange of your options for options to purchase shares of Class B common stock of Molson Coors. The Molson shareholders resolution and the Molson optionholders resolution are attached as Annex A-I and A-II, respectively.

**Q: What vote is required to approve the Molson shareholders resolution?**

A: Approval of the Molson shareholders resolution will require the affirmative votes of not less than:

66<sup>2</sup>/<sub>3</sub>% of the votes cast at the Molson special meeting by holders of Molson Class A non-voting shares voting as a class, and

66<sup>2</sup>/<sub>3</sub>% of the votes cast at the Molson special meeting by holders of Molson Class B common shares voting as a class.

Each Molson Class A non-voting share and Class B common share is entitled to one vote on all matters scheduled to come before the Molson special meeting.

Pentland has committed to vote all of the Molson shares held by it in favor of the Molson shareholders resolution. As of the record date, Pentland (which is indirectly controlled by Eric H. Molson) owned approximately 50.45% of the Molson Class B common shares.

**Q: What vote is required to approve the Molson optionholders resolution?**

A: Approval of the Molson optionholders resolution will require the affirmative votes of not less than 66<sup>2</sup>/<sub>3</sub>% of the votes cast at the Molson optionholders meeting by holders of Molson options.

Each holder of options to purchase Molson Class A non-voting shares will be entitled to one vote for each Molson Class A non-voting share that would be received upon a valid exercise of that holder's Molson options regardless of whether the options are currently exercisable.

All of the directors and executive officers of Molson have committed to vote all of the Molson options they hold in favor of the Molson optionholders resolution. As of the record date, Molson's directors and executive officers owned approximately 69.53% of the outstanding Molson options.

**Q: If I am a shareholder, how do I vote on the Molson shareholders resolution and what do I do now?**

A: First, please review the information contained in this document, including the annexes. This document contains important information about Molson, Coors and the merger transaction. It also contains important information about what the boards of directors of Molson and Coors considered in evaluating the merger transaction.

Second, please submit your proxy promptly by telephone, via the Internet or by signing, dating and returning the appropriate enclosed form of proxy in the envelope provided, so that your shares can be voted at the Molson special meeting. You may also attend in person and vote at the Molson special meeting, even if you have already submitted a proxy.

There are two forms of Molson proxies applicable to Molson shareholders: a blue proxy applicable to Molson Class A non-voting shares and a white proxy applicable to Molson Class B common shares. If you hold more than one type of Molson shares, or if you hold shares in both registered and non-registered name, you will receive more than one form of proxy. **To ensure that all your shares are represented at the meeting, please submit a vote by telephone, via the Internet or by mail for each proxy form you receive.**

**Q: If I am a Canadian resident, how do I get tax-deferred treatment?**

A: If you are an eligible Canadian resident receiving exchangeable shares in the merger transaction, we will send you a tax election package by mail after completion of the merger transaction if you so elect in your letter of transmittal and election form. The tax election package will also be made available via the Internet on Molson's website at [www.molson.com/investors](http://www.molson.com/investors). You must provide to

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Molson Coors Exchangeco, at the address indicated in the tax election package, two completed and signed copies of the applicable tax election forms on or before the 90<sup>th</sup> day after the effective

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date of the arrangement. For more information see "Material Income Tax Consequences Material Canadian Federal Income Tax Consequences to Molson Shareholders" beginning on page 148.

**Q:**  
**Do I need to send in my share certificates now?**

**A:**  
You are not required to send your share certificates to validly cast your vote in respect of the merger transaction or to elect to receive exchangeable shares if you are a Canadian resident. However, you must send in your share certificates in addition to the letter of transmittal and election form in order to receive certificates representing shares of Molson Coors common stock and/or exchangeable shares, which you will need in order to settle any trades of these shares or to receive dividends in respect of these shares. If you hold Molson shares that are registered in the name of a broker, investment dealer, bank, trust company or other nominee, you should contact that nominee for instructions about how to deliver your Molson shares.

**Q:**  
**If I am an optionholder, how do I vote on the Molson optionholders resolution and what do I do now?**

**A:**  
As an optionholder, you are entitled to vote on the Molson optionholders resolution relating to those provisions of the plan of arrangement which effect the exchange of your options for options to purchase shares of Molson Coors Class B common stock.

First, please review the information contained in this document, including the annexes. This document contains important information about Molson, Coors and the merger transaction.

Second, please submit your proxy promptly by telephone, via the Internet or by signing, dating and returning the appropriate enclosed form of proxy in the envelope provided, so that your options can be voted at the Molson optionholders meeting. You may also attend in person and vote at the Molson optionholders meeting, even if you have already submitted a proxy.

You should have received a yellow form of proxy applicable to Molson options. If you hold more than one type of Molson security, you will receive more than one form of proxy. **To ensure that all of your options are represented at the Molson optionholders meeting, please submit a vote by telephone, via the Internet or by mail for each proxy form you receive.**

**Q:**  
**If I want to exercise my options, what do I do?**

**A:**  
You are under no obligation to exercise your Molson options before the completion of the merger transaction. Molson options that have not been exercised prior to the effective time will be exchanged in the merger transaction for replacement options to acquire shares of Molson Coors Class B common stock, subject to passage of the Molson optionholders resolution. If you hold exercisable Molson options and wish to exercise them to acquire Molson Class A non-voting shares in order to receive exchangeable shares and/or Molson Coors common stock and the special dividend payable to Molson shareholders in connection with the plan of arrangement, then prior to 4:00 p.m. (Montréal time) on the second trading day immediately prior to the date of closing of the merger transaction you should exercise your options through your Solium E-SOAP account at [www.solium.com](http://www.solium.com) or by telephone at the following toll-free number: 877-380-7793.

**Q:**  
**What happens if I don't indicate how to vote on my proxy?**

**A:**  
If you sign and send in your proxy but do not include instructions on how to vote your properly signed form, your securities will be voted FOR the Molson shareholders resolution or Molson optionholders resolution, as the case may be, and in accordance with management's recommendation with respect to amendments or variations of the matters set forth in the applicable notice of meeting or any other matters that may properly come before the Molson special meeting or the Molson optionholders meeting, as the case may be.

**Q:**  
**Can I change my vote after I have mailed my signed proxy?**

**A:**  
Yes. You can change your vote at any time before your proxy is voted at the Molson special meeting, if your proxy relates to the Molson shareholders resolution, or the Molson optionholders meeting, if your proxy relates to the Molson optionholders resolution. If you are a registered holder, you can do this in one of three ways:

First, before the meeting, you can deliver a signed notice of revocation of proxy to the Secretary of Molson or to the offices of CIBC Mellon Trust Company at the addresses specified below at any time up to and including the last business day before the meeting or deposit the revocation with the chairman of the meeting.

Second, you can complete and submit a later-dated proxy form no later than 5:00 p.m. (Montréal time) on the last business day before the meeting.

Third, you can attend the meeting and vote in person. Your attendance at the meeting alone will not revoke your proxy; rather you must also vote at the meeting in order to revoke your previously submitted proxy.

If you are a registered holder and want to change your proxy directions by mail, you should send any notice of revocation or your completed new form of proxy, as the case may be, to Molson at either of the following addresses:

Molson Inc. c/o Marie Giguère, Senior Vice-President, Chief Legal Officer and Secretary 1555 Notre Dame Street East, 4 <sup>th</sup> Floor Montréal (QC) H2L 2R5 (Fax): (514) 590-6332	CIBC Mellon Trust Company 200 Queen's Quay East, Unit 6 Toronto (ON) M5A 4K9 (Fax): (416) 368-2502
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You may also revoke or change your proxy by telephone or via the Internet by following the instructions set forth below under "Can I submit my proxy by telephone or electronically?"

If a broker holds your shares in "street name" and you have instructed a broker to vote your shares and wish to change your vote, you must follow directions received from your broker to change those instructions.

**Q:**  
**Can I submit my proxy by telephone or electronically?**

**A:**  
Yes, in most cases. To vote by telephone, please call the number shown on your proxy form from a touch-tone phone and follow the easy instructions. To vote via the Internet, please go to the website shown on your proxy form and follow the easy instructions on the screen.

Please note that you will need to refer to the control number indicated on your proxy form to identify yourself in the electronic voting system. Please also refer to the instructions on your proxy form for information regarding the deadline for voting your shares electronically.

**Q:**  
**If my broker holds my shares in "street name," will my broker vote my shares for me?**

**A:**  
Your broker will not vote your shares unless it receives your specific instructions. After carefully reading and considering the information contained in this document, including the annexes, please follow the directions provided by your broker with respect to voting procedures. Please ensure that your instructions are submitted to your broker in sufficient time to ensure that your votes are received by Molson on or before 5:00 p.m., Montréal time, on \_\_\_\_\_, 2005.

If you have instructed a broker to vote your shares and wish to change your vote, you must follow directions received from your broker to change those instructions.





**Q: Am I entitled to dissent or appraisal rights?**

**A:** Molson shareholders who properly exercise their dissent rights will be entitled to be paid the fair value of their shares. If you wish to dissent, you must provide to Molson, at the address specified above, a dissent notice prior to 5:00 p.m. (Montréal time) on the business day preceding the Molson special meeting. It is important that you strictly comply with this requirement, otherwise your dissent right may not be recognized. You must also strictly comply with the other requirements of the dissent procedure. Molson optionholders are not entitled to dissent rights unless they exercise their options and submit a dissent notice prior to this deadline.

**Q: Are there risks I should consider in deciding whether to vote for the Molson resolutions?**

**A:** Yes. As in any significant merger transaction, there are a number of risk factors to consider in connection with the merger transaction that are described in the section of this document entitled "Risk Factors" beginning on page 46.

**Q: What are the Canadian and U.S. federal income tax consequences of the merger transaction to holders of Molson common stock?**

**A:** **Canadian Residents.** The exchange of Molson shares for Molson Coors common stock, through a series of exchanges, and/or exchangeable shares will generally be a taxable event to a Canadian resident shareholder. However, if you are an eligible Canadian resident and exchange all or a portion of your Molson shares for consideration that includes exchangeable shares (and ancillary rights) and you make a valid tax election with Molson Coors Exchangeco, you may obtain a full or partial tax deferral (rollover) of any capital gain otherwise arising upon the exchange of those shares. For more information see "Material Income Tax Consequences Material Canadian Federal Income Tax Consequences to Molson Shareholders" beginning on page 148.

**United States Residents.** The exchange of Molson shares for Molson Coors common stock, through a series of exchanges, in the merger transaction will be fully taxable for United States federal income tax purposes. For more information see "Material Income Tax Consequences Material U.S. Federal Income Tax Consequences to Molson Shareholders" beginning on page 170.

**Optionholders.** The exchange of options to purchase Molson Class A non-voting shares for options to purchase shares of Molson Coors Class B common stock generally will not be a taxable event for a Canadian resident optionholder.

**Q: What are the Canadian and U.S. federal income tax consequences of receiving the special dividend on Molson Shares?**

**A:** **Canadian residents.** For Canadian resident individuals, the special dividend received on Molson shares will be required to be included in computing income and will be subject to the gross-up and dividend tax credit rules. For Canadian resident corporations, subject to the potential application of subsection 55(2) of the *Income Tax Act* (Canada), which we refer to in this document as the "Canadian Tax Act," the special dividend received on Molson shares will generally be required to be included in computing income and will normally be deductible in computing taxable income. For more information see "Material Income Tax Consequences Material Canadian Federal Income Tax Consequences to Molson Shareholders" beginning on page 148.

**United States Residents.** Molson intends to take the position that the gross amount of the special dividend paid to U.S. holders of Molson shares (including amounts withheld on account of Canadian withholding taxes) will be treated as dividend income for U.S. federal income tax purposes to the extent paid out of current or accumulated earnings and profits, as determined under U.S. federal income tax principles. It is possible the special dividend could instead be treated as consideration paid by Molson in exchange for a portion of such U.S. holders' Molson shares for U.S. federal income tax purposes. Generally, the special dividend paid to U.S. holders of

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Molson shares will be subject to a 15% withholding tax under the Canadian Tax Act. For more information see "Material Income Tax Consequences Material Canadian Federal Income Tax Consequences to Molson Shareholders" beginning on page 148 and "Material Income Tax Consequences Material U.S. Federal Income Tax Consequences to Molson Shareholders" beginning on page 170.

**Q: Who can help answer my questions about the merger transaction?**

A: Innisfree M&A Incorporated is acting as the proxy solicitor for Molson. If you have any questions about the merger transaction or about how to vote your shares or options, please call Innisfree toll free at the following numbers: 877-825-8772 (English speakers) 877-825-8777 (French speakers). Banks and brokers may call collect at 212-750-5833.

**Q: Are shareholder rights under Delaware law in respect of Molson Coors the same as under Canadian law in respect of Molson?**

A: Although the rights and privileges of stockholders of a Delaware corporation, such as Molson Coors, are in many instances comparable to those of shareholders of a corporation organized under the Canada Business Corporations Act, such as Molson, there are certain differences. For more information, see "Comparison of Shareholders' Rights" at page 334.

### COORS STOCKHOLDER QUESTIONS AND ANSWERS

**Q: On what am I being asked to vote?**

A: If you are a Coors stockholder, you are being asked to approve the following proposals:

a proposal to adopt a restated certificate of incorporation of Coors in the form attached as Annex G to the enclosed document, such approval to include, among other things, the following proposed amendments, which we collectively refer to in this document as the Coors charter amendments:

1. to change the company's name to "Molson Coors Brewing Company" from "Adolph Coors Company";
2. to increase the number of authorized shares of Class A common stock and Class B common stock to 500,000,000 for each class;
3. to authorize the creation of one share of special Class A voting stock and special Class B voting stock of Molson Coors, through which the holders of Class A exchangeable shares and Class B exchangeable shares, respectively, will exercise their voting rights with respect to the combined company;
4. to include additional governance and corporate actions among the actions requiring the approval of the holders of the Class A common stock and the special Class A voting stock (acting upon the instructions of the holders of Class A exchangeable shares), voting as a single class;
5. to provide that no dividend may be declared or paid on the Class A common stock or Class B common stock unless an equal dividend is declared or paid on the Class B common stock or Class A common stock, as applicable;
6. to provide that shares of Class A common stock will be convertible at the election of the holder into shares of Class B common stock;
- 7.

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to provide that shares of Class B common stock will be convertible into shares of Class A common stock in limited circumstances relating to specified offers which are not made to holders of Class B common stock;

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8. to provide that holders of the Class B common stock and the special Class B voting stock (acting upon the instructions of the holders of Class B exchangeable shares), voting as a single class, will be entitled to elect three members of the Molson Coors board of directors;
9. to provide for a nominating committee, related nominating procedures and procedures for filling vacancies on the Molson Coors board of directors not previously provided for in the existing Coors certificate of incorporation;
10. subject to the right of the holders of Class B common stock and special Class B voting stock (acting upon the instructions of the holders of Class B exchangeable shares) to vote on any charter amendment to increase or decrease the authorized number of shares of Class B common stock, to provide that the number of authorized shares of any class of stock of Molson Coors may be increased or decreased by the affirmative vote of the holders of Class A common stock and special Class A voting stock (acting upon the instructions of the holders of Class A exchangeable shares), voting together as a single class;
11. to provide that the size of the Molson Coors board of directors shall be determined by resolution of the Molson Coors board of directors in accordance with the bylaws;
12. to provide that (i) any director may be removed, with cause, by a vote of holders of a majority of the voting power of the Class A common stock, special Class A voting stock (acting upon the instructions of the holders of Class A exchangeable shares), Class B common stock and special Class B voting stock (acting upon the instructions of the holders of Class B exchangeable shares), voting together as a single class, and (ii) any director may be removed, without cause, by a vote of the holders of a majority of the voting power of the class or classes that elected the director;
13. to provide that the power of the Molson Coors board of directors to amend the Molson Coors bylaws may be limited by a provision of the bylaws in effect as of the date of the filing of the restated certificate of incorporation of Molson Coors; and
14. to provide that, except as otherwise provided in the bylaws, Molson Coors shall be required to indemnify a person otherwise entitled to indemnification pursuant to the Molson Coors restated certificate of incorporation in connection with a proceeding commenced by such person only if the commencement of such proceeding was authorized by the Molson Coors bylaws, any written agreement between such person and Molson Coors, or in the specific case by the Molson Coors board of directors;

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) as contemplated by the combination agreement. The issuance of these shares is referred to in this document as the Coors share issuance.

any other matters as may properly come before the special meeting and any adjournment or postponement of the special meeting, including any proposal to adjourn the meeting to solicit additional proxies in favor of the foregoing proposals.

All stockholders of Coors are being asked to vote with respect to approval of the proposed Coors charter amendments set forth in the first bullet point above and each of the individual amendments to the existing certificate of incorporation of Coors comprising the Coors charter amendments, except proposed amendments nos. 1, 9, 11, 13 and 14, which are collectively referred to throughout the document as the Class A certificate amendments. Only the Coors Trust, as sole holder of the Class A common stock of Coors, is entitled to vote with respect to the Coors share issuance, the Class A certificate amendments and any other matters as may come before the

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special meeting or any adjournment or postponement of the special meeting. A separate vote of the Coors stockholders on the combination agreement or the plan of arrangement is not required under Delaware law or Coors' certificate of incorporation.

**NONE OF THE PROPOSED AMENDMENTS TO THE EXISTING CERTIFICATE OF INCORPORATION OF COORS OR THE PROPOSED COORS SHARE ISSUANCE WILL BE IMPLEMENTED UNLESS ALL ARE APPROVED AND THE MERGER TRANSACTION IS COMPLETED.**

**Q: What is the purpose of the amendment and restatement of the Coors certificate of incorporation?**

A: Coors is proposing to amend and restate its certificate of incorporation to effect various features of the merger transaction as further described in this document.

**Q: What vote is required to approve the Coors share issuance and each of the Coors charter amendments?**

A: Approval of the Coors share issuance requires the affirmative vote of a majority of the votes cast on the proposal by holders of shares of Coors Class A common stock at the Coors special meeting at which the total votes cast by holders of Coors Class A common stock represent at least a majority of the issued and outstanding shares of Coors Class A common stock. Holders of shares of Class B common stock of Coors are not entitled to vote with respect to the Coors share issuance.

Approval of the Coors charter amendments proposal, including each of the amendments included therein (other than the Class A certificate amendments) requires both:

the affirmative vote of the holders of a majority of the outstanding shares of Class A common stock, voting as a separate class, and

the affirmative vote of the holders of a majority of the outstanding shares of Class B common stock, voting as a separate class.

Approval of the Class A certificate amendments requires the affirmative vote of the holders of a majority of the outstanding shares of Class A common stock.

All of the Coors Class A common stock is held by the Coors Trust. The Coors Trust has agreed to vote all of its shares of Coors Class A common stock (which represents 100% of the Class A common stock) in favor of the Coors share issuance and each of the Coors charter amendments. As a result of this agreement, the Coors share issuance is assured of approval at the Coors special meeting. In addition, the Coors Trust, Peter H. Coors and Keystone Financing LLC have agreed to vote all of their shares of Coors Class B common stock (which represents approximately % of the total Class B common stock as of the record date) in favor of each of the Coors charter amendments (other than the Class A certificate amendments).

**Q: How do I vote on the proposed Coors share issuance and the Coors charter amendments?**

A: First, please review the information contained in this document, including the annexes. It contains important information about Molson, Coors and the merger transaction. It also contains important information about what the boards of directors of Molson and Coors considered in evaluating the merger transaction.

Second, please submit your proxy promptly by signing, dating and returning the enclosed appropriate proxy card in the envelope provided, so that your shares can be voted at the Coors special meeting. You may also attend the Coors special meeting in person and vote at the Coors special meeting, even if you have already submitted a proxy.

**Q: What happens if I don't indicate how to vote on my proxy?**

A: If you are a record holder of Coors common stock and sign and send in your proxy, but do not include instructions on how to vote your properly signed proxy card, your shares will be voted FOR approval of the Coors share issuance and Coors charter amendments.

**Q: What happens if I don't return a proxy card?**

A: If you are a holder of Coors Class B common stock, not returning your proxy card and not voting at the special meeting will have the same effect as a vote AGAINST the Coors charter amendments because a majority of the outstanding shares of Coors Class B common stock is required to approve the Coors charter amendments (other than the Class A certificate amendments). If you are a holder of Coors Class B common stock, not returning your proxy card and not voting at the special meeting will have no direct effect on the vote for the Coors share issuance because only holders of Coors Class A common stock are entitled to vote on the Coors share issuance (and the Coors Trust has agreed to vote in favor of the Coors share issuance). Please note, however, that none of the proposals will be implemented unless all are approved by the required vote of Coors stockholders and the merger transaction is completed. As a result, not returning your proxy card and not voting at the special meeting with respect to the Coors charter amendments could cause the Coors share issuance and the merger transaction not to occur.

Not returning your proxy card may also contribute to a failure to obtain a quorum at the special meeting. Under Coors' bylaws, a majority of the total issued and outstanding shares of each class entitled to vote on a matter as a separate class, present in person or represented by proxy, constitutes a quorum to take action with respect to that matter at the special meeting.

**Q: Can I change my vote after I have mailed my signed proxy card?**

A: Yes. You can change your vote at any time before your proxy is voted at the Coors special meeting. If you are a registered holder, you can do this in one of three ways:

First, before the Coors special meeting, you can deliver a signed notice of revocation of proxy to the Secretary of Coors at the address specified below.

Second, you can complete and submit a later-dated proxy card.

Third, if you are a holder of record you can attend the Coors special meeting and vote in person. Your attendance at the Coors special meeting alone will not revoke your proxy; rather, you must also vote at the Coors special meeting in order to revoke your previously submitted proxy.

If you want to change your proxy directions by mail, you should send any notice of revocation or your completed new proxy card, as the case may be, to Coors at the following address:

Adolph Coors Company  
c/o Corporate Secretary  
Mail No. NH311  
P.O. Box 4030  
Golden, Colorado 80401  
Telephone:  
Facsimile:

If you have instructed a broker to vote your shares and wish to change your vote, you must follow directions received from your broker to change those instructions.

**Q: Can I submit my proxy by telephone or electronically?**

A: Yes, in most cases if you hold your shares through a broker or bank you will have the option to submit your proxy or voting instructions electronically through the Internet or by telephone. If you are a registered Class A stockholder of Coors, you may only submit your proxy by mail by following the instructions on the attached gray proxy card. If you are a registered Class B stockholder of Coors, you may only submit your proxy by mail by following the instructions on the attached green proxy card. If you hold your shares through a broker, bank or other holder of record, you should check your proxy card or voting instruction card forwarded by your broker, bank or other holder of record to see which options are available.

**Q: If my broker holds my shares of Coors Class B common stock in "street name," will my broker vote my shares for me?**

A: Yes, if you direct your broker to vote your shares on your behalf. If your shares of Coors Class B common stock are held in "street name" and you do not provide voting instructions to your broker or bank, your shares will not be voted on any proposal on which your broker does not have discretionary authority to vote. Your broker does not have discretionary authority to vote on the Coors charter amendments. Accordingly, if you do not provide your broker with voting instructions, your shares may be considered present at the Coors special meeting for purposes of determining a quorum, but will not be considered to have been voted in favor of approval of the Coors charter amendments. Shares not voted in favor of the Coors charter amendments proposal (or any of the separate amendment proposals included therein) will have the effect of a vote AGAINST that proposal. An abstention will therefore have the same effect as a vote against a necessary requirement of the merger transaction, although it will be counted in the determination of a quorum at the Coors special meeting.

If a broker holds your shares of Coors Class B common stock in "street name" and you have instructed a broker to vote your shares and wish to change your vote, you must follow directions received from your broker to change those instructions.

**Q: Am I entitled to dissenters' or appraisal rights?**

A: No. Holders of Coors common stock do not have dissenters' or appraisal rights in connection with the merger transaction.

**Q: Are there risks I should consider in deciding whether to vote for the Coors share issuance and Coors charter amendments?**

A: Yes. As in any significant merger transaction, there are a number of risk factors to consider in connection with the merger transaction that are described in the section of this document entitled "Risk Factors" beginning on page 47.

**Q: Who can help answer my questions about the merger transaction?**

A: Georgeson Shareholder Communications Inc. is acting as the proxy solicitor for Coors. If you have any questions about the merger transaction or about how to vote your shares, please call Georgeson toll free at 888-897-6020.



## Summary

This summary highlights the key aspects of the matters to be considered at the Molson special meeting, Molson optionholders meeting and Coors special meeting but does not contain all of the information that is important to you. You should carefully read this entire document and the other documents we refer you to for a more complete understanding of the matters being considered at the special meetings.

### **Our Reasons for the Merger Transaction (See page 79)**

We believe that the trend toward consolidation in the international brewing industry will continue and that scale and the ability to operate internationally will be increasingly important. The proposed merger transaction builds on the strategic and cultural fit between Molson and Coors and provides us with the added scale, resources and geographic coverage necessary to compete more effectively in this changing competitive environment. It leverages the solid existing business relationship between Molson and Coors.

In particular, we believe that the merger transaction will:

create the world's fifth largest brewing company by volume, with pro forma combined annual beer sales of 60 million hectoliters, or 51 million barrels, for the year ended December 28, 2003 and a strong foundation of established brands in four of the world's top ten beer markets;

provide significant value for shareholders through estimated cost savings of U.S.\$50 million and U.S.\$90 million in the first and second years, respectively, after the merger transaction, and U.S.\$175 million in annual cost savings thereafter, primarily resulting from procurement and network optimization; and

build an enhanced growth platform, balance sheet and cash flow to fund future investment in key brands.

Some of the potentially negative factors concerning the merger include:

the proposed governance arrangements of the combined company, which would provide that voting control would be shared by the two principal shareholders, and the associated risk of a stalemate between them;

the risk that the estimated cost savings will not be achieved; and

the challenge and costs of combining the businesses of two major international companies.

### **The Companies**

#### ***Molson Inc. (See page 181)***

Molson is Canada's largest brewer and one of the world's leading brewers of quality beer with operations in Canada, Brazil and the United States. A global brewer with Cdn.\$3.5 billion in gross sales for the fiscal year ended March 31, 2004, Molson traces its roots back to 1786, making it North America's oldest beer company. Committed to brewing excellence, Molson produces an award-winning portfolio of beers including Molson Canadian®, Molson Export, Molson Dry®, Rickard's, A Marca Bavaria, Kaiser® and Bavaria®. Molson is authorized to brew, distribute and sell Coors brands in Canada under agreements between Molson and Coors and currently brews, distributes and sells the Coors Light® brand in Canada.

Molson's principal executive offices are located at 1555 Notre Dame Street East, 4<sup>th</sup> Floor, Montréal, Québec, Canada, H2L 2R5.

*Adolph Coors Company (See page 239)*

Coors is the third-largest brewer in the United States and the second-largest brewer in the United Kingdom. Since Coors' founding in 1873, it has been committed to producing high quality beers with a portfolio of brands designed to appeal to a wide range of consumer tastes, styles and price preferences. Coors had U.S.\$5.4 billion in sales for the fiscal year ended December 28, 2003. In the United States, Coors owns or licenses the following brands: Coors Light®, Coors Original®, Coors® Edge, Coors® Non-Alcoholic, Aspen Edge®, Extra Gold®, Zima®, George Killian's® Irish Red Lager, Keystone®, Keystone Light®, Keystone Ice®, Blue Moon® Belgian White Ale and Mexicali®. Coors also sells the Molson family of brands in the United States through a joint venture. Outside of the United States, Coors sells Carling®, Worthington®, Caffrey's®, Reef®, Screammers®, Stones® and, through a United Kingdom joint venture, Grolsch®.

Coors' principal executive offices are located at 311 10th Street, P.O. Box 4030, Golden, Colorado 80401.

*Molson Coors Exchangeco (See page 315)*

Molson Coors Canada Inc. (formerly known as Coors Canada Inc.) is a Canadian subsidiary of Coors through which Coors currently conducts its Canadian operations. Molson Coors Exchangeco's registered office is located at 120 Adelaide Street West, Suite 1202, Toronto, Ontario M5H 1T1, Canada.

**The Proposed Merger Transaction**

*Molson and Coors will combine in a merger of equals to form "Molson Coors Brewing Company" (See page 70)*

Molson and Coors have entered into a combination agreement, dated as of July 21, 2004, as amended on November 11, 2004, under which the businesses of the two companies will be combined in a merger of equals transaction. The merger transaction will form the world's fifth largest brewing company by volume.

The combination agreement provides that:

Coors will change its name to "Molson Coors Brewing Company" and amend its certificate of incorporation and bylaws to implement the proposed merger transaction, including adding a right for the holders of Molson Coors Class B common stock and special Class B voting stock to elect three members of the board of directors, all as described in this document.

Molson Class A non-voting and Class B common shareholders, excluding Pentland, will receive a special dividend of Cdn.\$3.26 per share, or a total of approximately Cdn.\$381 million (U.S.\$316 million), payable by Molson in connection with the plan of arrangement to Molson shareholders of record at the close of business on the last trading day immediately prior to the date of closing of the merger transaction. Molson will issue a news release announcing the record date and the date of closing once they have been determined. In the interest of demonstrating its support for the merger transaction, Pentland has waived any participation in the special dividend.

All of Molson's shares (other than shares of dissenting holders) will, through a series of exchanges, be exchanged for shares of Molson Coors common stock and/or exchangeable shares of Molson Coors Exchangeco, as described under "Description of the Merger Transaction General" beginning on page 70.

The Coors stockholders will retain their shares, which will remain outstanding as shares of Molson Coors.

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The combination agreement and amendment dated November 11, 2004 are attached to this document as Annexes B-I and B-II. Please read the combination agreement, the form of plan of arrangement referred to in the combination agreement and the other transaction agreements carefully, as they are the principal legal documents that govern the merger transaction.

### ***Molson shareholders will receive Molson Coors common stock or exchangeable shares (see page 61)***

*Molson Class A Shareholders.* A holder of Molson Class A non-voting shares who is a Canadian resident for Canadian income tax purposes may 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 does not make any election will receive Molson Coors Exchangeco 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 does not make any election will receive, through a series of exchanges, for each of those shares, 0.360 of a share of Class B common stock of Molson Coors. For more information see "Elections Available to Molson Securityholders" beginning on page 176.

*Molson Class B Shareholders.* A holder of Molson Class B common shares who is a Canadian resident for Canadian income tax purposes may 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.

A holder of Molson Class B common shares with an address in Canada, as recorded on Molson's share register, who does not make any election will receive Molson Coors Exchangeco exchangeable shares. A holder of Molson Class B common shares with an address outside of Canada, as recorded on Molson's share register, who does not make any election will receive, through a series of exchanges, for each of those shares, 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 of Molson Coors and 0.234 of a share of Class B common stock of Molson Coors. For more information see "Elections Available to Molson Securityholders," beginning on page 176.

*Fractional Shares; Dissenting Shareholders.* Molson shareholders will be paid cash in lieu of any fractional shares. Dissenting shareholders who properly exercise their dissent rights will be entitled to be paid the fair value of their shares (for more information see "Dissenting Shareholder's Rights" beginning on page 107).

*Fixed Exchange Ratio.* The exchange ratio is fixed and neither Molson nor Coors has the right to terminate the combination agreement based on changes in either party's stock price. You cannot be sure of the market value of the Molson Coors common stock or the exchangeable shares that will be outstanding following the completion of the merger transaction. This value may vary significantly from the current market value of shares of Coors common stock. Furthermore, none of the shares of Coors

Class A common stock or the exchangeable shares is currently traded on a stock exchange and, as a result, no market value is available for this class of shares, except by reference to the publicly traded shares of Coors Class B common stock and the Molson shares.

***Molson shareholders who are Canadian residents may elect to receive exchangeable shares (See page 70)***

Molson shareholders who are Canadian residents or who hold Molson shares on behalf of Canadian residents may elect to receive an equivalent number of exchangeable shares of Molson Coors Exchangeco (and ancillary rights) in lieu of Molson Coors common stock. Exchangeable shares will be exchangeable at the option of the holder at any time on a one-for-one basis for shares of the corresponding class of Molson Coors common stock. Holders of the exchangeable shares will be entitled to dividends and other rights that are substantially economically equivalent to those of holders of shares of the corresponding class of Molson Coors common stock. Through a voting trust arrangement, holders of the exchangeable shares will be entitled to vote at meetings of holders of the corresponding class of Molson Coors common stock.

The exchangeable share structure, which is frequently used in transactions between U.S. and Canadian companies, provides the opportunity for eligible Canadian resident shareholders of Molson to make a valid tax election to defer Canadian income tax on any capital gain that would otherwise arise on the exchange of their Molson shares.

***Molson shareholders other than Pentland will receive a special dividend (see page 81)***

Molson Class A non-voting and Class B common shareholders, excluding Pentland, will receive a special dividend of Cdn.\$3.26 per share, or a total of approximately Cdn.\$381 million (U.S.\$316 million), payable by Molson in connection with the plan of arrangement to Molson shareholders of record at close of business on the last trading day immediately prior to the date of closing of the merger transaction. Molson will issue a news release announcing the record date and date of closing once they have been determined. In the interest of demonstrating its support for the merger transaction, Pentland has waived any participation in the special dividend. Had Pentland not waived its participation in the special dividend, the special dividend to be declared would have been Cdn.\$3.00 per share instead of Cdn.\$3.26 per share.

***Molson options to be exchanged for Molson Coors options (See page 89)***

Options to purchase Class A non-voting shares of Molson will be exchanged for options to purchase shares of Molson Coors Class B common stock. The number of shares issuable upon the exercise of these options, and their applicable exercise prices, will be adjusted to take into account the 0.360 exchange ratio applicable to the merger transaction.

***Coors stockholders will keep their shares (See page 71)***

Holders of shares of Coors Class A common stock and Class B common stock will retain their shares, which will remain outstanding as shares of Molson Coors Class A common stock and Class B common stock, respectively, following the merger transaction. Some of the terms governing the Coors shares will be amended in connection with the merger transaction, as described below.

***Molson Coors to adopt the Molson dividend policy (See page 102)***

Coors and Molson have agreed that Molson Coors will increase its dividend by adopting a policy of paying, subject to applicable law, a quarterly dividend on Molson Coors common stock equal to the quarterly dividend on the Molson shares in effect on July 21, 2004, subject to adjustment for (i) the exchange rate of U.S.\$0.7616 per Canadian dollar on that date and (ii) the 0.360 exchange ratio. As a result, following completion of the merger transaction, Molson Coors' quarterly dividend rate is

expected to be U.S.\$0.317 per share. Coors' current dividend rate is U.S.\$0.205 per share. Following completion of the merger transaction, the quarterly dividend on exchangeable shares will be equal to the dividend on Molson Coors common stock and will be payable at the option of the holder in either U.S. dollars or Canadian dollars.

**Pro Forma Economic Ownership of Molson Coors; Stock Buyback Program (See page 103)**

Upon the completion of the merger transaction, we estimate that Molson's former shareholders and Coors' stockholders will own approximately 55% and 45%, respectively, of the outstanding economic interest in the combined company.

To reduce dilution from the companies' stock option programs, we intend that Molson Coors will adopt a policy of purchasing, from time to time, subject to market conditions and when permitted by applicable law, shares of its Class B common stock in the open market following the completion of the merger transaction. We expect the number of shares purchased from time to time to have an aggregate market value approximately equal to the aggregate cash proceeds received in respect of exercised stock options (including replacement options issued in exchange for Molson options).

**Recommendations of the Boards of Directors**

***Molson Board of Directors Recommendation (See page 55)***

Molson's board of directors believes that the terms of the combination agreement, the arrangement and related transactions and agreements are in the best interest of Molson and are advisable and fair to the holders of each class of Molson shares and Molson options. The Molson board of directors unanimously recommends that Molson securityholders vote "**FOR**" the Molson resolutions at the Molson special meeting.

***Molson Independent Committee Conclusion (See page 80)***

Molson's board of directors formed an independent committee to review the terms and conditions of the proposed merger and make a recommendation as to the fairness of the transaction to the Molson shareholders other than Pentland and Eric H. Molson. The Molson independent committee concluded that the proposed merger transaction is fair to, and in the best interests of, the shareholders of Molson, other than Pentland and Eric H. Molson, from a financial and non-financial point of view. The independent committee was comprised of Francesco Bellini, John Cleghorn, Daniel Colson, Robert Ingram, David O'Brien and H. Sanford Riley, as chairman. On July 26, 2004, Mr. Ingram resigned as director of Molson and therefore as member of the independent committee.

***Coors Recommendation (See page 62)***

Coors' board of directors believes that the combination agreement and related transactions and agreements, including the Coors share issuance and the Coors charter amendments, are advisable and fair to, and in the best interests of, Coors and the holders of each class of Coors common stock. The Coors board of directors unanimously recommends that Coors stockholders vote "**FOR**" the Coors share issuance and Coors charter amendments at the Coors special meeting.

***Factors Considered by Our Boards (See pages 80 and 89)***

In determining whether to approve the merger transaction, our boards of directors each consulted with our respective senior managements and legal and financial advisors and considered the respective strategic, financial and other considerations referred to in "Description of the Merger Transaction Our Reasons for the Merger Transaction" beginning on page 79.

**Opinions of Financial Advisors**

***Molson Financial Advisors (See page 82)***

In connection with the merger transaction, the Molson board of directors received the following separate written opinions, which opinions confirmed earlier opinions dated July 21, 2004:

the opinion of Citigroup Global Markets Inc., dated November 11, 2004, the full text of which is attached as Annex M, to the effect that, as of the date of the opinion and based on and subject to the matters described in the opinion, the 0.360 exchange ratio provided for in the merger transaction was fair, from a financial point of view, to the holders of Molson shares.

the opinion of BMO Nesbitt Burns Inc., dated November 11, 2004, the full text of which is attached to this document as Annex N, to the effect that, as of the date of the opinion and based on and subject to the matters described in the opinion, the 0.360 exchange ratio provided for in the merger transaction was fair, from a financial point of view, to the holders of Molson shares.

the opinion of Merrill Lynch, Pierce, Fenner & Smith Incorporated, dated November 10, 2004, the full text of which is attached to this document as Annex O, addressed to the Molson independent committee as well as the Molson board of directors to the effect that, as of the date of the opinion and based on and subject to the matters described in the opinion, the 0.360 exchange ratio was fair, from a financial point of view, to holders of Molson shares other than Pentland and Eric H. Molson.

We encourage you to read these opinions carefully in their entirety for a description of the assumptions made, procedures followed, matters considered and limitations on the reviews undertaken. The opinions were provided to the Molson board of directors (and the Molson independent committee in the case of Merrill Lynch's opinion) in connection with the board's evaluation of the 0.360 exchange ratio. They do not address any other aspect of the merger transaction and do not constitute a recommendation to any securityholder as to the shares that a securityholder should elect to receive in the merger transaction or how a securityholder should vote or act on any other matters relating to the merger transaction.

***Coors Financial Advisor (See page 91)***

In connection with the merger transaction, the Coors board of directors received a written opinion from Deutsche Bank Securities Inc., dated as of July 21, 2004, to the effect that, as of the date of the opinion, based upon and subject to the assumptions made, matters considered and limits of the review undertaken by Deutsche Bank, the 0.360 exchange ratio was fair, from a financial point of view, to holders of the Coors Class A common stock and holders of the Coors Class B common stock. We refer to this opinion as the first opinion. The full text of Deutsche Bank's first written opinion is attached to this document as Annex P. Coors subsequently requested that Deutsche Bank prepare an opinion to reflect a special dividend to be paid by Molson to its shareholders in connection with the plan of arrangement. On November 4, 2004, Deutsche Bank delivered its oral opinion to the Coors board of directors, subsequently confirmed in writing as of the same date, to the effect that, as of that date, based upon and subject to the assumptions made, matters considered and limits of the review undertaken by Deutsche Bank, the exchange ratio was fair, from a financial point of view, to holders of the Coors Class A common stock and holders of the Coors Class B common stock. We refer to this opinion, which supersedes the first opinion, as the final opinion. The full text of Deutsche Bank's final written opinion is attached to this document as Annex Q. We encourage you to read the final opinion carefully in its entirety for a description of the assumptions made, procedures followed, matters considered and limitations on the review undertaken. Deutsche Bank's opinion was provided to the Coors board of directors in connection with the evaluation by a special committee of the board of

directors of the 0.360 exchange ratio, giving effect to the special dividend to be paid to Molson shareholders. Deutsche Bank's final opinion does not address any aspect of the merger transaction other than the 0.360 exchange ratio (giving effect to the special dividend to Molson shareholders) and does not constitute a recommendation as to how a Coors stockholder should vote or act on any matter.

#### **Molson Coors Board of Directors (See page 123)**

The combination agreement and related documents provide that, after the merger transaction, the board of directors of Molson Coors will consist of 15 members. Twelve of the 15 directors will be elected by the holders of shares of Molson Coors Class A common stock, voting together with holders of the Class A exchangeable shares through a voting trust arrangement. Three of the 15 directors will be elected by holders of shares of Molson Coors Class B common stock, voting together with holders of the Class B exchangeable shares through a voting trust arrangement.

A committee of two Molson family directors will nominate five persons to stand for election to the Molson Coors board of directors, and a committee of two Coors family directors will similarly nominate five nominees. A nominating committee comprised of an independent director, the two Molson family directors and the two Coors family directors will nominate two additional directors to stand for election to the board of directors. These nominees, subject to the committee's fiduciary duties, will be the chief executive officer of Molson Coors, who will initially be W. Leo Kiely III, and another specified management member, initially Daniel J. O'Neill, who will be the vice-chairman, synergies and integration of Molson Coors. These nominees together with the five nominees of each family will stand for election by holders of shares of Molson Coors Class A common stock, voting together with holders of the Class A exchangeable shares through a voting trust arrangement. The full board of directors of Molson Coors will select three additional nominees, for a total of 15, to stand for election by holders of shares of Molson Coors Class B common stock voting together with holders of the Class B exchangeable shares through a voting trust arrangement.

Initially, Eric H. Molson will be the chairman of the board of directors of Molson Coors.

#### **Molson Coors Executive Officers and Headquarters (See pages 132 and 135)**

Molson Coors executive officers will be selected from Molson and Coors management.

Molson Coors will have dual executive offices and dual operational headquarters following the merger transaction. Executive offices will be located in the metropolitan areas of Denver, Colorado and Montréal, Québec. The Canadian operational headquarters will be located in Toronto, Ontario, the U.S. operational headquarters will be in Golden, Colorado, the U.K. headquarters will be in Burton on Trent, and the Brazilian headquarters will be in São Paulo, Brazil.

#### **Interests of Directors and Management in the Merger Transaction**

##### ***Molson Directors and Management (See page 88)***

In considering the recommendation of the Molson board of directors with respect to the merger transaction, Molson shareholders should be aware that certain members of the management and board of directors of Molson have interests in connection with the merger transaction that will present them with actual or potential conflicts of interest in connection with the merger transaction.

Under circumstances specified in his February 22, 1999 employment agreement, Daniel J. O'Neill, president and chief executive officer of Molson, would become entitled to 36 months of salary (Cdn.\$1,000,000 per year) as a result of the merger transaction. In the interest of facilitating the timely approval and success of the merger transaction, Mr. O'Neill has agreed that he will not receive this payment upon completion of the merger transaction. Rather, in the event of his resignation or termination from Molson Coors within 24 months of the merger transaction, Mr. O'Neill will be

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entitled to receive this payment in lieu of a severance payment. Mr. O'Neill has also recommended, and the board of directors of Molson has agreed, that his performance-based options and restricted share units be converted into Molson Coors options and restricted share units, respectively, and be subject to similar performance-related triggers. The other terms of Mr. O'Neill's employment agreement will remain unchanged when he assumes his role as vice-chairman, synergies and integration of Molson Coors.

In the event of a change of control, which will occur as a result of the merger transaction, Molson is obligated to pay Robert Coallier, executive vice president, corporate strategy and international operations of Molson, 18 months of salary, annual bonus, benefits and pension accrual. In the interest of facilitating the timely approval and success of the merger transaction, Mr. Coallier has agreed to waive his right to receive this payment upon completion of the merger transaction. Rather, Mr. Coallier will only be entitled to this payment upon his resignation or termination in lieu of a severance payment.

Upon completion of the merger transaction, all Molson options, other than Mr. O'Neill's performance-based options, will vest and will be exercisable at the option of the holders.

Molson has put in place an employee retention program under which 37 employees will receive, in early 2005, cash payments of Cdn.\$1.98 million in the aggregate.

The Molson independent committee was aware of these interests and considered them along with the other matters described in "Description of the Merger Transaction Factors Considered by the Molson Independent Committee" beginning on page 80.

### ***Coors Directors and Management (See page 98)***

In considering the recommendation of the Coors board of directors with respect to the merger transaction, Coors stockholders should be aware that certain members of the management and board of directors of Coors have interests in connection with the merger transaction that will present them with actual or potential conflicts of interest in connection with the merger transaction. For instance, the named executive officers would be entitled to change of control payments and other benefits upon direct or constructive termination without cause, resignation for good reason, or resignation by the officer during the 30 day period one year after the merger transaction. The severance compensation that would be payable to the five named executive officers, W. Leo Kiely, Peter H. Coors, Timothy V. Wolf, Peter M.R. Kendall, and Robert M. Reese, and the other seven Coors executive officers, assuming involuntary termination of employment after the merger transaction would be \$5,943,786, \$4,890,881, \$2,200,388, \$1,871,498, \$1,673,722 and \$4,384,774, respectively. Although Mr. Coors will remain a director of Molson Coors following the merger transaction, his employment as a full-time executive will terminate at the time the merger transaction is completed, and he will be entitled to receive the severance compensation under his agreement at that time. In addition, under the Coors Equity Incentive Plan, all unvested options will automatically vest upon completion of the merger transaction. The Coors board of directors was aware of these interests and considered them along with the other matters described in "Description of the Merger Transaction Factors Considered by Coors' Board of Directors" beginning on page 89.

### **Securities to be Issued by Molson Coors**

#### ***Molson Coors Stock (See page 285)***

Coors' certificate of incorporation will be amended to provide a sufficient number of authorized shares of Molson Coors Class A and Class B common stock for any share issuances required by the combination agreement and for other corporate purposes. Molson Coors Class A common stock will be voting stock and Molson Coors Class B common stock will be non-voting stock (but holders of Molson



Coors Class B common stock and special Class B voting stock will have the right to elect three of the 15 members of the Molson Coors board of directors and to vote with respect to specified corporate actions).

Coors' certificate of incorporation will also be amended to change the name of the company to "Molson Coors Brewing Company" and to provide for the authorization of two new classes of stock, special Class A voting stock and special Class B voting stock, through which holders of Class A exchangeable shares and Class B exchangeable shares, respectively, will exercise their voting rights with respect to Molson Coors, as further described in this document. The trustee holder of the special Class A and Class B voting stock will cast a number of votes equal to the number of then outstanding Class A and Class B exchangeable shares, respectively, for which the trustee holder has received voting instructions. The trustee holder of the special Class A and Class B voting stock will vote together as a single class with holders of the Molson Coors Class A and Class B common stock, respectively.

***Exchangeable Shares (See page 315)***

Exchangeable shares will be securities of Molson Coors Exchangeco that, together with the ancillary rights described in this document, are substantially economically equivalent to shares of Molson Coors common stock. The holders of exchangeable shares will have the following rights:

the right to exchange those shares, at the holders' option, for shares of the corresponding class of Molson Coors common stock on a one-for-one basis;

the right to receive dividends, on a per share basis, in amounts (or property in the case of non-cash dividends), which are the same as, or economically equivalent to, and which are payable at the same time as, dividends declared on the corresponding class of Molson Coors common stock;

the right to vote, through the trustee holder of the Molson Coors special voting shares, at all stockholder meetings at which holders of the corresponding class of Molson Coors common stock are entitled to vote;

the right to participate on a pro rata basis with the corresponding class of Molson Coors common stock in the distribution of assets of Molson Coors, upon specified events relating to the voluntary or involuntary liquidation, dissolution, winding-up or other distribution of the assets of Molson Coors through the mandatory exchange of exchangeable shares for shares of Molson Coors common stock; and

Class B exchangeable shares will be convertible into Class A exchangeable shares in limited circumstances relating to specified offers which are not made to holders of Molson Coors Class B common stock or Class B exchangeable shares.

Holders of exchangeable shares will be entitled generally to require Molson Coors Exchangeco to redeem any of their exchangeable shares for a purchase price per share of one share of Molson Coors common stock of the corresponding class and (provided the holder holds the exchangeable share on the applicable dividend record date) an amount in cash equal to any declared and unpaid dividends on that exchangeable share. However, if a holder of exchangeable shares delivers notice of exercise of its redemption right, a Canadian subsidiary of Molson Coors will have the right to purchase, in lieu of Molson Coors Exchangeco redeeming, the holder's shares on payment of the redemption price. We refer to this Canadian subsidiary as "Callco."

Subject to applicable law and the purchase right described above, if fewer than 5% of the initial number of Class A exchangeable shares or Class B exchangeable shares (other than exchangeable shares held by Molson Coors or its affiliates) are outstanding, the board of directors of Molson Coors Exchangeco may elect to have Molson Coors Exchangeco redeem the applicable class of exchangeable

shares for a redemption price per share of one share of the corresponding class of Molson Coors common stock and (provided the holder holds the exchangeable share on the applicable dividend record date) an amount in cash equal to any declared and unpaid dividends on that exchangeable share.

Subject to applicable law and the purchase right described above, on a date on or after the fortieth anniversary of the effective date of the arrangement, as established by Molson Coors Exchangeco's board of directors, all of the outstanding exchangeable shares (other than those held by Molson Coors or its affiliates) will be redeemed by Molson Coors Exchangeco for a redemption price per share of one share of the corresponding class of Molson Coors common stock and (provided the holder holds the exchangeable share on the applicable dividend record date) an amount in cash equal to any declared and unpaid dividends on that exchangeable share.

**Stock Exchange Listings (See page 103)**

The Toronto Stock Exchange has conditionally approved the listing of the following classes of shares as set forth below, subject to fulfillment of all of the requirements of the Toronto Stock Exchange on or before February 3, 2005. Coors has submitted listing applications for those shares as set forth below to the New York Stock Exchange.

<b>Class of Securities</b>	<b>NYSE Symbol</b>	<b>TSX Symbol</b>
Molson Coors Class A common stock	"TAP.A"	"TAP.A"
Molson Coors Class B common stock	"TAP"	"TAP.NV"
Class A exchangeable shares		"TPX.A"
Class B exchangeable shares		"TPX.NV"

**Transaction Structure**

The following diagrams illustrate the current structure of Molson and Coors and their shareholders and the structure of Molson Coors following the merger transaction (disregarding, in certain cases, intermediate subsidiaries). For a more complete description of the merger transaction, please see "Description of the Merger Transaction General" beginning on page 70.

**Current Molson and Coors Structures\***

\*

Percentages indicate approximate voting power as of the record date.

**Molson Coors Structure Following the Merger Transaction\***

\*

Based on the exchange ratio, we estimate that Molson's former shareholders and Coors' stockholders will own approximately 55% and 45%, respectively, of the outstanding economic interest in Molson Coors upon completion of the merger transaction. We estimate that Molson's former Class B common shareholders other than Pentland will hold approximately 32.95% of the combined voting power of the Molson Coors Class A

common stock and the Class A exchangeable shares.

**Dissent Rights (See page 107)**

Molson shareholders have the right to dissent from the Molson shareholders resolution to be voted upon at the Molson special meeting. Registered Molson shareholders who properly exercise their dissent rights under the interim order issued by the Superior Court of Québec will be entitled to be paid the fair value of their Molson shares. The dissent procedures require that a registered Molson shareholder who wishes to dissent must provide Molson a dissent notice prior to 5:00 p.m. (Montréal time) on the business day preceding the Molson special meeting. It is important that Molson shareholders strictly comply with this requirement, which is different from the statutory dissent provisions of the Canada Business Corporations Act, which would permit a dissent notice to be provided at or prior to the Molson special meeting. Molson shareholders who wish to dissent must also strictly comply with the other requirements of the dissent procedure. Molson optionholders are not entitled to dissent rights unless they exercise their options and submit a dissent notice prior to this deadline. We refer to the Canada Business Corporations Act in this document as the "CBCA."

**Accounting Treatment (See page 103)**

Molson Coors will account for the merger transaction using the purchase method of accounting under U.S. GAAP. Although the combination of Molson and Coors is a merger of equals, generally accepted accounting principles require that one of the two companies in the transaction be designated as the "acquiror" for accounting purposes. Based on a review of the applicable accounting rules, we have determined that Coors is the "acquiror" solely for accounting purposes.

**Material Canadian and U.S. Federal Income Tax Consequences for Molson Shareholders**

*Canada (See page 148)*

McCarthy Tétrault LLP has opined on the accuracy of the summary of material Canadian federal income tax consequences under the Canadian Tax Act contained in this document.

**Special Dividend.** For Canadian resident individuals, the special dividend received on Molson shares will be required to be included in computing income and will be subject to the gross-up and dividend tax credit rules. For Canadian resident corporations, subject to the potential application of subsection 55(2) of the Canadian Tax Act, the special dividend received on Molson shares will generally be required to be included in computing income and will normally be deductible in computing taxable income. For U.S. residents, the special dividend received on Molson shares will generally be subject to a 15% withholding tax under the Canadian Tax Act.

**Exchange of Molson Shares.** The exchange of Molson shares for exchangeable shares (and ancillary rights) and/or Molson Coors common stock, through a series of exchanges, will generally be a taxable event to a Canadian resident holder of Molson shares. However, an eligible Canadian resident who exchanges his or her Molson shares for consideration that includes exchangeable shares (and ancillary rights) and who makes a valid tax election with Molson Coors Exchangeco, may obtain a full or partial tax deferral (rollover) of any capital gain otherwise arising upon the exchange of those shares. A non-resident shareholder for which shares of Molson are not "taxable Canadian property" will not be subject to tax under the Canadian Tax Act on the disposition of those shares.

**Eligibility for Investment.** The exchangeable shares will be "qualified investments" and will not be "foreign property" for deferred income plans for Canadian income tax purposes. Shares of Molson Coors Class A common stock and Molson Coors Class B common stock will be "qualified investments" that are "foreign property" for Canadian income tax purposes.

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**Exchange of Molson Options.** The exchange of Molson options for options to acquire shares of Molson Coors common stock will generally not be a taxable event to a Canadian resident holder of Molson options.

### **United States (See page 170)**

The exchange of Molson shares for Molson Coors common stock, through a series of exchanges, will be fully taxable for United States federal income tax purposes. Molson intends to take the position that the gross amount of the special dividend paid to U.S. holders of Molson shares (including amounts withheld to reflect Canadian withholding taxes) will be treated as dividend income for U.S. federal income tax purposes to the extent paid out of current or accumulated earnings and profits, as determined under U.S. federal income tax principles. It is possible the special dividend could instead be treated as consideration paid by Molson in exchange for a portion of such U.S. holders' Molson shares for U.S. federal income tax purposes. For more information see "Material Income Tax Consequences Material U.S. Federal Income Tax Consequences to Molson Shareholders" beginning on page 170.

### **Court Approval Will Be Required to Complete the Merger Transaction (See page 99)**

Under the CBCA, a Canadian court must approve the arrangement set forth in the form of plan of arrangement. Prior to the mailing of this document, Molson obtained an interim order from the Superior Court, District of Montréal, Province of Québec providing for the calling and holding of the Molson special meeting and the Molson optionholders meeting and other procedural matters. If the Molson shareholders approve the Molson shareholders resolution and the Coors stockholders approve the Coors share issuance and the Coors charter amendments, the court will hold a hearing regarding a final order. The court will consider, among other things, the fairness and reasonableness of the arrangement. The court may approve the arrangement in any manner the court may direct, subject to compliance with such terms and conditions, if any, as the court deems fit. Subject to the approval of the Molson shareholders resolution at the Molson special meeting and approval of the Coors share issuance and the Coors charter amendments at the Coors special meeting, the hearing to obtain the final order of the Superior Court of Québec is scheduled to take place on or about , 2005 at .m. (Montréal time) at the Montréal courthouse located at 1 Notre-Dame Street East, Montréal, Québec, Canada.

### **Conditions to Closing (See page 118)**

Molson's and Coors' obligations to complete the merger transaction are subject to conditions that must be satisfied or waived before the completion of the merger transaction, including:

the approval of the Molson shareholders resolution by the Molson shareholders and the approval of the Coors share issuance and the Coors charter amendments by the Coors stockholders;

receipt of interim and final orders approving the plan of arrangement from the Superior Court of Québec in form and terms reasonably acceptable to Coors and Molson, and those orders having not been set aside or modified in a manner unacceptable to Coors and Molson;

receipt of orders required from the applicable Canadian securities regulatory authorities permitting the issuance and first resale of the shares issuable as part of the merger transaction and the issuance from time to time of Molson Coors common stock in exchange for the exchangeable shares or on the exercise of replacement options;

absence of injunctions, orders or laws restraining, enjoining or making illegal the completion of the merger transaction;

receipt of necessary regulatory approvals referred to under "Regulatory Matters" below;

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receipt of the Toronto Stock Exchange's conditional approval for listing of the shares to be issued by Molson Coors Exchangeco;

receipt of New York Stock Exchange approval for listing of Molson Coors common stock;

availability of the exemption for the issuance of the shares of Molson Coors common stock to be issued under the arrangement from registration and qualification requirements under applicable U.S. federal and state securities laws;

effectiveness of a registration statement registering the issuance of shares of Molson Coors common stock issuable upon exchange of exchangeable shares;

holders of no more than 5% of all Molson shares having exercised dissent rights in respect of the arrangement; and

Coors' certificate of incorporation and bylaws having been amended and restated in accordance with the combination agreement.

Each party's obligation to complete the merger transaction is subject to the satisfaction of the following additional conditions by the other party:

the material truth of representations and warranties and material compliance with covenants by the other party;

the absence of events or changes that have or would reasonably be expected to have a material adverse effect on the other party; and

the execution and delivery by the other party of the voting trust agreements referred to under "Governance and Management of Molson Coors Other Governance Matters Voting Trust Agreements Among Principal Shareholders" beginning on page 138.

Molson's obligation to complete the merger transaction is also subject to the satisfaction by Coors of the following additional conditions:

the absence of developments that would (i) prevent tax deferred treatment for validly electing Canadian resident shareholders receiving consideration that includes exchangeable shares or (ii) cause the exchangeable shares to be "foreign property" under the Canadian Tax Act;

Molson shareholders generally having been permitted to take advantage of the holding company alternative on agreed-upon terms and conditions;

Coors having executed and delivered a registration rights agreement for the benefit of parties to the voting trust agreements referred to under "Governance and Management of Molson Coors Other Governance Matters Voting Trust Agreements Among Principal Shareholders" beginning on page 138;

Coors having taken all actions necessary to cause the board of directors of Molson Coors to be constituted as described under "Governance and Management of Molson Coors Board of Directors of Molson Coors"; and

Molson Coors Exchangeco not having been liquidated, dissolved or wound up and having remained solvent, and no bankruptcy, insolvency, receivership or similar proceeding having been commenced against Molson Coors Exchangeco.





**Non-Solicitation (See page 116)**

The combination agreement contains detailed provisions prohibiting the parties from seeking an alternative transaction. Under these "non-solicitation" provisions, each of Molson and Coors has agreed that it will not, directly or indirectly:

initiate, solicit, encourage or otherwise knowingly facilitate any inquiries or the making by any third party of any acquisition proposal (as defined on page 116);

engage in any negotiations concerning, or provide any confidential information or data to, or have any discussions with, any person relating to an acquisition proposal, or otherwise knowingly facilitate any effort or attempt to make or implement an acquisition proposal;

approve or recommend, or propose publicly to approve or recommend, any acquisition proposal; or

execute or enter into, or publicly propose to accept or enter into, any agreement with respect to an acquisition proposal.

The combination agreement provides for circumstances under which the board of directors of Molson or Coors, as applicable, may share information with third parties, withdraw their recommendation or engage in discussions with third parties regarding acquisition proposals. The combination agreement also provides that each party, under specified circumstances, may enter into an agreement with respect to an acquisition proposal.

**Regulatory Matters (See page 100)**

On October 4, 2004, we received from the U.S. Department of Justice notification of early termination of the waiting period under the HSR Act in the United States. In Canada, the waiting period under the Competition Act expired on October 18, 2004, and on October 12, 2004 Molson received a no-action letter from the Commissioner of Competition stating that there are no sufficient grounds to initiate proceedings before the Competition Tribunal.

**Termination (See page 120)**

The combination agreement may be terminated at any time prior to completion of the merger transaction, whether before or after approval of the merger transaction by the shareholders of Molson and Coors, as summarized below.

***Mutual Termination Rights***

Molson and Coors may terminate the combination agreement by mutual agreement. In addition, either Molson or Coors may terminate the combination agreement prior to the completion of the merger transaction if any of the following occurs:

the merger transaction is not completed on or before January 31, 2005, subject to specified exceptions;

any law is passed that makes the arrangement illegal or otherwise prohibited or a governmental authority in the United States or Canada issues a final, non-appealable order restraining, enjoining or otherwise prohibiting consummation of the merger transaction;

the shareholders of Molson fail to approve the Molson shareholders resolution, or the stockholders of Coors fail to approve the Coors share issuance or the Coors charter amendments;

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the other party breaches any representation, warranty, covenant or agreement in the combination agreement such that the conditions to complete the arrangement are incapable of being satisfied on or before January 31, 2005;

the board of directors of the other party withdraws, modifies or qualifies its recommendation in favor of the transactions contemplated by the combination agreement; or

the other party intentionally and materially breaches the "non-solicitation" provisions of the combination agreement or its obligation to convene its stockholder meeting.

In addition, either Molson or Coors may terminate the combination agreement under specified circumstances to accept a superior proposal (as defined on page 117 of this document), upon satisfaction of various other conditions.

### ***Termination Fees and Expenses***

If the combination agreement is terminated by either party in specified circumstances, either Molson or Coors may be required to pay to the other party expenses incurred by the other party in connection with the merger transaction up to a maximum amount of U.S.\$15 million and, upon specified termination relating to competing acquisition proposals, a termination fee of U.S.\$75 million including expenses. The termination fee and expense reimbursement are required to be paid at different times, depending on the basis for the termination of the combination agreement.

### **Amendment of Coors' Certificate of Incorporation (See page 141)**

Coors is proposing to amend and restate its certificate of incorporation to effect various features of the merger transaction. Among other changes, the Coors charter amendments will effect the following amendments to the existing certificate of incorporation of Coors, in each case as further described on pages 141-144 in this document:

the change of the company's name from "Adolph Coors Company" to "Molson Coors Brewing Company";

the amendment of the authorized number of shares of Class A common stock and Class B common stock from 1,260,000 shares of Class A common stock and 200,000,000 shares of Class B common stock to 500,000,000 for each class;

the creation of special Class A voting stock and special Class B voting stock of Molson Coors not previously provided for in the existing Coors certificate of incorporation, through which the holders of Class A exchangeable shares and Class B exchangeable shares, respectively, will exercise their voting rights;

an amendment providing that holders of the Class B common stock and the special Class B voting stock (acting upon the instructions of the holders of Class B exchangeable shares), voting as a single class, will be entitled to elect three members of the Molson Coors board of directors;

an amendment to include governance and corporate actions requiring the approval of the holders of the Class A common stock and the special Class A voting stock (acting upon the instructions of the holders of Class A exchangeable shares), voting as a single class;

an amendment to provide that shares of Class A common stock will be convertible at the election of the holder into shares of Class B common stock;

an amendment to provide that shares of Class B common stock will be convertible into shares of Class A common stock in limited circumstances relating to specified offers which are not made to holders of Class B common stock;



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the provision for a nominating committee and related nominating procedures, and procedures for filling vacancies on the Molson Coors board of directors;

an amendment to provide that no dividend may be declared or paid on the Molson Coors Class A common stock or Class B common stock unless an equal dividend is declared or paid on the Molson Coors Class B common stock or Class A common stock, as applicable;

an amendment to provide that, subject to the right of the holders of Class B common stock and special Class B voting stock (acting upon the instructions of the holders of Class B exchangeable shares) to vote on any charter amendment to increase or decrease the authorized number of shares of Class B common stock, the number of authorized shares of any class of stock of Molson Coors may be increased or decreased by the affirmative vote of the holders of Class A common stock and special Class A voting stock (acting upon the instructions of the holders of Class A exchangeable shares), voting together as a single class;

an amendment to provide that the size of the Molson Coors board of directors shall be determined by resolution of the Molson Coors board of directors in accordance with the bylaws;

an amendment to provide that (i) any director may be removed, with cause, by a vote of holders of a majority of the voting power of the Class A common stock, special Class A voting stock (acting upon the instructions of the holders of Class A exchangeable shares), Class B common stock and special Class B voting stock (acting upon the instructions of the holders of Class B exchangeable shares), voting together as a single class, and (ii) any director may be removed, without cause, by a vote of the holders of a majority of the voting power of the class or classes that elected the director;

to provide that the power of the Molson Coors board of directors to amend the Molson Coors bylaws may be limited by a provision of the bylaws in effect as of the date of the filing of the restated certificate of incorporation of Molson Coors; and

to provide that, except as otherwise provided in the bylaws, Molson Coors shall be required to indemnify a person otherwise entitled to indemnification pursuant to the Molson Coors restated certificate of incorporation in connection with a proceeding commenced by such person only if the commencement of such proceeding was authorized by the Molson Coors bylaws, any written agreement between such person and Molson Coors, or in the specific case by the Molson Coors board of directors.

The proposed restated certificate of incorporation of Molson Coors is attached to this document as Annex G. Please read the restated certificate of incorporation as it, together with the amended bylaws of Molson Coors (attached to this document as Annex H), are the principal legal documents that will govern the rights of stockholders of Molson Coors after the merger transaction.

### **Amendment of Coors' Bylaws (See page 145)**

In connection with the Coors charter amendments and related merger transaction, Coors is amending and restating its bylaws. Among other changes, the amendments to the bylaws will effect the following changes, in each case as further described in this document:

the change in the size of the Molson Coors board of directors to 15;

the addition of various governance and corporate actions requiring approval of two-thirds of the directors rather than a majority;

the appointment of a chairman and vice chairman of the board of directors and specified officers of Molson Coors; and



the revision of specified provisions relating to the calling of and conduct at stockholder meetings and the making of stockholder nominations and proposals.

The restated bylaws are attached to this document as Annex H. Please read the bylaws as they, together with the proposed restated certificate of incorporation, are the principal legal documents that will govern the rights of stockholders of Molson Coors after the merger transaction.

**Pentland and Coors Trust Voting Trust Agreements (See page 138)**

The Coors Trust, the sole holder of the Coors Class A common stock, and Pentland, the principal holder of Molson Class B common shares, will enter into voting trust agreements upon completion of the merger transaction in order to combine their voting power over any Molson Coors Class A common stock and Class A exchangeable shares that they will own following completion of the merger transaction.

Based on their stockholdings as of the record date and after giving effect to the merger transaction, the Coors Trust and Pentland will have approximately 33.49% and 33.55%, respectively, of the combined voting power of the Molson Coors Class A common stock and special Class A voting stock (the votes of which are directed by holders of Class A exchangeable shares). Peter H. Coors, chairman of Coors, is a trustee for the Coors Trust, and Eric H. Molson, chairman of the Molson board of directors, indirectly controls Pentland.

**The Meetings**

*Molson will hold a special meeting of its shareholders to approve the arrangement and a separate meeting of its optionholders to approve the Molson optionholders resolution (See page 55)*

Molson will hold a special meeting of the holders of Class A non-voting shares and Class B common shares on \_\_\_\_\_, 2005, at \_\_\_\_\_ .m. (Montréal time), at \_\_\_\_\_, Montréal, Québec. At the Molson special meeting, in accordance with an interim order of the Superior Court of Québec dated \_\_\_\_\_, 2004, Molson shareholders will be asked to consider and vote upon the Molson shareholders resolution to approve the arrangement under section 192 of the CBCA to effect the combination of Molson and Coors.

Molson will also hold a separate meeting of the holders of options to purchase Class A non-voting shares on \_\_\_\_\_, 2005, at \_\_\_\_\_ .m. (Montréal time), in the John Molson Room located at 1670 Notre-Dame Street East, Montréal, Québec. At the Molson optionholders meeting, in accordance with an interim order of the Superior Court of Québec dated \_\_\_\_\_, 2004, Molson optionholders will be asked to approve the exchange of their options to purchase Molson Class A non-voting shares for options to purchase shares of Molson Coors Class B common stock.

*Molson shareholder approvals will be required to complete the merger transaction (See page 55)*

Each holder of Molson Class A non-voting shares and Molson Class B common shares as of the close of business on November 22, 2004 is entitled to one vote per share on any matter to be considered at the Molson special meeting. The required approvals for the Molson shareholders resolution to approve the arrangement are (i)  $66\frac{2}{3}\%$  of the votes cast at the Molson special meeting by holders of Molson Class A non-voting shares voting as a class, and (ii)  $66\frac{2}{3}\%$  of the votes cast at the Molson special meeting by holders of Molson Class B common shares voting as a class. At the separate meeting of Molson optionholders, each holder of Molson options to purchase Class A non-voting shares at the close of business November 22, 2004, is entitled to one vote for each Molson Class A non-voting share that the holder would have received upon a valid exercise of the holder's Molson options regardless of whether they are currently exercisable. The required approval for the Molson

optionholders resolution is 66<sup>2</sup>/<sub>3</sub>% of the votes cast at the Molson optionholders meeting by holders of options to purchase Class A non-voting shares of Molson voting as a class.

***Ownership of Securities of Directors and Executive Officers of Molson (See page 225)***

On the record date, directors and executive officers of Molson and their affiliates beneficially owned (or exercised control over) and had the right to vote:

529,776 Molson Class A non-voting shares, representing approximately 0.49% of that class outstanding on the record date.

10,018,002 Molson Class B common shares, representing approximately 50.45% of that class outstanding on the record date.

options to purchase 4,019,584 Molson Class A non-voting shares representing approximately 69.53% of the options outstanding on the record date.

All of the directors and executive officers of Molson have irrevocably undertaken to vote all of the Molson options they hold in favor of the Molson optionholders resolution.

In addition, Pentland has entered into a voting agreement with Coors and the Coors Trust, under which Pentland has committed to vote all of its Molson Class B common shares in favor of the Molson shareholders resolution. As of the date of this document, Pentland, which is indirectly controlled by Eric H. Molson, owns approximately 50.45% of the Molson Class B common shares.

***Coors will hold a special meeting of its stockholders to approve the Coors share issuance and the Coors charter amendments (See page 63)***

Coors will hold a special meeting of stockholders on \_\_\_\_\_ at \_\_\_\_\_ .m. (Denver time) at Coors Brewing Company, Sixth Floor Auditorium, Brewery Complex, 12<sup>th</sup> and Ford Streets, Golden, Colorado. At the Coors special meeting:

holders of shares of Coors Class A common stock will be asked to consider and vote on the Coors share issuance and the Coors charter amendments (including all of the proposed amendments described in this document); and

holders of shares of Coors Class B common stock will be asked to consider and vote on the Coors charter amendments (including all of the proposed amendments described in this document other than the Class A certificate amendments).

***Coors stockholder approvals will be required to complete the merger transaction (See page 63)***

Each holder of shares of Coors Class A common stock as of the close of business on November 22, 2004 is entitled to one vote per share on any matter to be considered at the Coors special meeting. Each holder of shares of Coors Class B common stock as of the close of business on November 22, 2004 is entitled to one vote per share on the Coors' charter amendments (other than the Class A certificate amendments) at the Coors special meeting.

To become effective, the Coors share issuance requires the affirmative vote of a majority of the votes cast on the proposal by holders of shares of Coors Class A common stock at the Coors special meeting at which the total votes cast by holders of shares of Coors Class A common stock represent at least a majority of the issued and outstanding shares of Coors Class A common stock.

To become effective, the Coors' charter amendments (other than the Class A certificate amendments) require (i) the affirmative vote of the holders of a majority of the outstanding shares of Coors Class A common stock, voting as a separate class, and (ii) the affirmative vote of the holders of a majority of the outstanding shares of Coors Class B common stock, voting as a separate class.



To become effective, the Class A certificate amendments require the affirmative vote of the holders of a majority of the outstanding shares of Coors Class A common stock.

Unless each of the proposals is approved and the merger transaction is completed, no proposal will be implemented.

***Stock Ownership of Directors and Executive Officers of Coors (See page 282)***

On the record date, directors and executive officers of Coors and their affiliates beneficially owned and had the right to vote 1,820,043 shares of Coors Class B common stock, representing approximately 5% of that class outstanding on the record date.

In addition, the Coors Trust, for which Peter H. Coors, chairman of Coors, is a trustee, beneficially owns 1,260,000 shares of Coors Class A common stock, representing 100% of that class outstanding on the record date and 1,470,000 shares of Coors Class B common stock, representing 4.07% of that class outstanding on the record date. Peter H. Coors disclaims beneficial ownership of the 1,260,000 shares of Coors Class A common stock and the 1,470,000 shares of Coors Class B common stock held by the Coors Trust.

The Coors Trust, Peter H. Coors and Keystone Financing LLC, holders of 100% of the Class A common stock and 29.68% of the Class B common stock in the aggregate as of the record date, have entered into a voting agreement with Molson and Pentland, under which they have committed to vote all of their shares of Coors Class A common stock and Coors Class B common stock, in favor of the Coors share issuance and the Coors charter amendments. As a result of the agreed-upon votes, the Coors share issuance is assured of approval at the Coors special meeting.

**Risk Factors (See page 47)**

There are certain risks that should be considered by the Coors stockholders and the Molson shareholders in evaluating whether to approve the merger transaction. These risks should also be considered by the Molson optionholders in evaluating whether to approve the Molson optionholders resolution. Some of these risks relate directly to the merger transaction while others relate to the business of the combined company. These risks include:

we may not realize the cost savings and other benefits we currently anticipate due to challenges associated with integrating operations, technologies, sales and other aspects of the companies;

because the market price of Coors common stock will fluctuate and the exchange ratio is fixed, you cannot be sure of the market value of the Molson Coors common stock or the exchangeable shares that will be outstanding following completion of the merger transaction;

members of management and the boards of directors of Molson and Coors have interests in the merger transaction that are different from those of other shareholders and that could influence their decision to approve the merger transaction;

the merger transaction is subject to consents and approvals from government entities that could delay completion of the merger transaction or impose conditions on the combined company, which could result in an adverse effect on the business or financial condition of the combined company;

Molson Coors' public stockholders will have no ability to influence the outcome of most matters presented to Molson Coors stockholders due to members of the Coors and Molson families collectively holding a controlling interest in the combined company after the merger;

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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 shareholders;

if either Pentland or the Coors Trust ceases to beneficially own a specified minimum number of shares of Molson Coors stock, that party may forfeit the right to instruct the trustees with respect to voting on matters presented to Molson Coors stockholders and thereby vest the other party with a sole controlling interest in Molson Coors Class A common stock and the Class A exchangeable shares;

the trading prices of the exchangeable shares and the Molson Coors common stock may not reflect equivalent values;

Molson shareholders who receive exchangeable shares will experience a delay in receiving shares of Molson Coors common stock from the date that they request an exchange, which may affect the value of the shares the holder receives in an exchange;

because we will continue to face intense competition, operating results may be negatively impacted;

our operating results may be negatively impacted by foreign currency risk;

our operations face significant commodity price change and foreign exchange rate exposure which could materially and adversely affect our operating results;

Molson has recently incurred losses in its Brazilian operations, recorded an impairment charge of Cdn.\$210 million in the quarter ended September 30, 2004, announced that it will record a provision for rationalization of approximately Cdn.\$50 million and could suffer further impairment charges as a result of the Brazilian operations, which could have a material adverse effect on our combined results of operations;

Molson 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;

we will continue to rely on a small number of suppliers to operate our business and the inability of one of them to meet our production needs could have a negative impact on our business;

litigation directed at the alcohol beverage industry may adversely affect our sales volume and our business;

if the independent distributors on which we depend fail to effectively sell our products, our revenue could be adversely affected;

we are and will continue to be subject to 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;

we will be subject to changes in laws, taxation and other normal risks associated with investing and carrying on business in various countries which could negatively impact our business; and

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.

**Per Share Equivalent Share Prices**

The table below shows the closing prices of the Coors Class B common stock and each class of Molson shares and the pro forma equivalent per share value of each class of Molson shares at the close

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of the regular trading session on July 21, 2004, the last trading day before the public announcement of the merger transaction, and , 2004, the last trading day prior to the date of this document.

Date	Coors Class B Closing Price(1)	Molson Share Price		Molson Share Price Pro Forma Equivalent(2)
		Class A	Class B	
July 21, 2004	U.S.\$ 74.73 Cdn.\$98.64 <sup>(4)</sup>	U.S.\$ 26.43 <sup>(3)</sup> Cdn.\$34.70	U.S.\$ 26.02 <sup>(3)</sup> Cdn.\$34.17	U.S.\$ 26.90 Cdn.\$35.51 <sup>(4)</sup>
, 2004	U.S.\$ Cdn.\$ <sup>(6)</sup>	U.S.\$ <sup>(5)</sup> Cdn.\$	U.S.\$ <sup>(5)</sup> Cdn.\$	U.S.\$ Cdn.\$ <sup>(6)</sup>

- (1) Shares of Coors Class A common stock are not currently traded on a stock exchange and, as a result, no market value is available for this class of shares, except by reference to the publicly traded shares of Coors Class B common stock.
- (2) The pro forma equivalent per share value of Molson shares is calculated by multiplying the Coors Class B closing price by the 0.360 exchange ratio.
- (3) Using the exchange rate on July 21, 2004 of U.S.\$0.7616 for one Canadian dollar.
- (4) Using the exchange rate on July 21, 2004 of Cdn.\$1.32 for one U.S. dollar.
- (5) Using the exchange rate on , 2004 of U.S.\$ for one Canadian dollar.
- (6) Using the exchange rate on , 2004 of Cdn.\$ for one U.S. dollar.

**Comparative Per Share Data**

The following table sets forth certain historical per share data for Molson and Coors and pro forma combined per share data after giving effect to the merger transaction at an exchange ratio of 0.360 shares of Molson Coors common stock or Molson Coors Exchangeable shares for each Molson share. This data should be read in conjunction with the Molson audited financial statements, the Molson interim unaudited financial statements, the Coors audited financial statements and the Coors interim unaudited financial statements that are attached to this document as Annexes R and S, respectively, and the Molson Coors unaudited pro forma condensed combined financial statements included beginning on page 291 in this document. The unaudited pro forma condensed combined financial statements reflect adjustments to conform Molson's data to U.S. GAAP, presented in U.S.\$ and to give effect to the merger transaction as if it had occurred on December 30, 2002 with respect to the income statement, and as of September 26, 2004 with respect to the balance sheet. The unaudited pro forma condensed combined financial data are not necessarily indicative of the operating results or financial position that would have occurred had the merger transaction been completed at the beginning of the earliest period presented and should not be construed as indicative of future operations. For more information see "Information Concerning Molson" beginning on page 181 and "Information Concerning Coors" beginning on page 239.

Historical Molson Canadian GAAP (Cdn.\$)	Years ended March 31,			Six months ended	
	2004	2003	2002	September 30, 2004	September 30, 2003
Basic income per share	1.86	2.42	1.48	(0.39)	1.19
Diluted income per share	1.84	2.38	1.45	(0.39)	1.17
Book value per share at end of period(2)	9.57	8.12	9.19	8.80	9.29
Dividends per share	0.56	0.42	0.38	0.30	0.28

  

Historical Coors U.S. GAAP (U.S.\$)	Years ended			Thirty-nine weeks ended	
	2003	2002(1)	2001	September 26, 2004	September 28, 2003
Basic income per share	4.81	4.47	3.33	3.81	3.81
Diluted income per share	4.77	4.42	3.31	3.74	3.79
Book value per share at end of period(2)	34.80	27.02	26.46	40.42	31.57
Dividends per share	0.82	0.82	0.80	0.615	0.615

  

Pro forma per share data U.S. GAAP (U.S.\$)	Pro Forma Combined		Molson Equivalent(4)	
	Year ended 2003	Thirty-nine weeks ended September 26, 2004	Year ended 2003	Thirty-nine weeks ended September 26, 2004
Basic income per share	3.52	1.09	1.27	0.39
Diluted income per share	3.46	1.06	1.25	0.38
Book value per share at end of period(3)		56.31		20.27
Dividends per share	1.27(5)	0.63(5)	0.46	0.23

(1) Results prior to February 2, 2002 exclude Coors Brewers Limited, the business acquired from InBev on that date.

(2) The historical book value per share is computed by dividing total stockholders' equity as of the end of each period for which the computation is made by the number of common shares outstanding at the end of each period.



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- (3) The pro forma book value per share is computed by dividing pro forma stockholders' equity by the pro forma number of shares outstanding at the end of the period totalling 83.5 million common shares.
- (4) The Molson pro forma equivalent share amounts are computed by multiplying the Molson Coors pro forma combined per share amounts by the 0.360 exchange ratio.
- (5) The pro forma dividends per share amounts are based upon the agreement of Molson and Coors for Molson Coors to adopt Molson's dividend policy in effect on July 21, 2004, subject to applicable law and adjustment for (i) the exchange rate of U.S.\$0.7616 per Canadian dollar on that date and (ii) the exchange ratio of 0.360.

**Molson Selected Historical Financial Information**

We are providing the following financial information to assist you in your analysis of the financial aspects of the merger transaction. We derived the annual Molson historical financial information from the audited consolidated financial statements of Molson as of and for each of the fiscal years ended March 31, 2000 through 2004. Molson prepares its financial statements in accordance with Canadian GAAP, which differs in significant respects from U.S. GAAP. See note 24 to Molson's historical annual financial statements and Note 12 to Molson's interim historical financial statements in Annex R. We derived the data as of and for the six months ended September 30, 2004 and 2003 from unaudited interim financial statements of Molson. In the opinion of Molson management, this information includes adjustments (consisting only of normal and recurring adjustments) that are considered necessary for the fair presentation of the results for the interim periods.

The information below is in Cdn.\$ and is only a summary and is qualified by reference to, and should be read in conjunction with, Molson audited financial statements and the Molson unaudited financial statements that are attached to this document in Annex R. The historical results included below and elsewhere in this document are not indicative of the future performance of Molson or the combined company.

Canadian GAAP	As of and for the six months ended September 30,		As of and for the years ended March 31,				
	2004	2003	2004	2003(3)	2002(3,4)	2001	2000
(In Cdn.\$ millions, except per share data)							
<b>Consolidated Statement of Earnings Data:</b>							
Net sales revenue	1,349.4	1,377.4	2,525.5	2,515.2	2,102.3	1,857.1	1,753.7
Net earnings (loss) from continuing operations(1,2,5,7)	(49.6)	151.2	237.0	308.7	175.6	137.2	(65.8)
Net earnings (loss)(1,2,5,7)	(49.6)	151.2	237.0	308.7	177.6	133.9	(44.0)
Net earnings (loss) per share from continuing operations basic(1,2,5,7,8)	(0.39)	1.19	1.86	2.42	1.46	1.15	(0.56)
Net earnings (loss) per share from continuing operations diluted(1,2,5,7,8)	(0.39)	1.17	1.84	2.38	1.43	1.14	(0.55)
Net earnings (loss) per share basic(1,2,5,7,8)	(0.39)	1.19	1.86	2.42	1.48	1.12	(0.37)
Net earnings (loss) per share diluted(1,2,5,7,8)	(0.39)	1.17	1.84	2.38	1.45	1.11	(0.36)
Dividends declared per share(8)	0.30	0.28	0.56	0.42	0.38	0.36	0.36
Cash dividends paid per share(8)	0.29	0.27	0.53	0.41	0.37	0.34	0.34
<b>Consolidated Balance Sheet Data:</b>							
Cash and cash equivalents	18.7	50.6	21.2	12.2	71.0	70.1	61.7
Total assets(1,2,5,6)	3,614.2	3,930.8	3,930.6	3,904.1	4,506.3	3,280.8	3,111.8
Current portion of long-term debt	407.2	65.4	347.0	40.6	58.9		
Total long-term debt	992.9	1,099.6	1,135.4	1,220.6	1,746.1	1,204.4	1,111.9
Shareholders' equity(1,2,5,6,7)	1,124.4	1,180.5	1,219.4	1,033.0	1,173.9	795.4	1,025.7



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U.S. GAAP	As of and for the six months ended September 30,		As of and for the years ended March 31,	
	2004	2003	2004	2003

(In Cdn.\$ millions, except per share data)

**Consolidated Statement of Earnings Data:**

Net sales revenue	1,371.0	1,377.4	2,525.5	2,515.2
Net earnings (loss)(1,2,7)	(47.4)	158.8	248.5	294.1
Net earnings (loss) per share basic(1,2,7,8)	(0.37)	1.25	1.96	2.34
Net earnings (loss) per share diluted(1,2,7,8)	(0.37)	1.23	1.93	2.27
Dividends declared per share(8)	0.30	0.28	0.56	0.42
Cash dividends paid per share(8)	0.29	0.27	0.53	0.41

**Consolidated Balance Sheet Data:**

Cash and cash equivalents	50.7	50.6	21.2	12.2
Total assets(1,2)	3,881.1	3,912.1	3,914.2	3,877.0
Current portion of long-term debt	407.2	65.4	347.0	40.6
Total long-term debt	1,192.9	1,099.6	1,135.4	1,220.6
Shareholders' equity(1,2,7)	1,008.9	1,043.8	1,083.2	892.3

- (1) In the fiscal years presented, Molson recorded provisions for rationalization consisting primarily of brewery closure costs and asset writedowns. For the year ended March 31, 2004, these provisions resulted in a pre-tax charge to earnings of \$36.3 (2003 \$63.5, 2002 \$50.0, 2001 \$nil, 2000 \$224.0). For the six months ended September 30, 2004 includes \$16.0 of merger related costs and a \$3.4 charge for rationalization costs.
- (2) During the quarter ended September 30, 2004, Molson recorded an impairment charge of \$210.0 (\$168.0 after minority interest).
- (3) During the year ended March 31, 2002, Molson acquired all of the outstanding shares of Cervejarias Kaiser Brasil S.A. in Brazil. In a separate transaction, which closed in fiscal 2003, Molson sold 20% of its operations in Brazil to Heineken N.V.
- (4) During the year ended March 31, 2002, Molson completed the sale of its sports and entertainment business consisting of the Montréal Canadiens and the Molson Centre.
- (5) Effective April 1, 2001, Molson adopted the Canadian Institute of Chartered Accountants, or CICA, handbook section 3062 "Goodwill and Other Intangible Assets" prospectively in which goodwill and other indefinite lived intangible assets are not amortized, but tested for impairment. Included in the fiscal 2001 and 2000 net earnings are \$38.5 and \$34.2 of amortization of intangible assets, respectively.
- (6) During the year ended March 31, 2001, Molson adopted CICA handbook section 3461 "Employee Future Benefits" and section 3465 "Income Taxes" retroactively, without restatement. The result of adopting these standards were an increase in total assets of \$123.0, an increase in total liabilities of \$443.0 and a decrease in retained earnings of \$320.0
- (7) Effective April 1, 2002, Molson adopted CICA handbook section 3870 "Stock-Based Compensation and Other Stock-Based Payments" on a prospective basis and began expensing stock options. Stock option expense for the fiscal year ended March 31, 2004 amounted to \$5.2. Stock option expense for the fiscal year ended March 31, 2003 was restated by \$3.7 to reflect the adoption of this standard. Prior years have not been restated.
- (8) All per share information is after a 2-for-1 stock split which took effect in September 2001. Prior years have been restated.

**Coors Selected Historical Financial Information**

We are providing the following financial information to assist you in your analysis of the financial aspects of the merger transaction. We derived the annual Coors historical financial information from the audited consolidated financial statements of Coors as of and for each of the fiscal years from 1999 through 2003. Coors prepares its financial statements in accordance with U.S. GAAP. We derived the data as of and for the thirty-nine weeks ended September 26, 2004 and September 28, 2003 from unaudited interim financial statements of Coors. In the opinion of Coors' management, this information includes adjustments (consisting only of normal and recurring adjustments) that are considered necessary for the fair presentation of the results for the interim periods.

The information below is only a summary and is qualified by reference to, and should be read in conjunction with, the Coors audited financial statements and the Coors unaudited interim financial statements that are attached to this document as Annex S, as well as information that has been filed with the SEC. The historical results included below and elsewhere in this document are not indicative of the future performance of Coors or the combined company.

	Thirty-nine weeks ended September 26, 2004	Thirty-nine weeks ended September 28, 2003	Year ended 2003	Year ended 2002(2)	Year ended 2001	Year ended 2000(1)	Year ended 1999
(In U.S.\$ thousands, except per share data)							
<b>Consolidated Income Statement Data:</b>							
Net sales	3,178,511	2,977,241	4,000,113	3,776,322	2,429,462	2,414,415	2,236,484
Operating income	257,502	241,229	307,371	298,285	151,605	150,626	140,535
Net income	141,018	138,576	174,657	161,653	122,964	109,617	92,284
<b>Consolidated Balance Sheet Data:</b>							
Cash and cash equivalents and short-term and long-term marketable securities	92,486	31,251	19,440	59,167	309,705	386,195	279,883
Total assets	4,476,634	4,287,415	4,486,226	4,297,411	1,739,692	1,629,304	1,546,376
Current portion of long-term debt and other short-term borrowings	143,660	94,618	91,165	144,049	88,038		
Capital lease obligations	7,201	1,483	391	5,079	9,377		
Long-term debt	920,317	1,275,623	1,159,838	1,383,392	20,000	105,000	105,000
Shareholders' equity	1,512,680	1,148,658	1,267,376	981,851	951,312	932,389	841,539

(1) Reflects a 53-week year.

(2) Results for the first five weeks of fiscal 2002 and all prior fiscal years exclude Coors Brewers Limited.

**Summary Molson Coors Unaudited Pro Forma Combined Financial Information**

The following summary unaudited pro forma combined financial information is presented to give effect to the merger transaction between Molson and Coors and represents the combined company's pro forma unaudited condensed combined balance sheet as of September 26, 2004 and unaudited condensed combined income statements for the year ended December 28, 2003 and the thirty-nine weeks ended September 26, 2004.

The following summary unaudited pro forma combined financial information is derived from the unaudited pro forma combined financial statements beginning at page 291 and gives effect to the merger transaction between Molson and Coors as if it occurred on December 30, 2002 with respect to the income statement, and as of September 26, 2004 with respect to the balance sheet. The summary unaudited pro forma condensed combined financial information is not necessarily indicative of the results of operations that would have been achieved had the transaction actually taken place at the dates indicated and does not purport to be indicative of future financial position or operating results.

	<b>For the Thirty-nine Weeks Ended September 26, 2004</b>	<b>For the Year Ended December 28, 2003</b>
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(In U.S.\$ millions, except per share data)

<b>Income Statement Data</b>		
Net sales revenue	4,557.5	5,754.4
Net income available to common shareholders	90.7	289.3
Net income per share basic	1.09	3.52
Net income per share diluted	1.06	3.46
<b>Balance Sheet Data</b>		
Cash and cash equivalents and short-term and long-term marketable securities	133.1	
Total assets	11,175.4	
Long-term debt	1,895.0	
Shareholders' equity	4,702.3	

Although the combination of Molson and Coors is a merger of equals, generally accepted accounting principles require that one of the two companies in the transaction be designated as the "acquiror" for accounting purposes. In connection with the merger transaction, Coors will be deemed to acquire the Molson net assets at fair value for accounting purposes. Some of these assets have finite lives and require amortization/depreciation expense to be charged to earnings over their useful lives. This has the effect of increasing amortization and depreciation by approximately U.S.\$76.9 million per year, pre-tax. However, this non-cash expense has no impact on cash generated from the business of the combined entity.

## Risk Factors

*You should carefully consider the following risk factors, which we believe are all of the significant risks related to the merger transaction and the anticipated business of Molson Coors, as well as the other information contained in this document, including the attached annexes, in evaluating whether to approve the proposals relating to the merger transaction. By voting in favor of the merger transaction, Molson shareholders and optionholders will be choosing to invest in Molson Coors common stock or in the exchangeable shares, which are ultimately exchangeable for Molson Coors common stock. By voting in favor of the Coors share issuance and the Coors charter amendments, Coors stockholders will be choosing to combine Molson's operations with Coors' operations.*

### Risks Related to the Merger Transaction

***We may not realize the cost savings and other benefits we currently anticipate due to challenges associated with integrating operations, technologies, sales and other aspects of the companies.***

The success of the merger transaction will be dependent in large part on the success of the management of the combined company in integrating the operations, technologies and personnel of the two companies following the merger transaction. The failure of the combined company to meet the challenges involved in successfully integrating the operations of Molson and Coors or otherwise to realize any of the anticipated benefits of the merger transaction, including the estimated annual cost savings described elsewhere in this document, could impair the results of operations of the combined company. In addition, the overall integration of the two companies may result in unanticipated operations problems, expenses and liabilities and diversion of management's attention. The challenges involved in this integration include the following:

integrating successfully each company's operations, technologies, products and services;

reducing the costs associated with each company's operations;

coordinating sales, distribution and marketing efforts to effectively promote the products of the combined company;

preserving distribution, marketing or other important relationships of both Coors and Molson and resolving potential conflicts that may arise;

coordinating and rationalizing research and development activities to enhance introduction of new products;

assimilating the personnel of both companies and persuading employees that the business cultures of both companies are compatible; and

building employee morale and motivation.

***Because the market price of Coors common stock will fluctuate and the exchange ratio is fixed, you cannot be sure of the market value of the Molson Coors common stock or the exchangeable shares that will be outstanding following completion of the merger transaction.***

In the arrangement, each Molson share will, through a series of exchanges, be exchanged for a fixed number of shares of the applicable class or classes of shares of Molson Coors common stock or exchangeable shares (which will be eligible for exchange into shares of Molson Coors common stock). The exchange ratios in the merger transaction will not be adjusted for changes in the market prices of the shares of Coors or Molson. Changes in the market price of the Coors Class B common stock, the Molson Class A non-voting shares or the Molson Class B common shares or changes in the exchange rate between the U.S. and Canadian dollar prior to the completion of the arrangement will affect the market value of the Molson Coors common stock and the exchangeable shares to be received by



Molson shareholders. Stock price changes may result from a variety of factors, including general market and economic conditions and changes in our businesses, operations and prospects, many of which conditions and changes are beyond our control. Neither Molson nor Coors is permitted to terminate the combination agreement solely because of changes in the market prices of any of our shares or changes in the exchange rate between the U.S. and Canadian dollar.

Furthermore, none of the shares of Coors Class A common stock or exchangeable shares are currently traded on a stock exchange. As a result, no market value is available for those classes of shares, except by reference to the publicly traded shares of Class B common stock and the Molson shares.

If the merger transaction is completed, it will not be completed until after the date of the Coors and Molson special meetings and the satisfaction or waiver of all conditions to the arrangement. Therefore, at the time of your special meeting, you will not know the precise value of the Molson Coors shares or the exchangeable shares. The closing prices of the Coors Class B common stock and each class of Molson shares and the pro forma equivalent per share value of each class of Molson shares at the close of the regular trading session on July 21, 2004, the last trading day before the public announcement of the merger transaction, and \_\_\_\_\_, 2004, the most recent day for which that information was available prior to mailing this document, are set out in "Per Share Equivalent Share Prices" beginning on page 38. Based on such closing prices, the value of 0.360 shares of Coors Class B common stock was U.S.\$26.90 (Cdn.\$35.51) and U.S.\$ \_\_\_\_\_ (Cdn.\$ \_\_\_\_\_) on July 21, 2004 and \_\_\_\_\_, 2004, respectively. We urge you to obtain current market prices for the Coors Class B common stock and Molson Class A non-voting shares and Class B common shares.

***Members of the management and boards of directors of Molson and Coors have interests in the merger transaction that are different from those of other shareholders and that could influence their decision to approve the merger transaction.***

In considering whether to approve the merger transaction, Molson's securityholders and Coors' stockholders should recognize that some of the members of management and the boards of directors of Molson and Coors have interests in the merger transaction that differ from, or are in addition to, their interests as Molson securityholders or Coors stockholders. These interests include:

rights of certain officers and directors to receive termination payments or other benefits, including vesting of options, following a change of control;

future board of directors membership;

future executive officer positions; and

indemnification of officers and directors against certain liabilities.

These interests are described in "Description of the Merger Transaction Interests of Molson's Directors and Management in the Merger Transaction" beginning on page 88, "Governance and Management of Molson Coors Other Governance Matters Voting Trust Agreements Among Principal Shareholders" beginning on page 138 and "Description of the Merger Transaction Interests of Coors' Directors and Management in the Merger Transaction" beginning on page 98.

***The merger transaction is subject to the receipt of consents and approvals from government entities that could delay completion of the merger transaction or impose conditions on the combined company, which could result in an adverse effect on the business or financial condition of the combined company.***

Completion of the merger transaction is conditioned upon the expiration or termination of the applicable waiting period under the HSR Act, and the receipt of consents, orders, approvals or clearance, as required, under the competition laws of Canada and certain other regulatory authorities.

The conditions relating to the HSR Act and clearance under competition laws of Canada have been satisfied. A substantial delay in obtaining satisfactory approvals or the imposition of unfavorable terms or conditions in the approvals could have an adverse effect on the business, financial condition or results of operations of Molson Coors.

***Molson Coors' public stockholders will have no ability to influence the outcome of most matters presented to Molson Coors stockholders due to members of the Coors and Molson families collectively holding a controlling interest in the combined company after the merger.***

The Coors Trust, which is controlled by members of the Coors family, currently owns all of the voting stock of Coors, and Pentland, which is indirectly controlled by Eric H. Molson, owns approximately 50.45% of the voting shares of Molson. Following the merger transaction, Pentland and the Coors Trust will be the beneficial owners of a controlling interest in the Molson Coors Class A common stock and the Class A exchangeable shares. Based on their shareholdings on the record date, the Coors Trust and Pentland will collectively hold approximately 67.05%, of the combined voting power of Molson Coors Class A common stock and special Class A voting stock (the votes of which are directed by holders of Class A exchangeable shares). Peter H. Coors, the chairman of Coors, is a trustee for the Coors Trust, and Eric H. Molson, the chairman of the Molson board of directors, indirectly controls Pentland. Pentland and the Coors Trust have agreed to enter into voting trust agreements to vote their shares as a bloc. As a result of these ownership levels and voting trust agreements, the remaining holders of Molson Coors Class A common stock and Class B common stock and Class A exchangeable shares and Class B exchangeable shares will have no ability to influence the outcome of most matters presented to the combined company's stockholders and holders of exchangeable shares, other than limited matters in which the holders of Molson Coors Class B common stock and special Class B voting stock vote separately.

Because Pentland and the Coors Trust will collectively own a controlling interest in the Molson Coors Class A common stock and the Class A exchangeable shares, a third party may be deterred from pursuing a tender offer, change in control or take-over attempt in respect of Molson Coors that is not supported by them.

***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 will be Molson Coors' two largest stockholders, will enter into voting trust agreements upon the completion of the merger transaction through which they will combine their voting power over the Molson Coors Class A common stock and Class A exchangeable shares they will own upon completion of the merger transaction. 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 Molson Coors 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 are 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.

***If either Pentland or the Coors Trust ceases to beneficially own a specified minimum number of shares of Molson Coors stock, that party may forfeit the right to instruct the trustees with respect to voting on matters presented to Molson Coors stockholders and thereby vest the other party with a sole controlling interest in Molson Coors Class A common stock and the Class A exchangeable shares.***

If Pentland and its permitted transferees cease to beneficially own a specified minimum number of shares of Molson Coors Class A common stock and Class A exchangeable shares, then Pentland will

forfeit the right to instruct the trustees with respect to voting on matters presented to Molson Coors stockholders, and lose rights relating to the nomination of directors to the Molson Coors board of directors. Similarly, if the Coors Trust and its permitted transferees cease to beneficially own a specified minimum number of shares of Molson Coors Class A common stock and Class A exchangeable shares, they will forfeit the right to instruct the trustees with respect to voting on matters presented to Molson Coors stockholders, and lose rights relating to the nomination of directors to the Molson Coors board of directors.

In the event that one party forfeits its right to instruct the trustees with respect to voting on matters presented to Molson Coors stockholders, while the other party retains its right to so instruct the trustees, the party that retains its right to give voting instructions to the trustees will be vested with the sole controlling interest in Molson Coors Class A common stock and the Class A exchangeable shares held in the voting trusts and the sole ability to direct the outcome of most matters presented to Molson Coors' stockholders, other than limited matters on which the holders of Molson Coors Class B common stock and special Class B common stock vote separately.

For a detailed description of these voting trust agreements, see "Governance and Management of Molson Coors Other Governance Matters Voting Trust Agreements Among Principal Shareholders" beginning on page 138.

***The trading prices of the exchangeable shares and the Molson Coors common stock may not reflect equivalent values.***

Holders of exchangeable shares will have dividend, liquidation and voting rights that are economically equivalent to the rights of holders of shares of Molson Coors common stock. Coors has submitted listing applications to the New York Stock Exchange for the listing of the Molson Coors Class A and Class B common stock. The Toronto Stock Exchange has conditionally approved the listing of the Molson Coors common stock and the exchangeable shares subject to the fulfillment of all of the requirements of the Toronto Stock Exchange on or before February 3, 2005.

Because these are separate listings on different exchanges, the trading prices of the exchangeable shares on the Toronto Stock Exchange and the Molson Coors common stock on the New York Stock Exchange and the Toronto Stock Exchange may not reflect equivalent values after taking into account the exchange rate between the Canadian dollar and U.S. dollar. This may result in your having to exchange your exchangeable shares for Molson Coors common stock in order to maximize the value of your investment prior to a sale.

***Molson shareholders who receive exchangeable shares will experience a delay in receiving shares of Molson Coors common stock from the date that they request an exchange, which may affect the value of the shares the holder receives in an exchange.***

Molson shareholders who receive exchangeable shares in the arrangement and later request to receive Molson Coors common stock in exchange for their exchangeable shares will not receive Molson Coors common stock for 10 to 15 business days after the applicable request is received. During this 10- to 15-business day period, the market price of Molson Coors common stock may increase or decrease. Any such increase or decrease would affect the value of the consideration to be received by the holder of exchangeable shares on the effective date of the exchange.

#### **Risks Related to the Molson Coors Business and Operations**

***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.

***Our results may be negatively impacted by foreign currency risk.***

Molson Coors will hold assets and incur liabilities, earn revenues and pay expenses in a variety of currencies other than the U.S. dollar, primarily the Canadian dollar, the Brazilian real and the British pound. Because our financial statements will be presented in U.S. dollars, we must translate our assets, liabilities, income and expenses into U.S. dollars at then-applicable exchange rates. Consequently, increases and decreases in the value of the U.S. 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 U.S. dollar and, since Molson's sales in Brazil are made in local currency, fluctuations in the exchange rate between the U.S. 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.

***Molson has recently incurred losses in its Brazilian operations, recorded an impairment charge of Cdn.\$210 million in the quarter ended September 30, 2004, announced that it will record a provision for rationalization of approximately Cdn.\$50 million and could suffer further impairment 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 recently incurred losses in the quarter ended March 31, 2004 and for the quarters ended June 30, 2004 and September 30, 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 performed an impairment test of assets in the region. As a result of declining sales volumes and loss of market share, Molson announced on September 30, 2004 that it had revised its forecast of net cash flow from operations in Brazil and, as a result, on October 28, 2004 announced that it had recorded an impairment charge of Cdn.\$210 million (Cdn.\$168 million after minority interest). In addition, Molson announced that it will record a provision for rationalization of approximately Cdn.\$50 million against earnings in the coming quarters to account for a plant closing in Brazil and organizational right-sizing. On November 3, 2004, Heineken N.V., the owner of a 20% stake in Molson's Brazilian operations, announced that it provided for an impairment charge for the full amount of its 20% stake stating that it is unable to determine the realizable value of its minority interest with any accuracy or reliability and noting that, as a minority shareholder, it has no effective influence over the management and policies of Molson's Brazilian operations. 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.

***Molson 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 undertakings 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 2004 fiscal year 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.

***We will continue to rely on a small number of suppliers to operate our business, and the inability of one of them to meet our production needs could have a negative impact on our business.***

We purchase most of our packaging and container supplies from a single supplier or a small number of suppliers. In addition, consolidation of the glass bottle industry in North America has reduced local supply alternatives and increased risks of glass bottle supply disruptions. 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.

***Litigation directed at the alcohol beverage industry may adversely affect our sales volumes and our business.***

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.

***If the independent distributors on which we depend fail to effectively sell our products, our revenue could be adversely impacted.***

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 significantly smaller than the largest distributors in their markets. Our distributors also sell products that compete with our products. We cannot control or provide any assurance that these distributors will not 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.

***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 U.S. 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.

***We will be subject to changes in laws, taxation and other normal risks associated with investing and carrying on business in various countries which could negatively impact our business.***

We conduct activities in the United States, Canada, the United Kingdom and Brazil. Our investments are subject to the risks normally associated with any conduct of business in foreign countries including: uncertain political and economic environments; changes in laws or policies of particular countries; taxation; delays in obtaining or failure to obtain necessary governmental permits; limitations on repatriation of earnings; and increased financing costs.

***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 which affect our products or their production, handling or distribution could have a material adverse effect on our business, financial condition and results of operations.

**Information Concerning Forward-Looking Statements**

This document (including the documents attached as annexes to this document) contains 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 management of each of Molson and Coors, as well as assumptions made by and information currently available to management of each of Molson and Coors. 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 Molson's, Coors' or their industry's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements.

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, in Molson's other filings with Canadian securities administrators and in Coors' other filings with the U.S. Securities and Exchange Commission.

Neither Molson nor Coors can provide any assurance that the plans, intentions or expectations upon which forward-looking statements are based will occur. Forward-looking statements are subject to risks, uncertainties and assumptions, including those discussed elsewhere in this document and the documents that are attached as annexes to this document. Although Molson and Coors believe that the expectations represented in forward-looking statements are reasonable, neither Molson nor Coors can assure that these expectations will prove to be correct.

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 neither Molson nor Coors undertakes any obligation to update forward-looking statements to reflect new information, subsequent events or otherwise.

### Special Meeting of Molson Shareholders

The accompanying Molson proxy is solicited on behalf of Molson's management for use at the Molson special meeting.

#### Date, Time and Place of the Molson Special Meeting

The Molson special meeting is scheduled to be held as follows:

Date:           , 2005  
Time:           , Montréal time  
Place:           , Montréal, Québec

#### Purpose of the Molson Special Meeting

At the Molson special meeting, Molson shareholders will be asked to:

1. Consider, pursuant to an interim order of the Superior Court, District of Montréal, Province of Québec dated           , 2004, and, if deemed advisable, to pass, with or without variation, the Molson shareholders resolution set out in Annex A-I attached to this document to approve the arrangement under Section 192 of the CBCA to effect the combination of Molson and Coors.
2. Transact other business that may properly come before the Molson special meeting or any adjournment or postponement of the Molson special meeting.

The combination agreement is attached as Annex B to this document. Other documents referred to in the combination agreement also are attached as annexes to this document. Molson shareholders are encouraged to read the combination agreement and related exhibits in their entirety and the other information contained in this document, including the annexes, carefully before deciding to vote.

#### Recommendation of the Molson Board of Directors

**Molson's board of directors recommends that Molson shareholders vote "FOR" the approval of the Molson shareholders resolution set out in Annex A-I attached to this document to approve the arrangement under Section 192 of the CBCA.**

#### Record Date and Entitlement to Vote

The Molson board of directors has fixed the close of business on November 22, 2004 as the record date for determining Molson shareholders entitled to notice of, and to vote at, the Molson special meeting. As of the record date, there were (i) 107,935,727 Molson Class A non-voting shares and (ii) 19,856,822 Molson Class B common shares outstanding and entitled to vote at the Molson special meeting.

Molson will prepare, within 10 days after the record date, a list of the holders of Molson Class A non-voting shares and Molson Class B common shares entitled to vote at the Molson special meeting. The list of Molson shareholders will be available for inspection at the offices of CIBC Mellon Trust Company, Molson's registrar and transfer agent, at 2001 University Street, Suite 1600, Montréal, Québec, H3A 2A6 during usual business hours.

#### Registered Holders of Molson Shares

**If you are a registered holder of Molson shares at the close of business (Montréal time) on the record date, you are entitled to attend the Molson special meeting in person or by proxy and to cast**

**one vote for each Molson Class A non-voting share and Molson Class B common share held by you on the record date.**

### **Non-Registered Shareholders**

The names of the shareholders whose shares are held in the name of a broker or another intermediary will not appear on the list of shareholders of Molson. If you are not a registered Molson shareholder, in order to vote you must obtain the material relating to the Molson special meeting from your broker or other intermediary, complete the request for voting instructions sent by the broker or other intermediary and follow the directions of the broker or other intermediary with respect to voting procedures.

In accordance with National Instrument 54-101 adopted by the Canadian securities administrators entitled "Communication with Beneficial Owners of Securities of a Reporting Issuer", Molson is distributing copies of the material related to the Molson special meeting to the clearing agencies and intermediaries for distribution to non-registered holders. Intermediaries must forward the material related to the Molson special meeting to non-registered holders and often use a service company (such as ADP Investor Communications in Canada) to permit you, if you are not a registered shareholder, to direct the voting of the Molson shares which you beneficially own. If you are a non-registered Molson shareholder, you may revoke voting instructions which have been given to an intermediary at any time by written notice to the intermediary. If you are a non-registered Molson shareholder, please submit your voting instructions to your intermediary or broker in sufficient time to ensure that your votes are received by Molson on or before 5:00 p.m., Montréal time, on \_\_\_\_\_, 2005.

### **Quorum and Votes Required**

Attendance in person or by proxy of holders of 25% of the issued and outstanding Molson Class A non-voting shares and holders of 25% of the issued and outstanding Molson Class B common shares will constitute a quorum for the transaction of business at the Molson special meeting. If a quorum is not present, the Molson special meeting may be adjourned to allow additional time for obtaining additional proxies or votes. At any subsequent reconvening of the Molson special meeting, all proxies will be voted in the same manner as the proxies would have been voted at the original convening of the Molson special meeting, except for any proxies that have been effectively revoked or withdrawn prior to the subsequent meeting.

In accordance with the interim order of the Superior Court, District of Montréal, Province of Québec:

The requisite approval for the Molson shareholders resolution will be:

not less than  $66\frac{2}{3}\%$  of the votes cast on the Molson shareholders resolution by holders of Molson Class A non-voting shares, voting as a separate class, present in person or by proxy at the Molson special meeting, and

not less than  $66\frac{2}{3}\%$  of the votes cast on the Molson shareholders resolution by holders of Molson Class B common shares, voting as a separate class, present in person or by proxy at the Molson special meeting.

Any spoiled votes, illegible votes and defective votes will be considered not to be votes cast.

Certain aspects of the merger transaction, including certain provisions of the voting trust agreements between Pentland and the Coors Trust, described in "Governance and Management of Molson Coors", raise a question as to whether the transaction is subject to the requirement of Policy Q-27 of the Autorité des marchés financiers du Québec, or AMF, to provide a valuation of the affected securities and summary of this valuation to Molson shareholders and the requirement of Policy Q-27

and Rule 61-501 of the Ontario Securities Commission, or OSC, to hold a minority vote of Class B common shares. Accordingly, Molson applied for and has been granted exemptions from both the AMF and OSC from these requirements, based upon considerations which included the nature of the arrangements, the review and recommendation of the transaction by the independent committee of Molson, the receipt of opinions from its financial advisors as to the fairness, from a financial point of view, of the 0.360 exchange ratio, the requirement for a two-thirds approval of each class of Molson shares, the supervision of the Québec Superior Court and the right of a Molson shareholder to dissent and the fact that a minority vote of Class B common shares would unduly favor a very small group of shareholders.

## Proxies

Your vote is very important. Whether or not you plan to attend the Molson special meeting, we urge you to vote promptly to ensure that your securities are represented at the meeting. You may vote by mail by dating and signing the enclosed form of proxy and promptly returning it in the postage-paid envelope provided. For a proxy to be valid, you (or your attorney, who must be authorized in writing) must sign and date it, and must either return it in the envelope provided or deposit it at the offices of CIBC Mellon Trust Company at Attn: Proxy Department, 200 Queens Quay East, Unit 6, Toronto, Ontario, M5A 4K9 not later than 5:00 p.m. (Montréal time) on \_\_\_\_\_, 2005 or, if the Molson special meeting is adjourned, 48 hours (excluding Saturdays, Sundays and holidays) before the time the adjourned Molson special meeting is to be reconvened. An undated but executed proxy will be deemed to be dated the date of this document.

You may also cast your vote by proxy via the Internet at the website indicated on your proxy form or by telephone by calling the toll-free number shown on your proxy form and following the instructions. You must do so not later than 5:00 p.m. (Montréal time) two business days before the Molson special meeting. You will also need your control number located on the front of your proxy form to identify yourself to the system. If you submit your proxy via the Internet or by telephone, please do not return a signed form of proxy. A signed and completed form of proxy or properly submitted telephone or Internet proxies received by Molson prior to or at the Molson special meeting will be voted as instructed.

There are two forms of proxy applicable to Molson shares: a blue proxy applicable to holders of Molson Class A non-voting shares and a white proxy applicable to holders of Molson Class B common shares. If you also hold Molson options, you may have received an additional yellow form of proxy to be used in connection with the separate meeting of Molson optionholders. **Please be sure to execute a vote by telephone, Internet or mail with regard to each form of proxy you receive.**

If you need an additional form of proxy, please contact our proxy solicitor, Innisfree M&A Incorporated, toll free at 877-825-8772 (English speakers) or 877-825-8777 (French speakers). Banks and brokers may call collect at 212-750-5833.

If your broker or other nominee holds your shares in its name, carefully follow the instructions given to you by your broker or other intermediary to ensure that your shares are properly voted.

## Voting of Proxies

The individuals named in the enclosed form of proxy will vote the Molson securities represented by proxy in accordance with the instructions of the Molson securityholder who appointed them. **If you submit a validly executed proxy without providing instructions, the Molson securities represented by the proxy will be voted "FOR" the Molson shareholders resolution. The enclosed form of proxy, when properly completed and signed, confers discretionary authority on the appointed individuals to vote as they see fit on any amendment or variation to any of the matters identified in the notice of Molson special meeting and on any other matter that may properly be brought before the Molson special**

**meeting. At the date of this document, neither the Molson board of directors nor management of Molson is aware of any variation, amendment or other matter to be presented for a vote at the Molson special meeting.**

### **Revocation of Proxies**

If you are a registered holder, you may revoke a proxy at any time before the Molson special meeting:

by executing, or having your attorney (who must be authorized in writing) execute, a valid form of revocation of proxy and delivering it to the Secretary of Molson or the offices of CIBC Mellon Trust Company at the address referred to above, at any time up to and including the last business day preceding the day of the Molson special meeting, or any adjournment of the Molson special meeting, or to the chairman of the Molson special meeting at any time before the Molson special meeting or any adjournment of the Molson special meeting;

by completing and submitting, or having your attorney (who must be authorized in writing) complete and submit, a later-dated proxy form no later than 5:00 p.m. (Montréal time) on the last business day before the Molson special meeting; and

by attending the Molson special meeting and voting in person. Your attendance at the Molson special meeting alone will not revoke your proxy. You must also vote at the Molson special meeting in order to revoke a previously submitted proxy.

You may also revoke a proxy via the Internet at the website indicated on your proxy form or by telephone by calling the toll-free number shown on your proxy form and following the instructions.

If a broker holds shares in "street name" and you have instructed a broker to vote your shares and wish to change your vote, you must follow directions received from your broker to change those instructions.

### **Molson Voting Agreement**

As a condition to Coors entering into the combination agreement, concurrently with the execution and delivery of the combination agreement, Pentland entered into the Molson voting agreement with Coors and the Coors Trust under which, among other things, Pentland has agreed, subject to the terms of the Molson voting agreement, to vote all Molson shares owned by it in favor of the merger transactions contemplated by the combination agreement.

Pentland and the Swiftsure Trust were parties to an agreement that restricted the transfer or conversion of Molson shares by the parties to the agreement. The agreement provided for its termination in certain circumstances and for the provision of notice by one party to the other in certain circumstances, which included a party reaching a specified ownership level in the shares of Molson. Molson and Coors have been advised by Pentland that, as of November 9, 2004, Pentland owned approximately 50.1% of the then outstanding Molson Class B common shares and that on November 10, 2004, Pentland notified the Swiftsure Trust that the agreement had terminated.

Prior to November 9, 2004, Pentland owned 10,000,000 Molson Class B common shares, including all of the Class B common shares formerly held by Lincolnshire Holdings Limited and Nooya Investments Limited. As announced by Pentland on November 10, 2004, on November 9, 2004 Pentland acquired by private agreement 9,000 Molson Class B common shares from BAX Investments Limited ("BAX") and 9,000 Molson Class B common shares from DJS Holdings Ltd. ("DJS"). The shareholders of each of BAX and DJS are the Estate of the late T.H.P. Molson and certain of his descendants. Eric H. Molson and Stephen T. Molson are directors of BAX and DJS, and trustees of trusts of the Estate of the late T.H.P. Molson. In addition, on November 9, 2004 BAX and DJS



converted an aggregate of 2,278,654 Molson Class B common shares into Molson Class A non-voting shares.

The Molson voting agreement provides that, in the event that the merger transaction is not completed solely as a result of Pentland's failure to terminate the agreement with the Swiftsure Trust, Pentland will indemnify Coors for specified expenses of Coors and the Coors Trust relating to the merger transaction, up to an aggregate of U.S.\$15 million.

For more information about the Molson voting agreement, see "The Combination Agreement and Related Agreements Voting Agreements" beginning on page 121.

### **Voting Securities and Principal Holders of Securities**

On the record date, there were outstanding (i) 107,935,727 Molson Class A non-voting shares and (ii) 19,856,822 Molson Class B common shares. Each Molson Class A non-voting share and Class B common share carries the right to one vote.

The only shareholder that, to the knowledge of Molson management, as of the record date, owned beneficially, or exercised control or direction over more than 10% of the total outstanding Molson Class A non-voting shares was AIM Funds Management Inc. which, as of the record date, controlled 15,225,750 Molson Class A non-voting shares or approximately 14.11% of the total outstanding Molson Class A non-voting shares as of that date.

The only shareholders that, to the knowledge of Molson management, as of the record date, owned beneficially, or exercised control or direction over more than 10% of the total outstanding Molson Class B common shares were:

Eric H. Molson, chairman of the Molson board of directors, who indirectly through Pentland controlled 10,018,000 Molson Class B common shares or approximately 50.45% of the total outstanding Molson Class B common shares. Pentland is owned by Lincolnshire Holdings Inc. and Nooya Investments Inc., which are respectively owned by Eric H. Molson and his brother Stephen T. Molson; and

R. Ian Molson, who controls Nantel Investments Ltd. which beneficially owned, through Swiftsure Trust, 2,300,000 Molson Class B common shares or approximately 11.58% of the total outstanding Molson Class B common shares.

On the record date, directors and executive officers of Molson and their affiliates beneficially owned and had the right to vote:

529,776 Molson Class A non-voting shares, representing approximately 0.49% of the class outstanding on the record date; and

10,018,002 Molson Class B common shares, representing approximately 50.45% of the class outstanding on the record date.

### **Solicitation of Proxies**

**The management of Molson is soliciting proxies for use at the Molson special meeting and has designated the individuals listed on the enclosed form of proxy as persons whom Molson securityholders may appoint as their proxyholders. If you are a Molson shareholder and wish to appoint an individual not listed on the enclosed form of proxy to represent you at the Molson special meeting, you may do so either by crossing out the names on the enclosed form of proxy and inserting the name of that other individual in the blank space provided on the enclosed form of proxy or by completing another acceptable form of proxy. A proxy nominee need not be a Molson shareholder. If**

**the Molson shareholder is a corporation, it must execute the proxy by an officer or properly appointed attorney.**

Molson will bear the expenses in connection with the solicitation of proxies from Molson shareholders, except that Coors and Molson have agreed to share equally out-of-pocket expenses related to the printing and filing of this document. Molson has retained Innisfree M&A Incorporated, a proxy solicitation firm, for assistance in connection with the solicitation of proxies in Canada and the United States and anticipates paying a fee not exceeding U.S.\$500,000 plus additional charges related to telephone calls and other services. In addition, Molson may retain the services of other proxy solicitation firms for assistance in connection with the solicitation of proxies in Canada and the United States. In the event Molson decides to hire such firms, Molson anticipates paying an additional fee not exceeding Cdn.\$ plus additional charges related to telephone calls and other services. Arrangements will also be made with brokerage houses and other custodians, nominees and fiduciaries for the forwarding of solicitation material to the beneficial owners of Molson shares held of record by these persons, and Molson may reimburse them for their reasonable transaction and clerical expenses. Molson and Coors have agreed to share the costs of the solicitation of proxies.

Solicitation of proxies may also be made by mail, in person, or by telephone, email, Internet, facsimile, telegram or other means of communication, by Molson's directors, officers and employees. These people will receive no additional compensation for these services, but will be reimbursed for any transaction expenses incurred by them in connection with these services.

### **Independent Auditors**

Representatives of PricewaterhouseCoopers LLP, Molson's independent auditors, plan to attend the Molson special meeting and will be available to answer questions. PricewaterhouseCoopers LLP's representatives will also have an opportunity to make a statement at the Molson special meeting if they so desire.

### **Dissenting Shareholder's Rights**

Under the provisions of the interim order, registered Molson shareholders will have the right to dissent with respect to the Molson shareholders resolution. If the arrangement becomes effective, a registered Molson shareholder who dissents will be entitled to be paid the fair value of its Molson shares by Molson or Molson Coors Exchangeco. This right to dissent is described in this document and in the plan of arrangement which is attached to this document as Annex D. If you want to dissent in respect of the Molson shareholders resolution, you must provide a written dissent notice to Molson's secretary at Molson Inc., 1555 Notre Dame Street East, 4<sup>th</sup> Floor, Montréal, Québec H2L 2R5, Attention: Secretary, facsimile number (514) 590-6332, not later than 5:00 p.m. (Montréal time) on the business day immediately preceding the Molson special meeting (or any adjournment or postponement of the Molson special meeting). If you do not strictly comply with this requirement, you could lose your right to dissent. This requirement is different from the statutory dissent procedures of the CBCA that would permit a dissent notice to be provided at or prior to the Molson special meeting.

**Special Meeting of Coors Stockholders**

The accompanying Coors proxy is solicited on behalf of Coors' board of directors for use at the Coors special meeting.

**Date, Time and Place of the Coors Special Meeting**

The special meeting is scheduled to be held as follows:

Date:           , 2005

Time:           , Denver time

Place:       Coors Brewing Company, Sixth Floor Auditorium, Brewery Complex, 12<sup>th</sup> and  
Ford Streets, Golden, Colorado

**Purpose of the Coors Special Meeting**

The purpose of the Coors special meeting is to consider and vote on the following:

a proposal to adopt a restated certificate of incorporation of Coors in the form attached as Annex G to the enclosed document, such approval to include, among other things, the following proposals:

1. to change the company's name to "Molson Coors Brewing Company" from "Adolph Coors Company";
2. to increase the number of authorized shares of Class A common stock and Class B common stock to 500,000,000 for each class;
3. to authorize the creation of one share of special Class A voting stock and special Class B voting stock of Molson Coors, through which the holders of Class A exchangeable shares and Class B exchangeable shares described in this proxy statement, respectively, will exercise their voting rights with respect to the combined company;
4. to include additional governance and corporate actions among the actions requiring the approval of the holders of the Class A common stock and the special Class A voting stock, voting as a single class;
5. to provide that no dividend may be declared or paid on the Class A common stock or Class B common stock unless an equal dividend is declared or paid on the Class B common stock or Class A common stock, as applicable;
6. to provide that shares of Class A common stock will be convertible at the election of the holder into shares of Class B common stock;
7. to provide that shares of Class B common stock will be convertible into shares of Class A common stock in limited circumstances relating to specified offers which are not made to holders of Class B common stock;
8. to provide that holders of the Class B common stock and the special Class B voting stock, voting as a single class, will be entitled to elect three members of the Molson Coors board of directors;
9. to provide for a nominating committee, related nominating procedures and procedures for filling vacancies on the Molson Coors board of directors;

10.

subject to the right of the holders of Class B common stock and the special Class B voting stock to vote on any charter amendment to increase or decrease the authorized number of

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shares of Class B common stock, to provide that the number of authorized shares of any class of stock of Molson Coors may be increased or decreased by the affirmative vote of the holders of Class A common stock and special Class A voting stock, voting together as a single class;

11. to provide that the size of the Molson Coors board of directors shall be determined by resolution of the Molson Coors board of directors in accordance with the bylaws;
12. to provide that (i) any director may be removed, with cause, by a vote of holders of a majority of the voting power of the Class A common stock, special Class A voting stock, Class B common stock and special Class B voting stock, voting together as a single class and (ii) any director may be removed, without cause, by a vote of the holders of a majority of the voting power of the class or classes that elected the director;
13. to provide that the power of the Molson Coors board of directors to amend the Molson Coors bylaws may be limited by a provision of the bylaws in effect as of the date of the filing of the new restated certificate of incorporation of Molson Coors; and
14. to provide that, except as otherwise provided in the bylaws, Molson Coors shall be required to indemnify a person otherwise entitled to indemnification pursuant to the Molson Coors restated certificate of incorporation in connection with a proceeding commenced by such person only if the commencement of such proceeding was authorized by the Molson Coors bylaws, any written agreement between such person and Molson Coors, or in the specific case by the Molson Coors board of directors;

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 those classes of stock) as contemplated by the combination agreement and the plan of arrangement;

any other matters as may properly come before the special meeting and any adjournment or postponement of the special meeting, including any proposal to adjourn the meeting to solicit additional proxies in favor of the foregoing proposals.

Unless each of the proposals are approved at the Coors special meeting and the merger transaction is completed, no proposal will be implemented.

In addition, notwithstanding shareholder approval, if the merger transaction is not completed, no proposal to amend the existing certificate of incorporation will be implemented.

The combination agreement is attached as Annex B to this document and the restated certificate of incorporation of Coors, including all proposed amendments, is attached as Annex G to this document. Other documents referred to in the combination agreement also are attached as annexes to this document. Coors stockholders are encouraged to read the combination agreement and exhibits in their entirety and the other information contained in this document, including the annexes, carefully before deciding to vote.

### Recommendation of the Coors Board of Directors

**Coors' board of directors recommends that Coors shareholders vote "FOR" approval of the adoption of the amendments to the existing certificate of incorporation of Coors in the form attached to this document as Annex G and "FOR" approval of the issuance of shares of Molson Coors 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 that stock) as contemplated by the combination agreement and the plan of arrangement.**

### **Record Date and Entitlement to Vote**

Coors' board of directors has fixed the close of business on November 22, 2004 as the record date for determining Coors stockholders entitled to notice of, and to vote at, the Coors special meeting. As of the record date, there were 1,260,000 shares of Coors Class A common stock and 36,260,716 shares of Coors Class B common stock outstanding and entitled to vote.

### **Quorum and Votes Required**

A majority of each class of issued and outstanding shares of Coors common stock, as of the record date, represented in person or by proxy, will constitute a quorum for the transaction of business at the Coors special meeting. If a quorum is not present with respect to a matter, the Coors special meeting may be postponed or adjourned to allow additional time for obtaining additional proxies or votes. At any subsequent reconvening of the Coors special meeting, all proxies will be voted in the same manner as the proxies would have been voted at the original convening of the Coors special meeting, except for any proxies that have been effectively revoked or withdrawn prior to the subsequent meeting. Each share of Coors Class A common stock, each of which is held by the Coors Trust, entitles its owner to one vote on all matters presented at the Coors special meeting. Each share of Coors Class B common stock entitles its owner to one vote on the Coors charter amendments (except the Class A certificate amendments). Shares held by Coors in its treasury do not count toward a quorum.

Approval of the Coors charter amendments and each of the proposed amendments to the Coors existing certificate of incorporation included therein, except the Class A certificate amendments, requires (i) the affirmative vote of the holders of a majority of the outstanding shares of Coors Class A common stock, voting as a separate class, and (ii) the affirmative vote of the holders of a majority of the outstanding shares of Coors Class B common stock, voting as a separate class. Approval of the Coors Class A certificate amendments requires the affirmative vote of the holders of a majority of the outstanding shares of Coors Class A common stock, and approval of the Coors share issuance requires the affirmative vote of a majority of the votes cast on the proposal by holders of the outstanding shares of Coors Class A common stock (provided that the total votes cast represent at least a majority of the Coors Class A common stock issued and outstanding and entitled to vote at the Coors special meeting).

### **Abstentions**

If any Coors stockholder submits a proxy that indicates an abstention from voting on one or more proposals, that stockholder's shares will nonetheless be counted as present in determining the existence of a quorum at the Coors special meeting. Abstentions are included in determining the number of outstanding shares entitled to vote on the proposals submitted to stockholders. As a result, abstentions will have the same effect as a vote against a necessary requirement of the merger transaction.

### **Attending the Coors Special Meeting**

If you are a holder of record of Coors common stock and plan to attend the Coors special meeting, please indicate this when you submit your proxy. When you arrive at the Coors special meeting, you will be asked to present photo identification, such as a driver's license. If you are a beneficial owner of Coors common stock held by a broker, bank, or other nominee, you will need proof of ownership to be admitted to the special meeting. A recent brokerage statement or a letter from a bank or broker are examples of proof of ownership. If you want to vote your Coors common stock held in nominee name in person, you must get a written proxy in your name from the broker, bank, or other nominee that holds your shares.

## Proxies

Your vote is very important. Whether or not you plan to attend the Coors special meeting, we urge you to vote promptly to ensure that your securities are represented at the meeting. You may vote by mail by dating and signing the enclosed proxy card and promptly returning it in the postage-paid envelope provided. A signed and completed proxy card received by Coors prior to or at the Coors special meeting will be voted as instructed. If your broker or other nominee holds your shares in its name, carefully follow the instructions given to you by your broker or other intermediary to ensure that your shares are properly voted.

### **Please be sure to submit your proxy.**

If you need an additional proxy card, please contact our proxy solicitor, Georgeson Shareholder Communications Inc. toll free at 888-897-6020.

If your broker or other nominee holds your shares in its name, carefully follow the instructions given to you by your broker or other intermediary to ensure that your shares are properly voted.

## Voting of Proxies

All properly-executed proxies that Coors receives prior to the vote at the Coors special meeting, and that are not revoked, will be voted in accordance with the instructions indicated on the proxy card. If you submit a validly executed proxy without providing direction, the proxy will be voted in favor of approval of the proposals (except for broker non-votes, which are discussed below).

Brokers holding shares in "street name" may vote the shares only if you provide them with instructions on how to vote. Brokers will direct you on how to instruct them to vote your shares or submit a proxy or give voting instructions. If your shares are held in "street name," your broker or nominee may permit you to instruct them by telephone or electronically. Please check your proxy card or contact your broker or nominee to determine whether these methods are available to you.

Under the rules that govern brokers who have record ownership of shares that are held in "street name" for their clients (who are the beneficial owners of the shares), brokers have discretion to vote the shares on routine matters but not on non-routine matters. The Coors charter amendments and Coors share issuance are non-routine matters. Accordingly, brokers will not have discretionary voting authority to vote your shares on these proposals at the Coors special meeting. A "broker non-vote" occurs when a broker does not have discretionary voting authority and has not received instructions from the beneficial owners of the shares. Broker non-votes will be counted for purposes of determining whether a quorum is present at the special meeting, but will not be counted as votes in favor of approval for purposes of determining whether a proposal has been approved.

Failing to return your proxy or attend the Coors special meeting will reduce the number of votes cast at the Coors special meeting and may contribute to a lack of a quorum.

**Because approval of each of the Coors charter amendments (except the Class A certificate amendments) requires the affirmative vote of a majority of the outstanding shares of each class of Coors common stock, abstentions, failures to vote and broker non-votes as to one or more such proposals will have the same effect as votes against a necessary requirement of the merger transaction. Consequently, we urge you to return the enclosed proxy card with your vote marked.**

Coors does not expect that any matter or proposal other than the proposals described in this document will be brought before the Coors special meeting or any adjournment. If, however, other matters are properly presented, the persons named as proxies will vote in accordance with their judgment with respect to those matters on which the grantor of the proxy is entitled to vote.

### Revocation of Proxies

You can change your vote at any time before your proxy is voted at the Coors special meeting. If you are a registered holder, you can do this in one of three ways:

First, before the Coors special meeting, you can deliver a signed notice of revocation of proxy to the Secretary of Coors at the address specified below.

Second, you can complete and submit a later-dated proxy card.

Third, you can attend the Coors special meeting and vote in person. Your attendance at the Coors special meeting alone will not revoke your proxy; rather, you must also vote at the Coors special meeting in order to revoke your previously submitted proxy.

If you want to change your proxy directions by mail, you should send any notice of revocation or your completed new proxy card, as the case may be, to Coors at the following address:

Adolph Coors Company  
c/o Corporate Secretary  
Mail No. NH311  
P.O. Box 4030  
Golden, Colorado 80401  
Telephone:  
Facsimile:

If you have instructed a broker to vote your shares and wish to change your vote, you must follow directions received from your broker to change those instructions.

### Coors Voting Agreement

As a condition to entering into the combination agreement, concurrently with the execution and delivery of the combination agreement, each of the Coors Trust, Keystone Financing LLC and Peter H. Coors entered into the Coors voting agreement with Pentland and Molson under which, among other things, each has agreed subject to the terms of the Coors voting agreement to vote all of the shares of Coors common stock beneficially owned by each of them in favor of the Coors charter amendments and Coors share issuance contemplated by the combination agreement. As of the record date, these three stockholders collectively beneficially owned:

all of the issued and outstanding shares of Coors Class A common stock, and

shares of Coors Class B common stock, or approximately % of the issued and outstanding shares of Coors Class B common stock.

For more information about this voting agreement, see "The Combination Agreement and Related Agreements-Voting Agreements" beginning on page 118.

### Shares Beneficially Held by Directors and Executive Officers

On the record date, directors and executive officers of Coors and their affiliates beneficially owned and had the right to vote 1,820,043 shares of Coors Class B common stock, representing approximately 5% of that class outstanding on the record date.



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In addition, the Coors Trust, for which Peter H. Coors, the chairman of Coors' board of directors, is a trustee, beneficially owns 1,260,000 shares of Coors Class A common stock, representing 100% of that class outstanding on the record date, and 1,470,000 shares of Class B common stock, representing 4.07% of that class outstanding on the record date. Peter H. Coors disclaims beneficial ownership of

the 1,260,000 shares of Coors Class A common stock and the 1,470,000 shares of Coors Class B common stock held by the Coors Trust.

Based on discussions with its board of directors and executive officers, to Coors' knowledge, all directors and executive officers of Coors intend to vote their common stock in favor of the Coors charter amendments proposal, although none of the officers or directors, other than Peter H. Coors, as described above, is obligated to do so.

For more information regarding beneficial ownership of shares of Coors common stock by each current Coors director, certain executive officers of Coors, all directors and executive officers of Coors as a group and other principal stockholders, see "Information Concerning Coors Security Ownership of Certain Beneficial Owners, Directors and Management" beginning on page 282.

### **Solicitation of Proxies**

The management of Coors is soliciting proxies for use at the Coors special meeting and has designated the individuals listed on the enclosed form of proxy as persons whom Coors stockholders may appoint as their proxyholders. If you are a Coors stockholder and wish to appoint an individual not listed on the enclosed form of proxy to represent you at the Coors special meeting, you may do so either by crossing out the names on the enclosed form of proxy and inserting the name of that other individual in the blank space provided on the enclosed form of proxy or by completing another acceptable form of proxy. A proxy nominee need not be a Coors stockholder. If the Coors stockholder is a corporation, it must execute the proxy by an officer or properly appointed attorney.

Coors will bear the expenses in connection with the solicitation of proxies from Coors stockholders, except that Coors and Molson have agreed to share equally out-of-pocket expenses related to the printing and filing of this document. Coors has retained Georgeson Shareholder Communications Inc., a proxy solicitation firm, for assistance in connection with the solicitation of proxies for the special meeting for a fee of approximately U.S.\$50,000 plus additional charges related to telephone calls and other services. Arrangements will also be made with brokerage houses and other custodians, nominees and fiduciaries for the forwarding of solicitation material to the beneficial owners of common stock held of record by these persons, and Coors may reimburse them for their reasonable transaction and clerical expenses. Molson and Coors have agreed to share the costs of the solicitation of proxies.

Solicitation of proxies may be made by mail, in person, or by telephone, email, Internet, facsimile, telegram or other means of communication, by Coors' directors, officers and employees. These people will receive no additional compensation for these services, but will be reimbursed for any transaction expenses incurred by them in connection with these services.

### **Independent Registered Public Accounting Firm**

Representatives of PricewaterhouseCoopers LLP, Coors' independent registered public accounting firm, plan to attend the Coors special meeting and will be available to answer questions. PricewaterhouseCoopers LLP's representatives will also have an opportunity to make a statement at the Coors special meeting if they so desire.

**Separate Meeting of Molson Optionholders**

The accompanying Molson proxy is solicited on behalf of Molson's management for use at the separate Molson optionholders meeting.

**Date, Time and Place of the Molson Special Meeting**

The Molson optionholders meeting is scheduled to be held as follows:

Date: \_\_\_\_\_, 2005  
Time: \_\_\_\_\_, Montréal time  
Place: The John Molson Room  
1670 Notre-Dame Street East,  
Montréal, Québec

**Purpose of the Molson Optionholders Meeting**

At the Molson optionholders meeting, optionholders will be asked to consider:

1. Pursuant to an interim order of the Superior Court, District of Montréal, Province of Québec dated \_\_\_\_\_, 2004, and if deemed advisable to pass, with or without variation, the Molson optionholders resolution set out in Annex A-II attached to this document to approve the exchange of options to purchase Class A non-voting shares of Molson for options to purchase shares of Class B common stock of Molson Coors as part of the arrangement.
2. Transact other business that may properly come before the Molson optionholders meeting or any adjournment or postponement of the Molson optionholders meeting.

The combination agreement is attached as Annex B to this document. Other documents referred to in the combination agreement also are attached as annexes to this document. Molson optionholders are encouraged to read the combination agreement and related exhibits in their entirety and the other information contained in this document, including the annexes, carefully before deciding to vote.

**Recommendation of the Molson Board of Directors**

**Molson's board of directors recommends that Molson optionholders vote "FOR" the approval of the Molson optionholders resolution set out in Annex A-II attached to this document to exchange their options to purchase Class A non-voting shares of Molson for options to purchase shares of Class B common stock of Molson Coors.**

**Record Date and Entitlement to Vote**

The Molson board of directors has fixed the close of business on November 22, 2004 as the record date for determining Molson optionholders entitled to notice of, and to vote at, the Molson optionholders meeting. As of the record date, there were options to purchase 5,780,880 Molson Class A non-voting shares outstanding and entitled to vote at the Molson optionholders meeting.

**Holders of Molson Options**

**If you are a holder of Molson options at the close of business (Montréal time) on the record date, you are entitled to attend the Molson optionholders meeting in person or by proxy and to cast one vote for each Molson Class A non-voting share you would have received on a valid exercise of the Molson options held by you on the record date, regardless of whether the Molson options are currently exercisable.**



### Quorum and Votes Required

Attendance in person or by proxy of holders of 25% of the votes attached to the outstanding options will constitute a quorum for the transaction of business at the Molson optionholders meeting. If a quorum is not present, the Molson optionholders meeting may be adjourned to allow additional time for obtaining additional proxies or votes. At any subsequent reconvening of the Molson optionholders meeting, all proxies will be voted in the same manner as the proxies would have been voted at the original convening of the Molson optionholders meeting, except for any proxies that have been effectively revoked or withdrawn prior to the subsequent meeting.

In accordance with the interim order of the Superior Court, District of Montréal, Province of Québec, the requisite approval for the Molson optionholders resolution will be not less than 66<sup>2</sup>/<sub>3</sub>% of the votes cast on the Molson optionholders resolution by holders of Molson options present in person or by proxy at the Molson optionholders meeting. All the Molson directors and executive officers, who in the aggregate hold more than 66<sup>2</sup>/<sub>3</sub> of the outstanding options of Molson, have irrevocably undertaken to vote all of the Molson options they hold in favor of the Molson optionholders resolution.

Any spoiled votes, illegible votes and defective votes will be considered not to be votes cast.

### Proxies

Your vote is very important. Whether or not you plan to attend the Molson optionholders meeting, we urge you to vote promptly to ensure that your securities are represented at the meeting. You may vote by mail by dating and signing the enclosed form of proxy and promptly returning it in the postage-paid envelope provided. For a proxy to be valid, you (or your attorney, who must be authorized in writing) must sign and date it, and must either return it in the envelope provided or deposit it at the offices of CIBC Mellon Trust Company at Attn: Proxy Department, 200 Queens Quay East, Unit 6, Toronto, Ontario, M5A 4K9 not later than 5:00 p.m. (Montréal time) on \_\_\_\_\_, 2005 or, if the Molson optionholders meeting is adjourned, 48 hours (excluding Saturdays, Sundays and holidays) before the time the adjourned Molson optionholders meeting is to be reconvened. An undated but executed proxy will be deemed to be dated the date of this document.

You may also cast your vote by proxy via the Internet at the website indicated on your proxy form or by telephone by calling the toll-free number shown on your proxy form and following the instructions. You must do so not later than 5:00 p.m. (Montréal time) two business days before the Molson special meeting. You will also need your control number located on the front of your proxy form to identify yourself to the system. If you submit your proxy via the Internet or by telephone, please do not return a signed form of proxy. A signed and completed form of proxy or properly submitted telephone or Internet proxies received by Molson prior to or at the Molson optionholders meeting will be voted as instructed.

You should have received a yellow proxy applicable to Molson optionholders. If you also hold Molson shares, you may have received more than one form of proxy (of different colors). **Please be sure to execute a vote by telephone, Internet or mail with regard to the form of proxy you receive.**

If you need an additional form of proxy, please contact our proxy solicitor, Innisfree M&A Incorporated, toll free at 877-825-8772 (English speakers) or 877-825-8777 (French speakers). Banks and brokers may call collect at 212-750-5833.

### Voting of Proxies

The individuals named in the enclosed form of proxy will vote the Molson securities represented by proxy in accordance with the instructions of the Molson optionholder who appointed them. **If you submit a validly executed proxy without providing instructions, the Molson securities represented by**

**the proxy will be voted "FOR" the Molson optionholders resolution. The enclosed form of proxy, when properly completed and signed, confers discretionary authority on the appointed individuals to vote as they see fit on any amendment or variation to any of the matters identified in the notice of Molson optionholders meeting and on any other matter that may properly be brought before the Molson optionholders meeting. At the date of this document, neither the Molson board of directors nor management of Molson is aware of any variation, amendment or other matter to be presented for a vote at the Molson optionholders meeting.**

#### **Revocation of Proxies**

You may revoke a proxy at any time before the Molson optionholders meeting:

by executing, or having your attorney (who must be authorized in writing) execute, a valid form of revocation of proxy and delivering it to the Secretary of Molson at the address referred to above, at any time up to and including the last business day preceding the day of the Molson optionholders meeting, or any adjournment of the Molson optionholders meeting, or to the chairman of the Molson optionholders meeting at any time before the Molson optionholders meeting or any adjournment of the Molson optionholders meeting;

by completing and submitting, or having your attorney (who must be authorized in writing) complete and submit, a later-dated proxy form no later than 5:00 p.m. (Montréal time) on the last business day before the Molson optionholders meeting; and

by attending the Molson optionholders meeting and voting in person. Your attendance at the Molson optionholders meeting alone will not revoke your proxy. You must also vote at the Molson optionholders meeting in order to revoke a previously submitted proxy.

You may also revoke a proxy via the Internet at the website indicated on your proxy form or by telephone by calling the toll-free number shown on your proxy form and following the instructions.

#### **Voting Securities and Principal Holders of Securities**

On the record date, there were outstanding Molson options entitling the holders of those options to receive upon the valid exercise of those options 5,780,880 Molson Class A non-voting shares. Each Molson option carries the right to one vote for each Molson Class A non-voting share the holder of that option is entitled to receive upon the valid exercise of the option.

On the record date, directors and executive officers of Molson and their affiliates beneficially owned and had the right to vote options to purchase 4,019,584 Molson Class A non-voting shares representing approximately 69.53% of the options outstanding on the record date.

#### **Solicitation of Proxies**

**The management of Molson is soliciting proxies for use at the Molson optionholders meeting and has designated the individuals listed on the enclosed form of proxy as persons whom Molson optionholders may appoint as their proxyholders. If you are a Molson optionholder and wish to appoint an individual not listed on the enclosed form of proxy to represent you at the Molson optionholders meeting, you may do so either by crossing out the names on the enclosed form of proxy and inserting the name of that other individual in the blank space provided on the enclosed form of proxy or by completing another acceptable form of proxy. A proxy nominee need not be a Molson optionholder. If the Molson optionholder is a corporation, it must execute the proxy by an officer or properly appointed attorney.**

Solicitation of proxies may also be made by mail, in person, or by telephone, email, Internet, facsimile, telegram or other means of communication, by Molson's directors, officers and employees. These people will receive no additional compensation for these services, but will be reimbursed for any transaction expenses incurred by them in connection with these services.



**Description of the Merger Transaction**

**General**

On July 21, 2004, Coors, Molson and Exchangeco entered into the combination agreement (subsequently amended on November 11, 2004) to combine Molson with Coors in accordance with a plan of arrangement to be submitted for approval by the Superior Court, District of Montréal, Province of Québec. Upon the issuance of a certificate of arrangement under the CBCA and the restated certificate of incorporation of Coors becoming effective:

Coors will change its name to "Molson Coors Brewing Company" and amend its certificate of incorporation and bylaws to implement the proposed merger transaction, all as described under "Amendment to Coors' Certificate of Incorporation and Bylaws" beginning on page 141.

Molson shareholders, other than Pentland, will receive a special dividend of Cdn.\$3.26 per share, payable by Molson in connection with the plan of arrangement to Molson shareholders of record at the close of business on the last trading day immediately prior to the date of closing of the merger transaction. In the interest of demonstrating its support for the merger transaction, Pentland has waived any participation in the special dividend.

Canadian resident holders of Molson Class A non-voting shares (other than dissenting shareholders) will receive one of the following in respect of each of those shares:

- 0.360 of a Class B exchangeable share of Molson Coors Exchangeco (and certain ancillary rights), with a whole share being exchangeable at any time on a one-for-one basis for a share of Class B common stock of Molson Coors,

or

- 0.360 of a Class B1 preferred share and 0.360 of a Class B2 preferred share of Molson Coors Exchangeco that, as part of the arrangement, will be promptly exchanged for 0.360 of a share of Class B common stock of Molson Coors,

or

- an equivalent combination of Class B exchangeable shares and, through the preferred share exchange, Molson Coors Class B common stock, as selected by the holder.

Canadian resident holders of Molson Class B common shares (other than dissenting shareholders) will receive one of the following in respect of each of those shares:

- both:

o

0.126 of a Class A exchangeable share of Molson Coors Exchangeco (and certain ancillary rights) with a whole share being exchangeable at any time on a one-for-one basis for a share of Molson Coors Class A common stock; and

o

0.234 of a Class B exchangeable share of Molson Coors Exchangeco (and certain ancillary rights) with a whole share being exchangeable at any time on a one-for-one basis for a share of Molson Coors Class B common stock;



or

-

both:

o

0.126 of a Class A preferred share of Molson Coors Exchangeco that, as part of the arrangement, will be promptly exchanged for 0.126 of a share of Class A common stock of Molson Coors; and

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o 0.234 of a Class B1 preferred share and 0.234 of a Class B2 preferred share of Molson Coors Exchangeco that, as part of the arrangement, will be promptly exchanged for 0.234 of a share of Class B common stock of Molson Coors;

or

- an equivalent combination of exchangeable shares and, through the preferred share exchange, Molson Coors common stock, as selected by the holder.

Non-Canadian resident holders of Molson Class A non-voting shares (other than dissenting shareholders) will receive, in respect of each of those shares, 0.360 of a Class B1 preferred share and 0.360 of a Class B2 preferred share of Molson Coors Exchangeco that, as part of the arrangement, will be promptly exchanged for 0.360 of a share of Class B common stock of Molson Coors. As a result, a non-Canadian resident Molson shareholder will receive 0.360 of a share of Molson Coors Class B common stock for each Class A non-voting share of Molson.

Non-Canadian resident holders of Molson Class B common shares (other than dissenting shareholders) will receive, in respect of each of those shares, both:

- 0.126 of a Class A preferred share of Molson Coors Exchangeco that, as part of the arrangement, will be promptly exchanged for 0.126 of a share of Class A common stock of Molson Coors, and

- 0.234 of a Class B1 preferred share and 0.234 of a Class B2 preferred share of Molson Coors Exchangeco that, as part of the arrangement, will be promptly exchanged for 0.234 of a share of Class B common stock of Molson Coors.

Only holders of Molson shares that are residents of Canada for purposes of the Canadian Tax Act, or partnerships any member of which is a resident of Canada for purposes of that law, may elect to receive consideration that includes exchangeable shares. These holders should complete, sign and return the enclosed letter of transmittal and election form to CIBC Mellon Trust Company in the enclosed envelope at one of the addresses indicated in the form no later than 5:00 p.m. (Montréal time) on \_\_\_\_\_, 2005 or, if the Molson special meeting is adjourned, 48 hours (excluding Saturdays, Sundays and holidays) before the time the adjourned Molson special meeting is to be reconvened.

If no letter of transmittal is returned, an election will be made for the holder based on the address of the record holder of the shares (as shown in the Molson shareholder register). Holders with a record address in Canada will receive only exchangeable shares, and holders with a record address outside of Canada will receive only preferred shares of Molson Coors Exchangeco that, as part of the arrangement, will be promptly exchanged for shares of Molson Coors common stock.

Neither Molson Coors nor Exchangeco will issue certificates for fractional shares to shareholders in connection with the merger transaction. Rather, a Molson shareholder will receive cash, without interest, equal to the shareholder's pro rata portion of the net proceeds after expenses received by the depository upon the sale of whole shares representing the accumulation of all fractional interests in the shares to which all Molson shareholders are entitled.

Each outstanding option to acquire Molson Class A non-voting shares will be exchanged for an option to purchase Molson Coors Class B common stock. Each replacement option will constitute an option to purchase a number of shares of Molson Coors Class B common stock based on the 0.360 exchange ratio. See " Treatment of Stock Options" beginning on page 106.

Holders of shares of Coors Class A common stock and Class B common stock will retain their shares, which will remain outstanding as shares of Molson Coors Class A common stock and Class B common stock, respectively, following the merger transaction. Some of the terms governing the Coors

shares will be amended in connection with the merger transaction, as described under "Amendment to Coors' Certificate of Incorporation" beginning on page 141.

In accordance with the requirements of the Toronto Stock Exchange, Molson will be required to give to the exchange prior notice of the record date for determining Molson shareholders to whom the special dividend will be paid. The Toronto Stock Exchange will issue a notice to its members with respect to the record date for payment of the special dividend. In accordance with the policies of the exchange, the Molson shares will trade on a "ex-dividend" basis at the beginning of the second trading day prior to the record date for the payment of the special dividend. Molson will also issue a news release announcing the record date and the date of closing of the merger transaction once they have been determined.

### **Background of the Merger Transaction**

During the past several years, the international brewing industry has undergone substantial consolidation. The Molson and Coors boards of directors have each periodically discussed and reviewed their respective businesses, strategic directions, performances and prospects in the context of developments in the brewing industry, including the continuing trend toward consolidation in the industry, and have periodically discussed ways to enhance their competitive position and shareholder value. The strategy for both Molson and Coors has been to grow their businesses organically while also supplementing that growth through strategic transactions designed to strengthen competitive position in key markets. In the course of these strategic reviews, both companies concluded independently that the status quo did not represent the best alternative to long term shareholder value.

Coors and Molson and their respective senior managements have become familiar with each other's businesses through their licensing arrangement, which began in the 1980s, and their distribution partnerships, through which Molson has been manufacturing, marketing, distributing and selling Coors Light<sup>TM</sup> in Canada since 1998. Coors began to market, distribute and sell Molson products in the United States in 2001. During the course of the working relationships built through those distribution arrangements and partnerships, senior management of the two companies from time to time in the past have informally discussed the possible benefits of a strategic combination of the two companies. Management of both companies recognized many potential strategic benefits of a combination, including benefits from the complementary product mix, geographic profiles and distribution networks of the two companies as well as their cultural compatibility as breweries with long operating histories as family-controlled companies.

On March 16, 2004, Leo Kiely, the president and chief executive officer of Coors, wrote to Daniel O'Neill, the president and chief executive officer of Molson, inviting Mr. O'Neill to consider pursuing discussions on a merger-of-equals between the two companies.

On April 15, 2004 and May 7, 2004, Peter H. Coors, the chairman of Coors, and Eric H. Molson, the chairman of the board of Molson, held initial meetings to discuss the basic principles to guide any merger discussions. Based on these discussions, Messrs. Molson and Coors concluded that a transaction between the two companies would have to:

offer long term value for all shareholders;

be fair to, and in the best interests of, all shareholders;

maintain the heritage of each company;

continue a commitment to brewing as the core of the business; and

allow each family to play a continued role in the combined company.

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In May 2004, with the authorization of the Molson board of directors, Molson engaged Citigroup Global Markets Inc. to assist it in identifying and evaluating various strategic or financial alternatives for Molson. In June 2004, Molson's board of directors reviewed with Molson's senior management and Citigroup various potential strategic and financial alternatives, including continuation of Molson's existing business strategy, a merger of equals transaction and the sale of the company as well as other alternatives such as the creation of an income trust structure, acquisitions of smaller competitors and the sale of Molson's Brazilian operations. Citigroup was subsequently engaged as one of Molson's financial advisors in connection with the proposed merger transaction with Coors. Molson engaged Citigroup because of its reputation and experience with mergers and similar transactions generally, and particularly in the brewing industry worldwide.

On June 1, 2004, Messrs. Kiely and O'Neill met in Chicago to discuss the preliminary guidelines for a potential transaction.

During June 2004, the parties and their respective advisors discussed the structure and mechanics of a potential business combination, including the form of the transaction to be pursued, the tax treatment of the transaction to the various shareholders of each company, the capital structure of the combined company, and possible governance arrangements designed to achieve meaningful participation by both companies in the future strategic direction of the combined company. The parties preliminarily agreed that, conceptually, the transaction would provide for a fixed exchange ratio based on a range of recent market prices of the companies' shares. In the course of the discussions during this period, the parties reached tentative agreement on a transaction structure contemplating a plan of arrangement under Canadian law that would provide Molson's Canadian resident securityholders the ability to receive tax deferred treatment and also made substantial progress concerning governance arrangements for the combined company which would result in the current controlling shareholders of each company relinquishing their sole control in favor of shared governance of the combined company.

In early June, Molson retained the services of BMO Nesbitt Burns to assist it in evaluating the proposed merger transaction with Coors. In engaging BMO Nesbitt Burns, Molson determined that, as a major Canadian company, it was important to have specific Canadian capital markets expertise.

In early June, Coors retained the services of Deutsche Bank Securities Inc. to assist it in evaluating the proposed merger transaction with Molson.

On June 11, 2004, the parties signed a confidentiality agreement, authorized the commencement of reciprocal due diligence and authorized their legal advisors to prepare and negotiate the terms of definitive transaction documents.

Following execution of the confidentiality agreement, a committee of senior management from each company was established to further quantify and identify synergies that could result from the combination. Under the auspices of this committee, working groups were formed to identify and quantify specific cost savings and other financial synergy opportunities in various areas, including operations or manufacturing, supply chain functions and integration of technology platforms.

From mid-June to early July, a number of due diligence and management meetings and presentations were held among the parties and their respective legal and financial advisors. From time to time throughout June and July, senior management of Molson and Coors, including Messrs. O'Neill and Kiely, as well as the principal financial, corporate development and legal officers of Molson and Coors, discussed various financial aspects and other terms of the merger transaction.

On June 22, 2004, at a regular meeting of the Molson board of directors, also attended by representatives of Citigroup and BMO Nesbitt Burns, senior management reviewed with the Molson board of directors the broad parameters of the proposed combination. The Molson board of directors authorized management to continue discussions with Coors.

At that meeting, the Molson board of directors also formed an independent committee comprised of Francesco Bellini, John Cleghorn, Daniel Colson, Robert Ingram, David O'Brien and H. Sanford Riley, as chairman. The Molson independent committee was formed to review the terms and conditions of the proposed merger transaction and make recommendations to the Molson board of directors, including as to the fairness of the transaction to the shareholders of Molson, other than Pentland and Eric H. Molson, from a financial and non-financial point of view. On July 28, 2004, Mr. Ingram resigned as director of Molson and member of the independent committee.

Following its formation, the Molson independent committee retained the services of Fasken Martineau DuMoulin LLP and Shearman & Sterling LLP to act as its legal counsel. With the assistance and advice of its legal advisors, the members of the Molson independent committee concluded that each of the members was independent of Molson management and Pentland. The independent committee determined that it was necessary to obtain the advice and expertise of a financial advisor in connection with its review of the proposed transaction and, further, that it was appropriate to engage its own independent financial advisor. The independent committee selected Merrill Lynch based principally on Merrill Lynch's overall institutional strength, expertise and experience, and its independence from Molson, Coors and their respective management groups. The Molson independent committee concluded that Merrill Lynch was qualified and independent of Molson and Coors.

On June 25, 2004, at a special meeting of the Coors board of directors, senior executive management of Coors briefed the board on the status of their discussions to date and various strategic considerations relating to the transaction, including the proposed governance and other terms of the transaction, and presented a preliminary financial analysis regarding the proposed transaction. Following discussion, the Coors board authorized management to continue discussions with Molson. On the same day, at a meeting of the trustees of the Coors Trust, the trustees also were briefed on the proposed transaction by Mr. Coors and Coors management and authorized further discussions regarding the proposed shareholder arrangements contemplated in connection with the merger transaction.

On June 26, 2004, the Molson independent committee held a meeting with its legal advisors by telephone. During that meeting, the Molson independent committee's legal advisors made a presentation to the Molson independent committee with respect to the role and obligations of the Molson independent committee in evaluating the proposed merger.

On June 30, 2004 and July 1, 2004, meetings took place in Evergreen, Colorado between members of senior management of Molson and Coors, along with the companies' respective financial advisors, to review business plans and strategic objectives for each of the companies.

Negotiation of definitive transaction documents, including the combination agreement, the proposed amended and restated certificate of incorporation and bylaws of the combined company and the other agreements to be entered into by the companies and their respective principal shareholders, began on July 8, 2004 and continued through July 21. During this period, the parties and their financial advisors also had further discussions regarding the appropriate method for determining the exchange ratio for the proposed transaction. Initially, Coors proposed an exchange ratio of 0.351. In July, Molson suggested that such exchange ratio reflected a recent low price for Molson stock during such 90 day trading period and asked that the exchange ratio be fixed at 0.360.

In meetings held during July 2004, with the assistance of its legal advisors, the Molson independent committee conducted a detailed review of the terms and conditions of the proposed merger transaction, including with respect to proposed governance arrangements for the combined company. The Molson independent committee also discussed with Merrill Lynch the value of Molson and Coors, as well as the value of the synergies anticipated by management in connection with the proposed merger transaction and the potential costs arising from the combination of Molson and Coors.

At the request of the Molson independent committee, throughout July 2004 Molson's management provided the Molson independent committee with updates on the status of merger discussions and discussed with the Molson independent committee potential benefits and risks of the proposed merger. At a meeting held on July 16, 2004, the Molson independent committee received detailed presentations from Molson's management which provided an overview of the proposed merger with Coors, an analysis of the strategic rationale for the transaction, a detailed review of the anticipated synergies to be derived, including:

synergies within our purchasing functions, as we expect to have increased purchasing power;

synergies from optimizing our North American manufacturing operations, including re-evaluation and rationalization of existing plants, sourcing the right products from the right plants, and applying observed best practices across all plants;

synergies from a combined information technology platform; and

synergies derived from the elimination of duplicative positions within the combined organization.

The potential costs reviewed included additional capital expenditures and/or asset write-offs necessary to optimize our North American manufacturing operations, as well as potential restructuring and severance costs. The presentations also included discussions about the anticipated impact of those synergies on the work force of each company, which will include a reduction of the combined workforce partially accomplished through attrition and early retirement, and the proposed management organization and allocation of responsibilities among the executives of the combined entity. Representatives of Citigroup and BMO Nesbitt Burns also attended the meeting and discussed with the Molson independent committee financial aspects of the merger transaction and the combined company.

Two of the members of the Molson independent committee also discussed with the chairman of Coors' audit committee the governance and board practices of each company and their compatibility.

Throughout this time period, the Molson independent committee informed Molson and its management and legal and financial advisors of the Molson independent committee's questions and comments on various aspects of the merger transaction. Molson's management and financial advisors were present by invitation and did not participate in the deliberations of the Molson independent committee.

From July 16, 2004 to July 21, 2004, the chairman and other members of the Molson independent committee received oral and written communications from Mr. Ian Molson indicating that he was in discussions with a group of investors, including Onex Corporation, in connection with a possible offer to acquire all of the shares of Molson for potential cash consideration of Cdn.\$40 per share. The price of Cdn.\$40 per share represented a premium of 15.3% to the market price of Molson's Class A non-voting shares on July 21, 2004. After considering these communications, the members of the Molson independent committee noted, among other things, that the communications received from Mr. Ian Molson assumed the continuance of a strong commercial relationship between Molson and Coors but provided no further information regarding structure or other terms and conditions nor did any of the communications indicate whether the required financing had been secured. After consultation with its advisors, the Molson independent committee determined that these communications did not constitute an offer for the Molson shares.

As the members of the independent committee received communications from Mr. Ian Molson, the substance of those communications was conveyed to members of Molson's senior management, including Mr. Eric Molson and Mr. Daniel O'Neill, and by Molson to representatives of Coors. On July 21, 2004, Coors informed representatives of the independent committee that, in the event that the independent committee sought to delay the progress of the negotiations between Molson and Coors in order to enter into discussions with Mr. Ian Molson, Coors could not provide any assurance that a

Molson-Coors transaction would go forward on the same terms as those then being discussed between Molson and Coors, or at all. Coors also informed the independent committee that if Molson was acquired by a competitor or other party in a financial buyout Coors could exercise its right to terminate its Coors Light and other brands partnership agreement with Molson. In light of the advanced stage of the negotiations between Molson and Coors, as well as the independent committee's determination that the communications received from Mr. Ian Molson did not constitute an offer for the Molson shares and the fact that, under the terms of the combination agreement, Molson could in certain circumstances enter into discussions with third parties regarding alternative transaction proposals and terminate the combination agreement in order to enter into a superior transaction proposal, the independent committee determined not to enter into discussions with Mr. Ian Molson or members of his investor group.

On July 19, 2004, at a special meeting of Coors' board of directors, Coors' senior executive management and Deutsche Bank provided an update on the merger discussions to date and discussed with Coors' board the strategic implications and potential benefits and risks of the proposed merger transaction. Coors' management also reviewed and discussed with Coors' board the results of its due diligence review of Molson and discussed in detail various matters relating to the structure and terms reflected in the proposed combination agreement and related documents. Senior management responded to questions from directors. Deutsche Bank presented the Coors board with its financial analysis of the merger transaction, responded to questions by the board and provided its oral opinion to the effect that, as of that date, based upon and subject to the assumptions made, matters considered and limits of the review undertaken by Deutsche Bank, the 0.360 exchange ratio was fair, from a financial point of view, to holders of each class of Coors common stock. After this presentation and further discussion and deliberation, the Coors board of directors determined that, subject to the parties agreeing to the final terms of the definitive transaction then under negotiation, the board believed that the merger transaction (including the issuance of Coors shares in the transaction and the contemplated amendments to Coors' certificate of incorporation and bylaws) was advisable and in the best interests of the company and its stockholders. Accordingly, the Coors' board of directors authorized management to continue its negotiation of the merger transaction and delegated to an independent special committee of the board of directors on July 19, 2004, comprised of Albert C. Yates and Pamela H. Patsley, the authority to give final approval of the merger transaction upon agreement of the final terms of the transaction agreements.

Between July 19, 2004 and July 21, 2004, the parties continued their negotiations and reached agreement on the terms of the definitive transaction documents.

On July 21, 2004, the Coors special committee met telephonically. Coors' chief legal officer presented the final terms of the proposed merger and responded to questions by the special committee members. After discussion and deliberation, the special committee, on behalf of the board, approved the merger agreement and the transactions contemplated by that agreement and authorized Coors' management to execute the combination agreement and other related agreements.

On July 21, 2004, the Molson independent committee met to review the final terms of the proposed merger. At this meeting, Mr. Kiely made a presentation to the Molson independent committee in which he described his strategic vision for the combined company and responded to questions of the Molson independent committee members. Eric H. Molson made a presentation to the Molson independent committee in which he confirmed that he and Pentland were supportive of the merger transaction and were committed to remaining involved as shareholders of a significant participant in the global brewing industry. Eric H. Molson further indicated that neither he nor Pentland had any intention of selling their interests in Molson. Subsequently, Merrill Lynch provided the Molson independent committee with a financial analysis of the merger transaction and an oral opinion, which was subsequently confirmed in writing, to the effect that, as of July 21, 2004, based upon, and subject to, the assumptions made, matters considered and limits of the review undertaken by

Merrill Lynch, the 0.360 exchange ratio in the merger transaction was fair, from a financial point of view, to the holders of Molson shares, other than Pentland and Eric H. Molson. The Molson independent committee voted unanimously that the merger transaction, to be implemented through an arrangement made under the provisions of the CBCA, was fair to, and in the best interests of Molson shareholders, other than Pentland and Eric H. Molson, from a financial and non-financial point of view. The Molson independent committee subsequently recommended that the Molson board of directors authorize the combination agreement and recommend to Molson shareholders that they vote in favor of the combination.

On July 21, 2004 at a special meeting of Molson's board of directors, held immediately after the meeting of the Molson independent committee, Molson's financial advisors, Citigroup and BMO Nesbitt Burns, each reviewed with the Molson board of directors its financial analysis of the 0.360 exchange ratio provided for in the merger transaction and each delivered a written opinion to the board of directors to the effect that, as of July 21, 2004 and based on and subject to the matters described in its opinion, the 0.360 exchange ratio was fair, from a financial point of view, to the holders of Molson shares. The chairman of the Molson independent committee also reported on the opinion received from Merrill Lynch, the Molson independent committee's financial advisor, on the recommendation of the Molson independent committee and on the reasons for its recommendation. After these presentations and further discussion, the Molson board of directors voted unanimously to authorize the execution of the combination agreement and other related agreements.

The combination agreement was thereafter executed on behalf of each of the companies, and the companies and their respective principal shareholders entered into the voting agreements contemplated by the merger transaction. The merger transaction was publicly announced on July 22, 2004.

On September 9, 2004, Molson and Coors agreed to make technical revisions to the forms of amended and restated certificate of incorporation and bylaws attached to this document as Exhibits G and H, respectively, and the Coors board of directors met by telephone to approve the final documents.

On October 14, 2004, Molson announced that the approval procedure relating to the merger transaction would be modified to address concerns raised by certain institutional shareholders. Under the modified terms, optionholders will vote at a separate optionholders meeting solely to approve the exchange of their options to purchase Molson Class A non-voting shares for options to purchase shares of Molson Coors Class B common stock as part of the plan of arrangement. Molson executive officers and board members, who together own more than 66<sup>2</sup>/<sub>3</sub>% of all outstanding options, have irrevocably undertaken to vote in favor of the Molson optionholders resolution.

Molson also announced that Mr. Daniel J. O'Neill agreed that he will not receive any payment upon completion of the merger transaction. Rather, in the event of his resignation or termination from Molson Coors within 24 months of the merger transaction, Mr. O'Neill will be entitled to his change of control payment in lieu of a severance payment. In addition, Mr. Robert Coallier agreed to receive a change of control payment in lieu of a severance payment only upon his resignation or termination. Mr. O'Neill has also recommended, and the board of directors of Molson has agreed, that his performance-based options and restricted share units be converted into Molson Coors options and restricted share units, respectively, and be subject to similar performance-related triggers.

On October 27, 2004, the board of directors of Coors met to discuss whether Coors would agree to permit Molson to provide the Molson shareholders with a special dividend in connection with the merger transaction. At that Coors board meeting, the Coors board delegated responsibility to a committee of the board to approve the final terms of amendments to the combination agreement and transaction documents to permit a special dividend. On November 4, 2004, the committee approved the amendments to permit a special dividend to be paid by Molson to its shareholders of record at the close of business on the last trading day immediately prior to the closing of the merger transaction in the amount of Cdn.\$3.00 per share (a total of approximately Cdn.\$381 million (U.S.\$316 million)) and



to limit the vote of optionholders to the exchange of their options for options to purchase shares of Molson Coors Class B common stock. On that same date, Deutsche Bank delivered its oral opinion to the special committee of the Coors board of directors, subsequently confirmed in a written opinion addressed to the Coors board of directors dated as of the same date, to the effect that, as of that date, based upon and subject to the assumptions made, matters considered and limits of the review undertaken by Deutsche Bank, the exchange ratio was fair, from a financial point of view, to holders of the Coors Class A common stock and holders of the Coors Class B common stock.

On November 4, 2004, at a meeting of the Molson board of directors, senior management of Molson reported to the board of directors that Coors agreed to the payment of a special dividend to Molson shareholders in connection with the plan of arrangement. At this meeting, Eric H. Molson, who indirectly controls Pentland, reported to the board of directors that Pentland would waive participation in a special dividend paid to Molson shareholders. On this basis, and after further discussion, the Molson board of directors agreed to the payment of the special dividend of Cdn.\$3.26 per share, or a total of approximately Cdn.\$381 million (U.S.\$316 million), in connection with the plan of arrangement. Had Pentland not waived its participation in the special dividend, the special dividend to be declared would have been Cdn.\$3.00 per share instead of Cdn.\$3.26 per share. On November 5, 2004, Molson and Coors announced that they had agreed to include a special dividend to Molson shareholders as part of the merger transaction.

On November 10, 2004, the Molson independent committee met to consider the proposed transaction taking into account recent events, including the announcement of the special dividend. At the meeting, the independent committee discussed the terms and conditions of an amendment to the combination agreement which incorporated, among other things, provisions relating to the special dividend to Molson shareholders. The independent committee also requested that Merrill Lynch confirm its opinion dated July 21, 2004 in light of the special dividend. Merrill Lynch reviewed with the Molson independent committee its updated financial analysis of the 0.360 exchange ratio provided for in the merger transaction and delivered to the independent committee an oral opinion, which was subsequently confirmed in writing, to the effect that, as of November 10, 2004, based upon, and subject to, the assumptions made, matters considered and limits of the review undertaken by Merrill Lynch, the 0.360 exchange ratio in the merger transaction was fair, from a financial point of view, to the holders of Molson shares other than Pentland and Eric H. Molson. After discussion, the Molson independent committee recommended that the Molson board of directors authorize amendments to the combination agreement incorporating, among other things, provisions relating to the special dividend to Molson shareholders and reaffirmed its recommendation that the Molson board of directors recommend to Molson shareholders that they vote in favor of the combination.

On November 11, 2004, the board of directors of Coors approved certain amendments to the Coors charter, which amendments were technical in nature.

On November 11, 2004, Molson's board of directors met to consider the amendment to the combination agreement. In light of the special dividend to Molson shareholders provided for in the amendment, updated opinions, confirming their earlier opinions dated July 21, 2004, were requested from each of Citigroup and BMO Nesbitt Burns. In connection with this meeting, each of Citigroup and BMO Nesbitt Burns delivered a written opinion dated November 11, 2004 to the board of directors to the effect that, as of that date and based on the subject matters described in its opinion, the 0.360 exchange ratio was fair, from a financial point of view, to the holders of Molson shares. The chairman of the Molson independent committee also reported on the updated opinion received from Merrill Lynch, the Molson independent committee's financial advisor, and on the recommendation of the Molson independent committee and the reasons for its recommendation. After discussion, the Molson board of directors voted unanimously to authorize the execution of the amendment to the combination agreement and recommended that the Molson shareholders vote in favor of the Molson shareholders

resolution and that the Molson optionholders vote in favor of the Molson optionholders resolution. The parties executed the first amendment to the combination agreement and related amendments.

### **Our Reasons for the Merger Transaction**

Our boards of directors believe that the trend of consolidation in the international brewery industry will continue in the future and that scale and ability to operate internationally will be increasingly essential to compete effectively. We have summarized below the key benefits identified by both of our boards of directors during their individual evaluations of the merger transaction. Because both of our boards considered and reached the same conclusions on the common benefits of the merger transaction described below, we have presented this information in a single section that reflects the views of each of our boards.

#### ***Strategic Benefits***

*Economies of Scale and Global Reach.* The merger transaction will create one of the world's largest brewers with the operational scale and global diversity necessary to compete more effectively in today's consolidating market. On a pro forma basis, the combined entity will be the fifth largest brewing company in the world in terms of annual volume, with pro forma combined annual beer

sales of approximately 60 million hectoliters, or 51 million barrels, for the year ended December 28, 2003 and pro forma sales for the same period of approximately U.S.\$6 billion.

*Leading Brands.* The merger transaction will result in a stronger combined product portfolio with more than 40 brands, including leading brands in Canada and the United Kingdom, the third-ranked brands in the United States and Brazil and the seventh-ranked brand worldwide.

*Geographic Diversification.* The merger transaction will create a company with strong brands in a number of important global markets, including the United States, Canada, the United Kingdom and Brazil, as well as distribution arrangements with brewers in a number of additional key markets. This geographic presence ensures that the combined company's revenue sources are diversified, thereby reducing volatility of earnings and improving the combined company's ability to compete effectively with major multinational competitors.

*History and Corporate Culture.* The merger transaction builds on the strategic and cultural fit between the two companies. Both companies have rich and lengthy heritages as family controlled breweries and share common values and operating philosophies.

*Existing Relationship.* The two companies have an existing strong working relationship in Canada and the United States, jointly marketing and selling Coors Light in Canada and Molson products in the United States. We believe the merger will cement these working relationships and lead to streamlined, more efficient cooperation in these markets.

#### ***Expected Financial Synergies***

*Cost Savings.* We expect the merger transaction to deliver immediate tangible benefits to shareholders through substantial synergies, including estimated annual cost savings resulting from the merger of approximately U.S.\$50 million in the first year after the merger transaction, an incremental U.S.\$40 million in the second year after the merger transaction (for a total savings of U.S.\$90 million in the second year), and an incremental U.S.\$85 million in the third year after the merger transaction (for a total savings of U.S.\$175 million in the third year). By the

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fourth year after the merger transaction, the total annual cost savings of U.S.\$175 million are expected to be derived from the following areas:

U.S.\$60 million from optimization and consolidation of the combined company's brewery and distribution network,

U.S.\$65 million from improved procurement terms resulting from greater economies of scale,

U.S.\$25 million from elimination of duplicative overhead functions (we do not expect to have duplicative functions at our dual headquarters), and

U.S.\$25 million from integration of the companies' technology platform and other synergies.

*Growth Opportunities.* While the two companies' U.S.\$175 million forecasted synergies do not include any assumptions for incremental profit derived from revenue growth or market share gains, we believe that the enhanced financial strength expected to result from the anticipated cost savings will provide the combined company with the opportunity to grow revenue through added investments in marketing and other support for key markets.

*Additional Opportunities.* We anticipate that the merger transaction will build an enhanced growth platform, balance sheet and cash flow to fund future investment, including continued participation in brewing industry consolidation. In addition, the combined company will be able to make renewed investments in product innovations and disciplined capital improvements to drive productivity.

### Factors Considered by the Molson Independent Committee

On July 21, 2004, Molson's independent committee, after an extensive review and thorough discussion of all facts and issues it considered relevant with respect to the proposed merger transaction, concluded unanimously that the proposed merger transaction is fair to, and in the best interests of, the shareholders of Molson, other than Pentland and Eric H. Molson, from a financial and non-financial point of view. The Molson independent committee subsequently proposed that Molson's full board of directors authorize Molson to enter into the proposed combination agreement and recommend to shareholders of Molson that they vote in favor of the Molson shareholders resolution. On November 10, 2004, the Molson independent committee reaffirmed the conclusions reached on July 21, 2004 as well as the recommendations to Molson's full board of directors regarding the proposed combination agreement, as amended, and the Molson shareholders special resolution.

In reaching their conclusion and making their recommendation, the members of the Molson independent committee relied on their personal knowledge of Molson and the industry in which it is involved and on the advice of its legal and financial advisors. The Molson independent committee also reviewed the information provided by Molson and its advisors. The Molson independent committee considered numerous factors to be in favor of the merger, including among other things, the following:

the fairness opinions provided by Merrill Lynch on July 21, 2004 and November 10, 2004 to the effect that, as of the dates of and based upon the assumptions made, matters considered and limits of review set forth in the opinions, the 0.360 exchange ratio in the merger transaction was fair, from a financial point of view, to the holders of Molson shares other than Pentland and Eric H. Molson;

the current economic, industry and market trends affecting each of Molson and Coors in their respective markets, including those which favor the concentration of business in the hands of a small number of large companies;

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the fact that Molson is controlled by a family group and has a dual class of voting and non-voting securities, and that the governance arrangements and shareholder voting structure of the combined company are in the aggregate no less favorable to the holders of Class A non-voting shares of Molson than those currently in place;

the statements by Eric H. Molson to the effect that he and Pentland were supportive of the merger transaction and were committed to remaining involved as shareholders of a significant participant in the global brewing industry, and that neither Mr. Molson nor Pentland were considering selling their interests in Molson;

the fact that, in connection with the proposed merger, holders of Class A non-voting shares of Molson and Class B common shares of Molson, excluding Pentland, who hold their shares of record on the last trading day prior to the closing date of the proposed merger will receive a special dividend of Cdn.\$3.26 per share, and that Pentland has waived any participation in the special dividend. Had Pentland not waived participation in the special dividend, the special dividend to be declared would have been Cdn.\$3.00 per share instead of Cdn.\$3.26;

the fact that management responsibilities within the combined company would be allocated among an experienced management team selected from Molson and Coors management and that senior members of Molson management would have a continuing role within the combined company;

the fact that the all-share consideration offered in connection with the transaction provides Molson's shareholders with an opportunity to participate in the ownership of a larger, financially stronger company that is expected to be better positioned to respond to opportunities and developments in an industry in which size is increasingly important;

the fact that the combined company would be geographically diversified as it would have significant businesses in Canada, the United States, Brazil and the United Kingdom, making it a stronger entity than Molson individually;

the fact that the merger transaction secures the current commercial relationship between Molson and Coors and that Coors would have the ability to terminate that relationship in the event of a change of control of Molson;

the significant opportunities for the combined company to realize the estimated annual cost savings resulting from the merger of approximately U.S.\$50 million and \$90 million, respectively, in the first two years following the merger and U.S.\$175 million in annual cost savings thereafter;

the ability of the shareholders of Molson to continue to participate in future earnings and growth of the combined company after completion of the merger transaction through their ownership of shares of the combined company's stock or exchangeable shares of Molson Coors Exchangeco;

the structure of the merger transaction, which effectively permits Molson shareholders who are Canadian residents to elect to receive exchangeable shares and make a valid tax election to defer Canadian income tax at the time of the merger transaction;

the fact that Molson could in certain circumstances enter into discussions with third parties regarding alternative transaction proposals and terminate the combination agreement in order to enter into a transaction with a third party on terms more favorable to Molson shareholders, other than Pentland and Eric H. Molson, upon the payment to Coors of a termination fee of U.S.\$75,000,000;

the various incentive and benefits plans currently available to the employees of each company and the fact that the merger transaction is not expected to materially adversely impact the terms and conditions of those plans;

the current and historical trading prices of Molson shares; and

the approval process for the merger transaction, including the requirement for the approval of holders of 66<sup>2</sup>/<sub>3</sub>% of each of the Class A non-voting shares of Molson and the Class B common shares of Molson, voting as separate classes, and the requirement for the Superior Court of Québec to approve the merger transaction and to issue a final order concerning its approval.

The Molson independent committee also considered a variety of risks and other potentially negative factors concerning the merger, including the following:

the proposed governance arrangements of the combined company, which would provide that voting control would be shared by Pentland and the Coors Trust, and the associated risks of a stalemate between them;

the risk that the estimated cost savings will not be achieved;

the fact that, in a merger of equals, the exchange ratio would not provide shareholders of Molson with a premium to the current market price of Molson's shares; and

the fact that the merger transaction would constitute a taxable event for U.S. federal income tax purposes for U.S. resident shareholders of Molson.

This discussion of the information and factors considered by the Molson independent committee is not intended to be exhaustive but addresses the major information and factors considered by the Molson independent committee in its consideration of the merger transaction. In reaching its conclusion, the Molson independent committee did not find it practical to assign, and did not assign, any relative or specific weight to the different factors that were considered, and individual members of the Molson independent committee may have given different weight to different factors.

## Opinions of Molson's Financial Advisors

### *Citigroup Opinion*

Citigroup has been retained by Molson to act as one of its financial advisors in connection with the merger transaction. In connection with this engagement, Molson requested that Citigroup evaluate the fairness, from a financial point of view, of the 0.360 exchange ratio provided for in the merger transaction. On July 21, 2004, at a meeting of the Molson board of directors held to evaluate the proposed merger transaction, Citigroup delivered to the Molson board of directors a written opinion dated July 21, 2004 to the effect that, as of that date and based on and subject to the matters described in its opinion, the 0.360 exchange ratio was fair, from a financial point of view, to the holders of Molson shares. On November 11, 2004, in connection with the execution of the amendment to the combination agreement, Citigroup confirmed its opinion dated July 21, 2004 by delivery of a written opinion dated November 11, 2004.

*The full text of Citigroup's written opinion dated November 11, 2004, which describes the assumptions made, procedures followed, matters considered and limitations on the review undertaken, is attached to this document as Annex M and is incorporated into this document by reference. Citigroup's opinion was provided to the Molson board of directors in connection with its evaluation of the 0.360 exchange ratio and relates only to the fairness of the 0.360 exchange ratio from a financial point of view, does not address any other aspect of the merger transaction and does not constitute a recommendation to any securityholder as to the shares of Molson Coors or Molson Coors Exchangeco a securityholder should elect to receive or how a securityholder should vote or act on any other matters relating to the proposed merger transaction.*

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In arriving at its opinion, Citigroup:

reviewed the combination agreement, together with a draft dated November 11, 2004 of the amendment to the combination agreement, and certain related documents;

held discussions with certain senior officers, directors and other representatives and advisors of Molson and certain senior officers and other representatives and advisors of Coors concerning the businesses, operations and prospects of Molson and Coors;

examined certain publicly available business and financial information relating to Molson and Coors as well as certain financial forecasts and other information and data relating to Molson and Coors that were provided to or otherwise discussed with Citigroup by the managements of Molson and Coors, including information relating to the potential strategic implications and operational benefits anticipated by the managements of Molson and Coors to result from the merger transaction;

reviewed the financial terms of the merger transaction as set forth in the combination agreement and related documents in relation to, among other things: current and historical market prices of Molson Class A non-voting and Class B common shares and Coors Class B common stock; historical and projected earnings and other operating data of Molson and Coors; and the capitalization and financial conditions of Molson and Coors;

considered, to the extent publicly available, the financial terms of certain other transactions effected or announced which it considered relevant in evaluating the merger transaction and analyzed certain financial, stock market and other publicly available information relating to the businesses of other companies whose operations Citigroup considered relevant in evaluating those of Molson and Coors;

evaluated certain pro forma financial effects of the merger transaction on Molson and Coors;

conducted other analyses and examinations and considered other information and financial, economic and market criteria as it deemed appropriate in arriving at its opinion; and

evaluated the 0.360 exchange ratio provided for in the merger transaction without giving effect to any premium or discount that may be attributable to any class of Molson shares, Molson Coors Exchangeco shares or Coors common stock by reason of any control, liquidity or voting, or other rights or aspects of those securities.

In rendering its opinion, Citigroup assumed and relied, without independent verification, on the accuracy and completeness of all financial and other information and data publicly available or provided to or otherwise reviewed by or discussed with Citigroup and on the assurances of the managements of Molson and Coors that no relevant information was omitted or remained undisclosed to Citigroup. With respect to financial forecasts and other information and data relating to Molson and Coors provided to or otherwise reviewed by or discussed with Citigroup, Citigroup was advised by the respective managements of Molson and Coors that the forecasts and other information and data were reasonably prepared on bases reflecting the best currently available estimates and judgments of the managements of Molson and Coors as to the future financial performance of Molson and Coors and the potential strategic implications and operational benefits resulting from the merger transaction. Citigroup assumed, with Molson's consent, that the financial results (including potential strategic implications and operational benefits resulting from the merger transaction) reflected in the forecasts and other information and data would be realized in the amounts and at the times projected. Citigroup also assumed, with Molson's consent, that the merger transaction (including, to the extent relevant to its analyses, the payment of the special dividend) would be completed in accordance with its terms without waiver, modification or amendment of any material term, condition or agreement and that, in the course of obtaining the necessary regulatory or third party approvals, consents and releases for the



merger transaction, no delay, limitation, restriction or condition would be imposed that would have an adverse effect on Molson or Coors or the contemplated benefits of the merger transaction. Citigroup also assumed, with Molson's consent, that Molson, Coors and Molson Coors Exchangeco will not incur any Canadian or U.S. federal income tax liabilities as a result of the merger transaction. Representatives of Molson advised Citigroup, and Citigroup further assumed, that the final terms of the amendment to the combination agreement would not vary materially from those contained in the draft reviewed by Citigroup.

Citigroup's opinion relates to the relative values of Molson and Coors. Citigroup did not express any opinion as to what the value of Molson Coors common stock or Molson Coors Exchangeco shares actually will be when issued or the prices at which Molson Coors common stock or Molson Coors Exchangeco shares will trade or otherwise be transferable at any time. Citigroup did not express any opinion as to the relative fairness of the 0.360 exchange ratio between the holders of Molson Class A non-voting shares and the holders of Molson Class B common shares. Citigroup did not make, and was not provided with, an independent evaluation or appraisal of the assets or liabilities (contingent or otherwise) of Molson or Coors and did not make any physical inspection of the properties or assets of Molson or Coors. Citigroup was not requested to, and it did not, solicit third party indications of interest in the possible acquisition of all or a part of Molson. Citigroup's opinion does not address the relative merits of the merger transaction as compared to any alternative business strategies that might exist for Molson or the effect of any other transaction in which Molson might engage. Citigroup's opinion also does not address any aspect or implication of any agreement or waiver to be entered into by any shareholder of Molson or Coors or their respective affiliates in connection with the merger transaction. Citigroup's opinion was necessarily based on information available, and financial, stock market and other conditions and circumstances existing and disclosed, to Citigroup as of the date of its opinion. Although Citigroup evaluated the 0.360 exchange ratio from a financial point of view, Citigroup was not asked to and it did not recommend the specific consideration payable in the merger transaction, which was determined through negotiation between Molson and Coors. Except as described above, Molson imposed no other instructions or limitations on Citigroup with respect to the investigations made or procedures followed by Citigroup in rendering its opinion.

Citigroup's opinion and financial analyses were only one of many factors considered by the Molson board of directors in its evaluation of the merger transaction and should not be viewed as determinative of the views of the Molson board or management with respect to the merger transaction or the 0.360 exchange ratio provided for in the merger transaction.

Under the terms of its engagement, Citigroup will receive customary fees for its financial advisory services in connection with the merger transaction, a significant portion of which is contingent upon the completion of the merger transaction and a portion of which was payable in connection with the delivery of Citigroup's opinion. Molson also has agreed to reimburse Citigroup for reasonable travel and other expenses incurred by Citigroup in performing its services, including the fees and expenses of its legal counsel, and to indemnify Citigroup and related persons against liabilities, including liabilities under applicable securities laws, arising out of its engagement.

In the ordinary course of business, Citigroup and its affiliates may actively trade or hold the securities of Molson and Coors for their own account or for the account of customers and, accordingly, may at any time hold a long or short position in those securities. Following the consummation of the merger transaction, Citigroup intends to purchase from Deutsche Bank a portion of the Molson Coors Exchangeco Class C preferred shares to be received by Deutsche Bank in connection with the merger transaction. One of Citigroup's affiliates in the commercial lending business is a lender under Molson's existing Cdn.\$625.0 million credit facility. In addition, Citigroup and its affiliates, including Citigroup Inc. and its affiliates, may maintain relationships with Molson, Coors and their respective affiliates.



***BMO Nesbitt Burns Fairness Opinion***

On July 21, 2004, BMO Nesbitt Burns delivered its written opinion to the board of directors of Molson to the effect that, as of that date, and based upon the assumptions made, matters considered, and limits and other limitations of review set forth in its opinion, the 0.360 exchange ratio was fair, from a financial point of view, to the holders of Molson Class A non-voting shares and Class B common shares.

On November 11, 2004, BMO Nesbitt Burns confirmed its opinion dated July 21, 2004 by delivery of a written opinion dated November 11, 2004. In connection with its updated opinion, BMO Nesbitt Burns performed procedures to update certain of its analyses to, among other things, give effect to the special dividend to be paid to Molson shareholders (other than Pentland), and reviewed the assumptions used in its analyses and the factors considered in connection with its July 21, 2004 opinion.

The full text of BMO Nesbitt Burns' opinion dated November 11, 2004, which sets forth the assumptions made, matters considered and limitations on its review, is attached to this document as Annex N. You should read the full text of the opinion in conjunction with the following summary of the opinion. The opinion of BMO Nesbitt Burns is for the use and benefit of Molson's board of directors in its evaluation of the arrangement and it does not constitute a recommendation to any Molson securityholder as to how that securityholder should vote on the arrangement or any related matter.

In connection with rendering its opinion, BMO Nesbitt Burns has reviewed and relied upon, or carried out, among other things, the following:

the audited annual financial statements and the interim financial statements, annual reports, quarterly reports and annual information forms for each of the three consecutive fiscal years ended December 28, 2003 in the case of Coors and March 31, 2004 in the case of Molson;

the quarterly reports for the periods ended March 28, June 27 and September 26, 2004 of Coors;

quarterly reports for the periods ended June 30 and September 30, 2004 for Molson;

public information relating to the business, operations, financial performance and stock trading history of Molson and Coors;

the combination agreement and a proposed amendment thereto which outlined, among other things, the terms, conditions and mechanics of the merger transaction;

portions of a preliminary Joint Proxy Statement/Management Information Circular filed with the Securities and Exchange Commission on September 19, 2004 and a more recent draft Joint Proxy Statement/Management Information Circular dated November 11, 2004;

recent discussions with management of Molson and Coors regarding analysis of past, and expectations of future, performance, business operations and financial condition of Molson and Coors;

recent discussions with management of Molson and Coors regarding the strategic rationale for, and the potential benefits and the pro forma financial impact of, the merger transaction;

current financial models provided by the management of each of Molson and Coors;

recent discussions with the management of Molson and Coors with respect to the underlying assumptions of the financial models provided to BMO Nesbitt Burns by each of Molson and Coors;



information with respect to other transactions of a comparable nature that BMO Nesbitt Burns considered relevant;

information with respect to the trading value of public companies that BMO Nesbitt Burns considered relevant;

a letter of representation as to certain factual matters, addressed to BMO Nesbitt Burns and dated November 11, 2004, provided by senior officers of Molson; and

other information, investigations and analyses as BMO Nesbitt Burns considered appropriate in the circumstances.

BMO Nesbitt Burns received a fee in connection with the delivery of its opinion and is also entitled to other fees in connection with the merger transaction, some of which are subject to the successful completion of the merger transaction. In addition, Molson has agreed to reimburse BMO Nesbitt Burns for its reasonable out-of-pocket expenses incurred in connection with its engagement and to indemnify BMO Nesbitt Burns for specified liabilities arising out of its engagement.

An affiliate of BMO Nesbitt Burns is the lead lender of long standing to Molson and may provide incremental credit support to Molson in connection with the merger transaction. BMO Nesbitt Burns acts as a trader and dealer, both as principal and agent, in all major North American financial markets and, in that capacity, has had and may have positions in the securities of Molson and Coors and, from time to time, has executed or may execute transactions on behalf of Molson and Coors for which it receives compensation. In addition, as an investment dealer, BMO Nesbitt Burns conducts research on securities and may, in the ordinary course of its business, provide or be expected to provide investment advice to its clients on issuers and investment matters, including Molson and Coors and their securities.

#### ***Merrill Lynch Fairness Opinion***

On July 21, 2004, Merrill Lynch, Pierce, Fenner & Smith Incorporated delivered a written opinion to Molson's independent committee to the effect that, as of that date and based upon the assumptions made, matters considered and limits of review set forth in its written opinion, the 0.360 exchange ratio in the proposed merger transaction was fair from a financial point of view to the holders of Molson Class A non-voting shares and Class B common shares, other than Pentland and Eric H. Molson. Merrill Lynch subsequently confirmed and updated its opinion dated July 21, 2004 by delivering to Molson's independent committee a written opinion dated as of November 10, 2004. In connection with its updated opinion, Merrill Lynch confirmed the appropriateness of its reliance on the analyses used to render its earlier opinion. Merrill Lynch also performed procedures to update certain of its analyses to, among other things, give effect to the special dividend to be paid to Molson shareholders (other than Pentland), and reviewed the assumptions used in its analyses and the factors considered in connection with its earlier opinion. A copy of Merrill Lynch's opinion dated November 10, 2004 is attached to this document as Annex O.

Merrill Lynch's opinion dated November 10, 2004 sets forth the assumptions made, matters considered and limits on the scope of review undertaken by Merrill Lynch. You are encouraged to read Merrill Lynch's opinion dated November 10, 2004 in its entirety. Merrill Lynch's opinion dated November 10, 2004 was intended for the use and benefit of the Molson independent committee and the board of directors of Molson, does not address the merits of the underlying decision by Molson to engage in the merger transaction and does not constitute a recommendation to any securityholder as to how that securityholder should vote on the merger transaction or any related matter. This summary of Merrill Lynch's opinion dated November 10, 2004 is qualified by reference to the full text of the opinion attached as Annex O.

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In arriving at its opinion, Merrill Lynch has, among other things:

reviewed certain publicly available business and financial information relating to Molson and Coors that Merrill Lynch deemed to be relevant;

reviewed certain information, including financial forecasts, relating to the business, earnings, cash flow, assets, liabilities and prospects of Molson and Coors, as well as the amount and timing of the cost savings and related expenses and synergies expected to result from the merger transaction furnished to Merrill Lynch by Molson and Coors;

conducted discussions with members of senior management and representatives of Molson and Coors concerning the merger transaction, as well as their respective businesses and prospects both before and after giving effect to the merger transaction and the expected synergies;

reviewed the market prices and valuation multiples for the Molson shares and Coors common stock and compared those prices and multiples with those of certain publicly traded companies that Merrill Lynch deemed to be relevant;

reviewed the results of operations of Molson and Coors and compared them with those of certain publicly traded companies that Merrill Lynch deemed to be relevant;

compared the proposed terms of the merger transaction with the terms of certain other transactions that Merrill Lynch deemed to be relevant;

participated in certain due diligence discussions among representatives of Molson and Coors and their financial and legal advisors;

reviewed the potential pro forma impact of the merger transaction;

reviewed the combination agreement and a draft of the amendment to the combination agreement dated November 9, 2004; and

reviewed other financial studies and analyses and took into account other matters as Merrill Lynch deemed necessary, including its assessment of general economic, market and monetary conditions.

In preparing its opinion, Merrill Lynch assumed and relied on the accuracy and completeness of all information supplied or otherwise made available to Merrill Lynch, discussed with or reviewed by or for Merrill Lynch, or publicly available, and Merrill Lynch did not assume any responsibility for independently verifying information or undertake an independent evaluation or appraisal of any of the assets or liabilities of Molson or Coors, and was not furnished with any evaluation or appraisal, nor did Merrill Lynch evaluate the solvency or fair value of Molson or Coors under any state, provincial or federal laws relating to bankruptcy, insolvency or similar matters. In addition, Merrill Lynch did not assume the obligation to conduct any physical inspection of the properties or facilities of Molson or Coors or their respective subsidiaries. With respect to the financial forecast information and the synergies expected to result from the merger transaction furnished to or discussed with Merrill Lynch by Molson or Coors, Merrill Lynch assumed that they have been reasonably prepared and reflect the best currently available estimates and judgments of Molson's and/or Coors' management as to the expected future financial performance of Molson and/or Coors, as the case may be, and the expected synergies. Merrill Lynch also assumed that the merger transaction will be accounted for as a purchase under U.S. GAAP, that Coors is deemed to be the acquiring entity for accounting purposes, and that the merger transaction will be a taxable acquisition of the assets of Molson for United States federal income tax purposes. Merrill Lynch also assumed that the final form of the amendment to the combination agreement would be substantially similar to the last draft reviewed by Merrill Lynch.

Merrill Lynch's opinion was necessarily based upon market, economic and other conditions as they existed and could be evaluated on, and on the information made available to Merrill Lynch as of, the



date of its opinion. Merrill Lynch assumed that in the course of obtaining the necessary regulatory or other consents or approvals (contractual or otherwise) for, or in connection with, the merger transaction, no restrictions, including any divestiture requirements or amendments or modifications, would be imposed that would have a material adverse effect on the contemplated benefits of the merger transaction, including the expected synergies.

In connection with the preparation of its opinion, Merrill Lynch was not authorized by Molson, its board of directors or the Molson independent committee to solicit, nor did Merrill Lynch solicit, any third-party indications of interest for the acquisition of all or any part of Molson.

In addition, Merrill Lynch was not asked to address, and Merrill Lynch's opinion did not address, the fairness to, or any other consideration of, the holders of any class of securities, creditors or other constituencies of Molson, other than the holders of Molson Class A non-voting shares and Class B common shares (other than Pentland and Eric H. Molson). Merrill Lynch did not express any opinion as to the prices at which Molson Class A non-voting shares and Class B common shares or Coors Class A common stock and Class B common stock will trade following announcement or completion of the merger transaction. In addition, Merrill Lynch's opinion does not address the tax consequences of the merger transaction to the holders of Molson Class A non-voting shares and Class B common shares.

Merrill Lynch acted as financial advisor to the Molson independent committee in connection with the merger transaction and will receive fees from Molson for its services, which fees are not contingent on completion of the merger transaction. In addition, Molson has agreed to reimburse Merrill Lynch for its reasonable out-of-pocket expenses incurred in connection with the engagement (including the reasonable fees and disbursements of legal counsel) and to indemnify Merrill Lynch for liabilities arising out of its engagement. Merrill Lynch has, in the past, provided financial advisory and financing services to Molson and Coors and their respective affiliates and may continue to do so and has received, and may receive, fees for the rendering of those services. In addition, in the ordinary course of its business, Merrill Lynch may actively trade Molson shares and other securities of Molson, as well as Coors common stock and other securities of Coors, for its own account and for the accounts of customers and, accordingly, may at any time hold a long or short position in those securities.

## **Interests of Molson's Directors and Management in the Merger Transaction**

### *Change of Control Payments*

Under certain circumstances, Daniel J. O'Neill, president and chief executive officer of Molson, under the terms of his February 22, 1999 employment agreement, would become entitled to 36 months of salary (Cdn.\$1,000,000 per year) as a result of the merger transaction. In the interest of facilitating the timely approval and success of the merger transaction, Mr. O'Neill has voluntarily agreed that he will not receive this payment upon completion of the merger transaction. Rather, in the event of his resignation or termination from Molson Coors within 24 months of the merger transaction, Mr. O'Neill will be entitled to receive this payment in lieu of a severance payment. Mr. O'Neill has also recommended, and the board of directors of Molson has agreed, that his performance-based options and restricted share units be converted into Molson Coors options and restricted share units, respectively, and be subject to similar performance-related triggers. The other terms of Mr. O'Neill's employment agreement will remain unchanged when he assumes his role as vice-chairman, synergies and integration of Molson Coors.

In the event of a change of control, which will occur as a result of the merger transaction, Molson is obligated to pay Robert Coallier 18 months of salary, annual bonus, benefits and pension accrual. In the interest of facilitating the timely approval and success of the merger transaction, Mr. Coallier has agreed to waive his right to receive this payment upon completion of the merger transaction. Rather,

Mr. Coallier will only be entitled to this payment upon his resignation or termination in lieu of a severance payment.

***Retention Program***

Molson has put in place an employee retention program under which 37 employees will receive in early 2005 cash payments of Cdn.\$1.98 million in the aggregate. No single cash payment to any employee is material.

***Treatment of Options***

If you hold exercisable Molson options and wish to exercise them to acquire Molson Class A non-voting shares in order to receive exchangeable shares and/or Molson Coors common stock and the special dividend payable to Molson shareholders in connection with the plan of arrangement, then prior to 4:00 p.m. (Montréal time) on the second trading day immediately prior to the date of closing of the merger transaction you should exercise your options through your Solium E-SOAP account at [www.solium.com](http://www.solium.com) or by telephone at the following toll-free number: 877-380-7793. Upon completion of the merger transaction, all Molson options, other than Mr. O'Neill's performance-based options, will vest and will be exercisable at the option of the holders.

***Board and Management Arrangements***

As described under "Governance and Management of Molson Coors" beginning on page 123, the combination agreement and related documents provide for arrangements regarding the composition of Molson Coors' board of directors and senior management. Those arrangements provide that some of the current directors and officers of Molson will have director and/or management positions with Molson Coors.

***Indemnification and Insurance***

The combination agreement provides that Molson Coors will:

honor all indemnification agreements between Molson and its directors and officers in effect prior to the completion of the merger transaction;

honor all indemnification provisions in the certificate of incorporation and bylaws of Molson and not amend in an adverse manner any of those provisions for six years following completion on the merger transaction; and

maintain in effect, if available, directors' and officers' liability insurance covering persons currently covered under Molson's policy with respect to events arising prior to the completion of the merger transaction on terms comparable to those applicable to the current directors and officers of Molson.

***Indemnity with Respect to Special Dividend***

Molson has agreed to indemnify, and Molson and Coors have agreed that Molson Coors will indemnify, Pentland and its subsidiaries with respect to certain U.S. or Canadian tax liabilities, if any, and related costs and expenses that Pentland and its subsidiaries may incur as a result, in connection with or attributable to the waiver of participation in the special dividend.

**Factors Considered by Coors' Board of Directors and Special Committee**

In reaching its decision to recommend the Coors share issuance and Coors charter amendments, and in reaching its decision to approve the merger transaction and related transactions, the Coors

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board of directors and the special committee of the Coors board of directors, respectively, considered the following material factors, all of which they viewed as supporting their decisions to recommend the Coors share issuance and Coors charter amendments and to approve the merger transaction, respectively:

The strategic reasons for the merger transaction described above under " Our Reasons for the Merger Transaction";

Information concerning the respective businesses of Molson and Coors, including information regarding financial performance and condition, operations, technology and management, and the results of Coors' due diligence review of Molson's businesses and operations;

The current and prospective competitive environment in which brewing companies, including Coors, operate, including the continuing consolidation in the industry and the likely effect of that competitive environment on Coors in light of, and in the absence of, the merger transaction;

The analyses of, and discussions between, the Coors board of directors and Coors' financial advisor and the financial advisor's final opinion to the effect that, as of the date of the final opinion, based upon and subject to the assumptions made, matters considered and limits of the review undertaken, after giving effect to the payment of the Molson special dividend, the 0.360 exchange ratio was fair, from a financial point of view, to holders of each class of Coors common stock (for more information see " Opinion of Coors' Financial Advisor" beginning on page 91);

The exchange ratio in the merger transaction of 0.360 of a share of Molson Coors Class B common stock for each Molson Class A non-voting share and 0.126 of a share of Molson Coors Class A common stock plus 0.234 of a share of Molson Coors Class B common stock for each Molson Class B common share, and the determination of the Coors board of directors that the fixed exchange ratio was appropriate in a strategic transaction of this type;

The structure and terms of the merger transaction, including:

The structure of the transaction as a merger-of-equals whereby management of each company will have substantial input with respect to the control and future plans of the combined company, including the provisions in the combined company's certificate of incorporation and bylaws designed to ensure the maintenance of equal representation among director nominees of former Coors and former Molson directors and substantial consensus among directors regarding major business decisions, and the conclusion of the Coors board of directors that this level of participation and consensus will enhance the likelihood that the combined company will achieve its anticipated strategic objectives;

The reciprocal nature of the terms of the combination agreement and the other transaction documents, and the board's determination that those terms and conditions were appropriate in a strategic transaction of this type; and

The provisions of the combination agreement designed to restrict the ability of the parties to solicit third party acquisition proposals but affording both sides the ability to consider and pursue an unsolicited superior proposal, the provisions of the combination agreement providing for the payment of termination fees under specified circumstances relating to the termination of that agreement following the occurrence of an acquisition proposal and the conclusion of the Coors board of directors that those provisions were an appropriate and reasonable means to increase the likelihood that the merger transaction will be completed;

The conclusion that a merger with Molson offered a unique opportunity to accomplish a strategically beneficial transaction in light of the direction from the Coors Trust that, given the





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Coors family's more than 130-year commitment to the U.S. brewing industry, it would not approve a transaction in which the Coors Trust did not have a meaningful continuing role in the surviving company;

The fact that members of the Coors family supported and agreed to vote shares representing 100% of the Coors Class A common stock and approximately 30% of the Coors Class B common stock in favor of the merger; and

The likelihood that the merger transaction will be completed on a timely basis, including the likelihood that the merger transaction will receive all necessary regulatory approvals.

The Coors board of directors also considered the potential risks of the merger and potential conflicts of interest, including the following:

The effect of the Molson special dividend on the financial condition of the combined company;

The challenge of combining the businesses of two major international companies;

The risk that the anticipated cost savings will not be achieved;

The costs that may be incurred to combine the operations of Coors and Molson;

The potential conflicts of interest of Coors officers and directors in connection with the merger transaction (for more information see "Interests of Coors' Directors and Management in the Merger Transaction" beginning on page 98); and

The risk of diverting management's attention from other strategic priorities to implement integration efforts.

In view of the wide variety of factors considered by the Coors board of directors and the special committee of the Coors board of directors in connection with the evaluation of the merger transaction and the complexity of these matters, the Coors board of directors and the special committee of the Coors board of directors did not find it useful, and did not attempt, to quantify, rank or otherwise assign relative weights to these factors. In considering the factors described above, individual members of the Coors board of directors and the special committee of the Coors board of directors may have given different weight to different factors. Both the Coors board of directors and the special committee of the Coors board of directors conducted an overall analysis of the factors described above, including thorough discussions with, and questioning of, Coors' management, and financial and legal advisors, and considered the factors overall to be favorable to, and to support, its determination.

The Coors board of directors and the special committee of the Coors board of directors determined that the combination agreement, the other agreements referred to in the combination agreement and the transactions referred to in the combination agreement and those other agreements (including the Coors share issuance and Coors charter amendments described in this document) are advisable and fair to, and in the best interests of, Coors and the holders of each class of Coors common stock. The Coors board of directors has determined that the Coors charter amendments and the Coors share issuance are advisable and fair to, and in the best interests of, Coors and the holders of each class of Coors common stock and recommends that the stockholders of Coors approve and adopt the Coors share issuance and Coors charter amendments at the Coors special meeting.

### **Opinion of Coors' Financial Advisor**

Deutsche Bank Securities Inc., or Deutsche Bank, has acted as financial advisor to Coors in connection with the merger transaction. On July 19, 2004, Deutsche Bank delivered its oral opinion to the Coors board of directors, subsequently confirmed in writing as of July 21, 2004, to the effect that, as of that date, based upon and subject to the assumptions made, matters considered and limits of the review undertaken by Deutsche Bank, the exchange ratio was fair, from a financial point of view, to

holders of the Coors Class A common stock and holders of the Coors Class B common stock. We refer to this opinion as the first opinion.

The full text of Deutsche Bank's written first opinion, dated July 21, 2004, which discusses, among other things, the assumptions made, matters considered and limits on the review undertaken by Deutsche Bank in connection with the first opinion, is attached to this document as Annex P and is incorporated by reference.

Coors subsequently requested that Deutsche Bank prepare an opinion to reflect a special dividend to be paid by Molson to its shareholders prior to the completion of the merger transaction. On November 4, 2004, Deutsche Bank delivered its oral opinion to the Coors board of directors, subsequently confirmed in writing as of the same date, to the effect that, as of that date, based upon and subject to the assumptions made, matters considered and limits of the review undertaken by Deutsche Bank, the exchange ratio was fair, from a financial point of view, to holders of the Coors Class A common stock and holders of the Coors Class B common stock. We refer to this opinion, which supersedes the first opinion, as the final opinion.

The full text of Deutsche Bank's written final opinion, dated November 4, 2004, which discusses, among other things, the assumptions made, matters considered and limits on the review undertaken by Deutsche Bank in connection with the final opinion, is attached to this document as Annex Q and is incorporated by reference. Coors' stockholders are urged to read the final opinion in its entirety. The following summary of the Deutsche Bank final opinion is qualified in its entirety by reference to the full text of the final opinion.

In connection with Deutsche Bank's role as financial advisor to Coors, and in arriving at its final opinion, Deutsche Bank has reviewed certain publicly available financial and other information concerning Molson and Coors and certain internal analyses and other information furnished to it by Molson and Coors. Deutsche Bank also held discussions with members of the senior managements of Molson and Coors regarding the businesses and prospects of their respective companies and the joint prospects of a combined company. In addition, Deutsche Bank:

reviewed the reported prices and trading activity for Molson Class A non-voting shares, Molson Class B common shares and Coors Class B common stock,

compared certain financial and stock market information for Molson and Coors with similar information for certain other companies whose securities are publicly traded,

reviewed the financial terms of certain recent business combinations which it deemed comparable to the merger transaction in whole or in part,

reviewed the terms of the combination agreement, the plan of arrangement and certain related documents, and

performed other studies and analyses and considered other factors as it deemed appropriate.

In preparing its final opinion, Deutsche Bank did not assume responsibility for independent verification of, and did not independently verify, any information, whether publicly available or furnished to it, concerning Molson or Coors, including, without limitation, any financial information, forecasts or projections considered in connection with the rendering of its final opinion. Accordingly, for purposes of its final opinion, Deutsche Bank assumed and relied upon the accuracy and completeness of that information and Deutsche Bank did not conduct a physical inspection of any of the properties or assets, and did not prepare or obtain any independent evaluation or appraisal of any of the assets or liabilities, of Molson or Coors. With respect to the financial forecasts and projections, including the analyses and forecasts of certain cost savings, operating efficiencies, revenue effects and financial synergies expected by Coors and Molson to be achieved as a result of the merger transaction, made available to Deutsche Bank and used in its analyses, Deutsche Bank assumed that they have been

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reasonably prepared on bases reflecting the best currently available estimates and judgments of the management of Molson or Coors, as the case may be, as to the covered matters. In rendering its final opinion, Deutsche Bank expressed no view as to the reasonableness of those forecasts and projections, including the analyses and forecasts of cost savings, operating efficiencies, revenue effects and financial synergies expected by Coors and Molson to be achieved as a result of the merger transaction, or the assumptions on which they are based. Deutsche Bank's final opinion is necessarily based upon economic, market and other conditions as in effect on, and the information made available to it as of, the date of its final opinion.

For purposes of rendering its final opinion, Deutsche Bank assumed that, in all respects material to its analysis:

the representations and warranties of Coors, Molson Coors Exchangeco and Molson contained in the combination agreement are true and correct,

Coors, Molson Coors Exchangeco and Molson will each perform all of the covenants and agreements to be performed by it under the combination agreement and all conditions to the obligations of each of Coors, Molson Coors Exchangeco and Molson to complete the merger transaction will be satisfied without any waiver, and

all material governmental, regulatory or other approvals and consents required in connection with the completion of the merger transaction will be obtained and that in connection with obtaining any necessary governmental, regulatory or other approvals and consents, or any amendments, modifications or waivers to any agreements, instruments or orders to which either Coors or Molson is a party or is subject or by which it is bound, no limitations, restrictions or conditions will be imposed or amendments, modifications or waivers made that would have a material adverse effect on Coors or Molson or materially reduce the contemplated benefits of the merger transaction to Coors.

In addition, Coors informed Deutsche Bank, and accordingly for purposes of rendering its final opinion Deutsche Bank assumed, that the merger transaction will not result in a tax realization event for Coors or its stockholders.

Coors also informed Deutsche Bank, and accordingly for purposes of rendering its final opinion Deutsche Bank assumed, that, prior to the completion of the merger transaction, Molson will pay a special dividend of Cdn.\$3.00 per share of Molson Class A non-voting shares and Molson Class B Common shares.

### ***Financial Analysis of Coors' Financial Advisor***

Set forth below is a summary of the material financial analyses performed by Deutsche Bank in connection with its final opinion and reviewed with the special committee of the board of directors of Coors at its meeting on November 4, 2004.

Deutsche Bank calculated an implied merger transaction share price of U.S.\$26.42 for Molson Class A non-voting shares and Molson Class B common shares, after giving effect to the special dividend to be paid to Molson shareholders, based on the exchange ratio of 0.360 and the Coors Class B common stock closing share price of U.S.\$66.63 as of November 1, 2004. This implied merger transaction share price was used by Deutsche Bank when making its comparisons of the ranges of implied share prices derived from the various analyses described below to the implied share price in the merger transaction. In analyzing the trading prices of Molson shares, Deutsche Bank focused principally on the Molson Class A non-voting shares given the relatively small public float of the Molson Class B common shares.

***Comparison of Financial Performance***

Deutsche Bank reviewed historical financial performance data for Molson and Coors for Coors' fiscal years 2001, 2002 and 2003 and Molson's fiscal years 2002, 2003 and 2004 with respect to net revenues, earnings before interest, taxes, depreciation and amortization, or EBITDA; earnings before interest and taxes, or EBIT; and net income. Deutsche Bank observed that while Coors revenues and EBITDA were greater than those of Molson, Coors' larger capital expenditures and depreciation resulted in Coors having lower EBIT and lower net income than Molson. Deutsche Bank also observed that a significant portion of Molson's profitability is derived from its interest in Coors Canada, which brews and distributes Coors Light in Canada.

***52-Week Price Range***

Deutsche Bank reviewed the trading prices of Molson Class A non-voting shares for the 52 weeks ending November 1, 2004. Based on this review, Deutsche Bank determined that the 52-week trading price range for Molson Class A non-voting shares was U.S.\$23 to U.S.\$28 per share and compared that range to the implied merger transaction share price of U.S.\$26.42.

Deutsche Bank also reviewed the trading prices of Coors Class B common stock for the 52 weeks ending November 1, 2004. Based on this review, Deutsche Bank determined that the 52-week trading price range for Coors Class B common stock was U.S.\$54 to U.S.\$80 per share and compared that range to the November 1, 2004 closing share price for Coors Class B common stock of U.S.\$66.63.

***Analyst Research Price Targets***

Deutsche Bank reviewed the price targets of Molson Class A non-voting shares as projected by various research analysts as of October 15, 2004. Based on this review, Deutsche Bank determined that the lowest and highest analyst research price targets resulted in a price range of Molson Class A non-voting shares of U.S.\$24 to U.S.\$31 and compared that range to the implied merger transaction share price of U.S.\$26.42.

Deutsche Bank also reviewed the price targets of Coors Class B common stock as projected by various research analysts as of October 4, 2004. Based on this review, Deutsche Bank determined that the lowest and highest analyst research price targets resulted in a price range of Coors Class B common stock of U.S.\$57 to U.S.\$70 and compared that range to the November 1, 2004 closing share price for Coors Class B common stock of U.S.\$66.63.

***Relative Contribution Analysis***

Deutsche Bank analyzed the pro forma relative financial performance contributions of Molson and Coors, based on management estimates for the 2004 and 2005 calendar years, as compared to the pro forma relative economic ownership percentages for Molson and Coors respectively, based on the exchange ratio of 0.360.

The financial performance contributions analyzed by Deutsche Bank included the following estimates furnished by the management of Molson and Coors, respectively:

2005 estimated revenues

2005 estimated EBITDA

2005 estimated EBIT

2005 estimated net income

2004 estimated net income

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Based on these metrics, Deutsche Bank observed that on a combined basis (excluding any adjustments for purchase accounting), the implied pro forma economic ownership percentage for Coors shareholders, after adjustment for the respective Molson and Coors leverage, ranged from 44.7% to 85.3%. Deutsche Bank compared this range of implied pro forma economic ownership percentages for Coors shareholders with the economic ownership percentage of 45.1% implied by the exchange ratio of 0.360.

In addition, Deutsche Bank reviewed the implied pro forma economic ownership percentages of the shareholders of Molson and Coors, respectively, based on the relative equity market capitalizations of the two companies as of November 1, 2004. Deutsche Bank noted that this analysis implied a pro forma economic ownership percentage of 43.2% for Coors shareholders in the combined company. Deutsche Bank then compared this implied pro forma economic ownership percentage for Coors shareholders with the economic ownership percentage of 45.1% implied by the exchange ratio of 0.360.

### *Exchange Ratio Analysis*

Deutsche Bank analyzed the exchange ratio of closing prices per share of Coors Class B common stock and Molson Class A non-voting shares from July 16, 2002 to July 16, 2004. Deutsche Bank observed the following average implied exchange ratios over various periods ending on July 16, 2004:

<b>Period Ending July 16, 2004</b>	<b>Average Implied Exchange Ratio</b>
Prior 30 trading days	0.349x
Prior 90 trading days	0.350x
Prior 1 year	0.418x
Prior 2 years	0.403x

Deutsche Bank noted that, after giving effect to the special dividend to be paid to Molson shareholders, the exchange ratio of 0.360 is 5.0% lower to 13.5% higher than the exchange ratios implied by the closing stock prices for Coors Class B common stock and Molson Class A non-voting shares during the period from 30 trading days before July 16, 2004 to one year before July 16, 2004.

### *Comparable Company Analysis*

Deutsche Bank reviewed certain financial information and calculated commonly used valuation measurements for each of Molson and Coors, as applicable, to corresponding information and measurements for groups of publicly traded companies in the brewing industry.

The publicly traded companies selected in the brewing industry to which Coors and Molson were compared consisted of:

Anheuser Busch Companies, Inc.

Carlsberg A/S

Fosters's Group Limited

Heineken N.V.

Interbrew S.A.

SABMiller plc

Scottish & Newcastle plc

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The financial information and valuation measurements reviewed by Deutsche Bank included:

ratios of total enterprise value (the sum of equity market valuation, net debt and minority interests) to EBITDA; and

ratios of share price to earnings.

To calculate the trading multiples, Deutsche Bank used publicly available information concerning historical and projected financial performance, including analyst reports and published historical financial information and earnings estimates reported by Institutional Brokers Estimate System, or IBES, and First Call, a subsidiary of Thomson Financial. IBES and First Call are each data services that monitor and publish compilations of earnings estimates by selected research analysts regarding companies of interest to institutional investors.

Deutsche Bank observed that the implied value of Molson Class A non-voting shares and Molson Class B common shares based on this selected publicly traded companies analysis ranged from U.S.\$20 to U.S.\$27 per share and compared that range of values to the implied merger transaction share price of U.S.\$26.42. Deutsche Bank also observed that the implied value of Coors Class B common stock based on the selected publicly traded companies analysis ranged from U.S.\$63 to U.S.\$84 per share and compared that range of values to the November 1, 2004 closing share price for Coors Class B common stock of U.S.\$66.63.

None of the companies utilized in the publicly traded company analysis is identical to Molson or Coors. Accordingly, Deutsche Bank believes the analysis is not simply mathematical. Rather, it involves complex considerations and qualitative judgments, reflected in Deutsche Bank's final opinion, concerning differences in financial and operating characteristics of the selected companies and other factors that could affect the public trading value of the selected companies.

### *Discounted Cash Flow Analysis*

Deutsche Bank performed discounted cash flows analyses for Coors and Molson. Deutsche Bank calculated the discounted cash flow values for Coors and Molson as the sum of the net present values of:

the estimated future free cash flows that Coors would generate for the fiscal years 2005 through 2008 or Molson would generate for the fiscal years 2005 through 2009; and

the terminal value of Coors or Molson, as applicable at the end of that period.

The estimated future free cash flows were based on the financial projections for Coors for the fiscal years 2005 through 2008 prepared by Coors' management and for Molson for the fiscal years 2005 through 2009 prepared by Molson's management. The terminal value for Coors was calculated based on Coors' projected steady-state free cash flow for fiscal 2008 and a range of long-term growth rates ranging from 2.0% to 4.0%. The terminal value for Molson was calculated based on Molson's projected steady-state free cash flow for fiscal 2009 and a range of long-term growth rates ranging from 2.0% to 4.0%. Deutsche Bank used discount rates ranging from 8.5% to 10.5%. The discount rates were based on Deutsche Bank's judgment of the estimated weighted average cost of Coors' and Molson's capital and the long-term growth rates were based on its review of the long-term characteristics of Coors' and Molson's businesses.

Deutsche Bank observed that the implied value of Molson Class A non-voting shares and Molson Class B common shares based on the discounted cash flow analysis ranged from U.S.\$23 to U.S.\$32 per share and compared that range to the implied merger transaction share price of U.S.\$26.42. Deutsche Bank also observed that the implied value of Coors Class B common stock based on the discounted cash flow analysis ranged from U.S.\$63 to U.S.\$80 per share and compared that range of values to the November 1, 2004 closing share price for Coors Class B common stock of U.S.\$66.63.

**General**

The foregoing summary describes all analyses and factors that Deutsche Bank deemed material in its presentation to the special committee of the Coors board of directors, but is not a comprehensive description of all analyses performed and factors considered by Deutsche Bank in connection with preparing its final opinion. The preparation of a fairness opinion is a complex process involving the application of subjective business judgment in determining the most appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances and, therefore, is not readily susceptible to summary description. Deutsche Bank believes that its analyses must be considered as a whole and that considering any portion of those analyses and of the factors considered without considering all analyses and factors could create a misleading view of the process underlying the final opinion. In arriving at its fairness determination, Deutsche Bank did not assign specific weights to any particular analyses.

In conducting its analyses and arriving at its final opinion, Deutsche Bank utilized a variety of generally accepted valuation methods. The analyses were prepared solely for the purpose of enabling Deutsche Bank to provide its final opinion as investment bankers to the Coors board of directors as to the fairness of the exchange ratio, from a financial point of view, to holders of the Coors Class A common stock and holders of the Coors Class B common stock and do not purport to be appraisals or necessarily reflect the prices at which businesses or securities actually may be sold, which are inherently subject to uncertainty. In connection with its analyses, Deutsche Bank made, and was provided by Coors' and Molson's management with, numerous assumptions with respect to industry performance, general business and economic conditions and other matters, many of which are beyond the control of Coors, Molson, or their respective advisors. Analyses based on estimates or forecasts of future results are not necessarily indicative of actual past or future values or results, which may be significantly more or less favorable than suggested by those analyses. Because those analyses are inherently subject to uncertainty, being based upon numerous factors or events beyond the control of Coors, Molson or their respective advisors, none of Coors, Molson, Deutsche Bank nor any other person assumes responsibility if future results or actual values are different from these forecasts or assumptions.

The terms of the merger transaction, including the special dividend paid by Molson to its shareholders, were determined through negotiations between Coors and Molson and were approved by the Coors board of directors. Although Deutsche Bank provided advice to Coors during the course of these negotiations, the decision to enter into the merger transaction was solely that of the Coors board of directors. As described above, the final opinion and presentation of Deutsche Bank to the special committee of the Coors board of directors was only one of a number of factors taken into consideration by the Coors board of directors in making its determination to recommend the merger transaction. Deutsche Bank's final opinion was provided to the Coors board of directors to assist it in connection with its consideration of the merger transaction and does not constitute a recommendation to any stockholder as to how to vote or take any other action with respect to any matter related to the merger transaction.

Deutsche Bank's final opinion does not in any manner address the prices at which any securities of Coors or Molson will trade after the announcement or completion of the merger transaction. Deutsche Bank assumes no responsibility for updating or revising its final opinion based on circumstances or events occurring after the date of the final opinion. In connection with the preparation of its final opinion, Deutsche Bank was not authorized by Coors or the Coors board of directors to solicit, nor has Deutsche Bank solicited, third-party indications of interest for the acquisition of all or any part of Coors or any other extraordinary transaction involving Coors.

Coors selected Deutsche Bank as financial advisor in connection with the merger transaction based on Deutsche Bank's qualifications, expertise, reputation and experience in mergers and acquisitions. Coors has retained Deutsche Bank under a letter agreement dated June 14, 2004 which, as



supplemented by an addendum dated June 17, 2004, we refer to as the engagement letter. Deutsche Bank will be paid a fee for its services as financial advisor to Coors in connection with the merger transaction, a substantial portion of which is contingent upon completion of the merger transaction. Deutsche Bank was paid \$1,500,000 for its services as a result of the execution of the combination agreement. If the merger transaction closes, an additional fee will be payable to Deutsche Bank consisting of \$7 million. A portion of this fee will be paid by Molson Coors Exchangeco in the form of preferred shares of Molson Coors Exchangeco in consideration for services provided by Deutsche Bank to Molson Coors Exchangeco. If the merger transaction closes and, in the sole discretion of Coors, Deutsche Bank has performed an appropriate portion of additional services specified in the addendum, Deutsche Bank shall be paid an additional cash fee equal to, at the discretion of Coors, \$1.5 million to \$5.5 million. The additional services specified in the addendum, which Deutsche Bank has performed to the extent so requested, consist of rendering financial advisory services as reasonably requested by Coors to successfully execute the merger transaction, including rendering financial advisory services in connection with seeking shareholder or other approvals of the merger transaction, and advising and/or assisting Coors (i) in developing and implementing a general strategy for accomplishing the merger transaction, (ii) in the course of its negotiation of the merger transaction and participating in such negotiations as requested, (iii) in determining the optimal structure for the merger transaction and domicile of the combined entity, (iv) on the positioning of the new enterprise with investors and communication of the key elements of the merger transaction to the capital markets, including advice on investor reaction, (v) on the desirability and general strategy of effecting any asset disposals or divestitures following the consummation of the merger transaction, and (vi) in the preparation of documents related to the merger transaction, including the combination agreement and this joint proxy statement/management information circular.

Deutsche Bank is an affiliate of Deutsche Bank AG, which together with its affiliates we refer to as the DB Group. Deutsche Bank is an internationally recognized investment banking firm experienced in providing advice in connection with mergers and acquisitions and related transactions. One or more members of the DB Group have, from time to time, provided investment banking, commercial banking (including extension of credit) and other financial services to Coors and Molson or their affiliates for which it has received compensation, including Coors' June 2003 U.S.\$500 million commercial paper program for which a member of the DB Group acted as co-dealer. In the ordinary course of business, members of the DB Group may actively trade in the securities and other instruments and obligations of Coors and Molson for their own accounts and for the accounts of their customers. Accordingly, the DB Group may at any time hold a long or short position in those securities, instruments and obligations.

#### **Interests of Coors' Directors and Management in the Merger Transaction**

You should be aware that members of the management and board of directors of Coors have interests in the merger transaction that may be in addition to or different from the interests of Coors stockholders generally, which will present them with actual or potential conflicts of interest. These interests include the following:

##### ***Rights on Change of Control***

In June 2002, Coors entered into agreements with its executive officers, including each of the Coors named executive officers listed in "Information Concerning Coors Executive Compensation" beginning on page 277 other than Messrs. Gannon and Swinburn, and other members of management relating to employment upon a change of control of Coors. The terms of these agreements provide that there is a change of control of Coors at a time when either (a) the Coors Trust ceases to have voting control of Coors and another party acquires more than 20% of voting power of Coors or (b) the current members of Coors' board of directors (and successors nominated by them) cease to constitute a majority of Coors' board of directors. Both of these events will occur as part of the merger transaction.

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The change of control agreements provide for continued employment for a period of two years following a change of control on terms which, in general, maintain the officer's compensation and duties and responsibilities at levels not less favorable than those in effect before the change in control. In addition, the officer will be entitled to specified compensation if triggering events set forth in the agreement were to occur. These events include direct or constructive termination without cause, resignation for good reason or resignation by the officer during a 30-day period beginning one year after the change of control. Upon a triggering event, the officer would be paid a multiple of the officer's annual salary and bonus and would receive continued health, pension, life insurance and other benefits. The agreement also provides the value received upon stock option exercises would be subject to a floor based on the value equal to the price of Coors' stock on the date of a change of control. For each of Coors' chairman and chief executive officer, the compensation would equal three times annual salary and bonus, plus the equivalent of three years continued benefits coverage, plus three years additional service credit toward pension benefits. All other officers who are party to these agreements would receive two times annual salary and bonus, plus two years continued benefits coverage, plus vesting and credit for two years additional service toward pension benefits.

In addition, under Coors' Equity Incentive Plan, all stock options granted under the plan vest upon a change in control, which will occur upon completion of the merger transaction.

The severance compensation (based upon the above multiples of salary and bonus, continued benefits and pension service credit) that would be payable to the five named executive officers, W. Leo Kiely, Peter H. Coors, Timothy V. Wolf, Peter M.R. Kendall, and Robert M. Reese, and the other seven Coors executive officers, assuming involuntary termination of employment after the merger transaction would be \$5,943,786, \$4,890,881, \$2,200,388, \$1,871,498, \$1,673,722 and \$4,384,774, respectively. As described more fully under "Governance and Management of Molson Coors Officers of Molson Coors" beginning on page 132, except as noted below, we anticipate that each of the above named executive officers and the other seven executive officers will remain with Molson Coors following the merger transaction. Although Mr. Coors will remain a director of Molson Coors following the merger transaction, his employment as a full-time executive will terminate at the time the merger transaction is closed, and he will be entitled to receive the severance benefit under his agreement at that time.

### ***Board and Management Arrangements***

As described under "Governance and Management of Molson Coors" beginning on page 123, the combination agreement and related documents provide for arrangements regarding the composition of Molson Coors' board of directors and senior management. Those arrangements provide that some of the current directors and officers of Coors will have director and/or management positions with Molson Coors.

### **Court Approval of the Arrangement and Completion of the Merger Transaction**

Under the CBCA, the arrangement requires court approval. Prior to the mailing of this document, Molson obtained an interim order from the Superior Court, District of Montréal, Province of Québec, providing for the calling and holding of the Molson special meeting, the Molson optionholders meeting and other procedural matters. A copy of each of the interim order and the notice of application for a final order is attached as Annex C.

Subject to the approval of the Molson shareholders resolution by the Molson shareholders at the Molson special meeting and the approval of the Coors share issuance and Coors charter amendments by the Coors stockholders at the Coors special meeting, the hearing in respect of a final order is expected to take place on or about \_\_\_\_\_, 2005 at \_\_\_\_\_ a.m. (Montréal time) in room \_\_\_\_\_ at the Montréal courthouse at 1 Notre Dame Street East, Montréal, Québec.

If you are a Molson securityholder who wishes to appear or be represented and to present evidence or arguments, you must serve and file a notice of appearance as set forth in the notice of application for the final order and satisfy any other requirements of the court. The court will consider, among other things, the fairness and reasonableness of the arrangement. The court may approve the arrangement in any manner the court may direct, subject to compliance with any terms and conditions the court deems fit.

Assuming the final order is granted and the other conditions to closing contained in the combination agreement are satisfied or waived, it is anticipated that the following will occur substantially simultaneously:

the Coors certificate of incorporation will be amended and restated in substantially the form attached to this document as Annex G and filed with the Secretary of State of Delaware;

articles of arrangement for Molson will be filed with the director under the CBCA and a certificate of arrangement issued to give effect to the arrangement;

the exchangeable share support agreement and voting and exchange trust agreement (attached as Annexes E and F, respectively) will be executed and delivered; and

the various other documents necessary to complete the transactions contemplated under the combination agreement will be executed and delivered.

The closing of the merger transaction will take place on the second business day after the date on which all closing conditions have been satisfied or waived (other than any conditions which by their terms cannot be satisfied until the closing date) or any other time agreed to in writing by Molson, Coors and Molson Coors Exchangeco.

## **Regulatory Matters**

Under the combination agreement, Coors and Molson have both agreed to apply for and obtain all regulatory approvals necessary or advisable in connection with the merger transaction contemplated by the combination agreement.

### ***U.S. Antitrust Filing***

Under the HSR Act, the merger transaction may not be completed until notifications have been given and required information and materials have been furnished to and reviewed by the Antitrust Division of the U.S. Department of Justice and the U.S. Federal Trade Commission and the required waiting period has expired or terminated. Under the HSR Act, the merger transaction may not be completed until 30 days after the initial filing (unless early termination of this waiting period is granted) or, if the Antitrust Division of the Department of Justice or the Federal Trade Commission issues a request for additional information, 30 days after Coors and Molson have complied with that request for additional information (unless this period is shortened by a grant of early termination).

It is a condition to the completion of the merger transaction that the applicable waiting period under the HSR Act expires or early termination is granted. Coors and Molson each filed a Pre-Merger Notification and Report Form under the HSR Act with the U.S. Department of Justice and the Federal Trade Commission on September 3, 2004. On October 4, 2004, Molson and Coors received notification of early termination of the HSR waiting period from the U.S. Department of Justice.

After the statutory waiting periods, and even after the completion of the merger transaction, U.S. federal or state governmental authorities could seek to challenge the merger transaction as they deem necessary or desirable in the public interest.

Holders of Molson Class A common stock and Class B common stock who will hold, as a result of the proposed transaction, Molson Coors common stock or exchangeable shares valued in excess of \$50 million may be required to comply with the requirements of the HSR Act prior to receipt of those shares.

#### ***Canadian Competition Act***

The Competition Act (Canada) requires that parties to certain merger transactions that exceed specified size thresholds provide to the Commissioner of Competition appointed under the Competition Act prior notice of, and information relating to, the merger transaction. Parties to the merger transaction must await the expiration of a prescribed "waiting period" prior to completing the merger transaction unless the Commissioner has (1) issued an advance ruling certificate under Section 102 of the Competition Act advising the parties that the transaction will not be challenged under Section 92 of the Competition Act or (2) waived the notification obligation under Section 113(c) of the Competition Act.

It is a condition to the completion of the merger transaction that Coors and Molson (i) receive an advance ruling certificate or (ii) the waiting period under Part IX of the Competition Act has expired or been reduced by the Commissioner and a letter from the Commissioner or a person authorized by the Commissioner that the Commissioner has determined not to make an application for an order under section 92 of the Competition Act in respect of the merger transaction (referred to as a no-action letter) has been received.

On October 12, 2004, Molson received a no-action letter from the Commissioner confirming that there are no sufficient grounds to initiate proceedings before the Competition Tribunal under the merger provisions of the Competition Act with respect to the proposed merger transaction. The waiting period under Part IX of the Competition Act expired on October 18, 2004. However, under the Competition Act and regardless of the expiration of the waiting period, the Commissioner may seek to challenge the merger transaction for a period of three years after closing.

#### ***Investment Canada Act***

Molson Coors will be a Canadian-controlled entity under section 26 of the Investment Canada Act and therefore no filings will be required under the Investment Canada Act.

#### **Considerations Relating to Molson-Coors Canada Partnership Agreements**

Coors Canada, an Ontario partnership, is owned 50.1% by Molson Coors Exchangeco and 49.9% by Molson. Coors Canada and Molson Canada have entered into agreements whereby Molson Canada produces, distributes and sells Coors products in Canada.

The agreements are terminable by either party under specified circumstances. The events giving rise to Coors' right to terminate the partnership include the acquisition by a non-competitor of Coors, directly or indirectly, of beneficial ownership of, or control or direction over, more than 50% of Molson's Class B common shares, unless the non-competitor who holds more than 50% of Molson's Class B common stock is a descendant of Molson brewery founder John Molson.

The events giving rise to Coors' right to terminate the partnership also include the acquisition by a "competitor of Coors" of a "significant investment" in Molson. A "competitor of Coors" is defined as any entity which by itself or with an affiliate has a collective share of the U.S. malt beverage market greater than 3% and also certain companies designated by name. Under this definition, "competitors of Coors" include Anheuser Busch, Grupo Modelo, InBev (formerly Interbrew) and SABMiller, among others. A "significant investment" of a "competitor of Coors" is defined as the direct or indirect beneficial ownership of, or control or direction over, (a) 10% or more of the aggregate of all issued

and outstanding Class A non-voting shares and Class B common shares of Molson, (b) 33% or more of either the Class A non-voting shares or Class B common shares of Molson, or (c) 10% or more of the Class A non-voting shares or Class B common shares of Molson, together with the right to elect at least one director of Molson.

Upon Coors exercising its right to terminate the partnership, the parties would cease to derive income from the partnership. Molson's pre-tax income from the partnership for the fiscal year ended March 31, 2004 was Cdn.\$70 million. In addition, Coors would be entitled to elect to negotiate in good faith with Molson a new 10-year manufacturing and distribution agreement regarding Coors Light and the other Coors brands on terms no less favorable to Coors than the existing manufacturing and distribution agreement. If a new agreement is not reached, the existing terms of the agreement relating to manufacturing and distribution would continue in force for a period of 10 years from the termination. The current manufacturing and distribution provisions of the manufacturing and distribution agreement provide for payments to Molson for distribution and production costs, including brewing and packaging materials, wages as well as certain overhead costs.

### **Reorganization**

In connection with the closing of the Arrangement, Molson and Coors will undertake a reorganization to combine their Canadian businesses in a single partnership. Currently, Molson's Canadian brewing and distribution operations are carried on by the Molson Canada partnership, which is wholly-owned, directly and indirectly, by Molson. The distribution and marketing of the Coors brands in Canada is carried on by the Coors Canada partnership, 50.1% of which is owned indirectly by Coors and 49.9% of which is owned, directly and indirectly, by Molson. As it is currently proposed, the reorganization would, through a series of steps, result in the formation of a new partnership, to be called Molson Canada 2005, that would be wholly-owned by Molson Coors or its subsidiaries, and that would carry on the businesses currently being carried on by the Molson Canada partnership and by the Coors Canada partnership. As a consequence, there would be a single partnership, Molson Canada 2005, carrying on the businesses of both the Molson Canada partnership and the Coors Canada partnership, with the partners of Molson Canada 2005 being wholly-owned indirect subsidiaries of Molson Coors.

### **Refinancing Transactions**

Upon the completion of the merger transaction we may be required to repay some of the indebtedness of each of Coors and Molson as a result of "change of control" or other provisions contained in the documents governing that indebtedness. In particular, Coors' revolving credit facility contains such change of control provisions. While there are no amounts outstanding under Coors' credit facility, it serves as a back-stop to Coors' commercial paper program, which currently has \$55 million in aggregate principal amounts outstanding. If necessary, the funds required for these refinancings will in part come from the issuance of debt by Molson Coors and its direct and indirect subsidiaries.

Molson and Coors are currently negotiating for the appropriate waivers and amendments to avoid triggering such "change of control" or other provisions and at this time we anticipate that we will reach agreement with our respective lenders and bondholders.

### **Dividend Information**

Coors and Molson have agreed that Molson Coors, subject to applicable law (including the fiduciary duties of the Molson Coors directors), will increase its quarterly common stock dividend after the closing of the merger transaction by adopting Molson's dividend policy in effect on July 21, 2004, subject to adjustment for (i) the exchange rate of U.S.\$0.7616 per Canadian dollar on that date and

(ii) the exchange ratio of 0.360. As a result, subject to the above qualifications, immediately following completion of the merger transaction, Molson Coors' quarterly dividend rate is expected to be U.S.\$0.317 per share. Molson Coors Exchangeco intends to pay the equivalent dividend to holders of exchangeable shares in Canadian dollars.

Molson and Coors will coordinate with respect to the declaration of dividends on Molson shares and Coors common stock and the record dates and payment dates for those dividends. Molson and Coors intend that holders of Molson shares and Coors common stock will not receive two regular quarterly dividends, or fail to receive one dividend, for any quarter as a result of the merger transaction. We currently intend that, following the merger transaction, the timing of dividend payments will be in accordance with Coors historical policy. Coors' recent dividend payment dates are set forth under "Comparative Market Prices and Dividends" on page 349 below.

#### **Pro Forma Economic Ownership of Molson Coors; Stock Buyback Program**

Upon the completion of the merger transaction, we estimate that Molson's former shareholders and Coors' stockholders will own approximately 55% and 45%, respectively, of the outstanding economic interest in the combined company.

To reduce dilution from the companies' stock option programs, we intend that Molson Coors will adopt a policy of purchasing, from time to time, subject to market conditions and when permitted by applicable law, shares of its Class B common stock in the open market following the completion of the merger transaction. We expect the number of shares purchased from time to time to have an aggregate market value approximately equal to the aggregate cash proceeds received in respect of exercised stock options (including replacement options issued in exchange for Molson options).

#### **Accounting Treatment**

Molson Coors will account for the merger transaction using the purchase method of accounting under U.S. GAAP. Although the combination of Molson and Coors is a merger of equals, generally accepted accounting principles require that one of the two companies in the transaction be designated as the "acquiror" for accounting purposes. Based on a review of the applicable accounting rules, we have determined that Coors is the "acquiror" solely for accounting purposes. The purchase price (based on the market price of Coors common stock for the four-day period commencing two days before and ending one day after the November 5, 2004 pre-market opening announcement of the pre-merger Molson dividend) will be allocated to Molson's identifiable assets and liabilities based on their estimated fair market values at the date of the completion of the merger transaction, and any excess of the purchase price over those fair market values will be accounted for as goodwill. Final valuations of property, plant and equipment, and intangible and other assets have not yet been completed as management is still reviewing the existence, characteristics and useful lives of Molson's intangible assets. The completion of the valuation work could result in significantly different amortization expenses and balance sheet classifications. After completion of the merger transaction, the results of operations of Molson will be included in the consolidated financial statements of Molson Coors.

#### **Stock Exchange Listings**

Coors and Molson have agreed to use their respective reasonable best efforts to:

cause the shares of Molson Coors Class A common stock and Molson Coors Class B common stock to be issued in the arrangement to be approved for listing on the New York Stock Exchange and the Toronto Stock Exchange before the completion of the arrangement, subject to official notice of issuance;

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cause the shares of Molson Coors Class A common stock and Molson Coors Class B common stock to be issued upon exchange of the exchangeable shares and upon exercise of replacement options to purchase Molson Coors common stock to be approved for listing on the New York Stock Exchange and the Toronto Stock Exchange before completion of the arrangement, subject to official notice of issuance; and

cause the Class A exchangeable shares and Class B exchangeable shares and the Class A, B1 and B2 preferred shares of Molson Coors Exchangeco to be issued in the arrangement to be conditionally approved for listing on the Toronto Stock Exchange before the completion of the arrangement, subject to filing of the required documentation.

The Toronto Stock Exchange has conditionally approved the listing of those shares as set forth below, subject to fulfillment of all of the requirements of the Toronto Stock Exchange on or before February 3, 2005. Coors has submitted listing applications for those shares as set forth below to the New York Stock Exchange.

<b>Class of Securities</b>	<b>NYSE Symbol</b>	<b>TSX Symbol</b>
Molson Coors Class A common stock	"TAP.A"	"TAP.A"
Molson Coors Class B common stock	"TAP"	"TAP.NV"
Class A exchangeable shares		"TPX.A"
Class B exchangeable shares		"TPX.NV"

We do not intend to list these shares on any other stock exchange. Preferred shares of Molson Coors Exchangeco will also be listed on the Toronto Stock Exchange during the merger transaction, but will be promptly exchanged for Molson Coors common stock.

### **Issue and Resale of Exchangeable Shares and Shares of Molson Coors Common Stock Received in the Arrangement**

#### *United States*

The issuance of shares of Molson Coors common stock and exchangeable shares to holders of Molson shares, to be delivered under the plan of arrangement, will not be registered under the United States Securities Act of 1933, as amended. The shares of Molson Coors common stock and the exchangeable shares issued in connection with the plan of arrangement will be issued in reliance upon the exemption available under Section 3(a)(10) of the Securities Act of 1933. Section 3(a)(10) exempts securities issued in exchange for one or more bona fide outstanding securities from the general requirement of registration where the fairness of the terms and conditions of the issuance and exchange of the securities have been approved by any court or authorized governmental entity, after a hearing upon the fairness of the terms and conditions of exchange at which all persons to whom the securities will be issued have the right to appear and to whom adequate notice of the hearing has been given. The court is authorized to conduct a hearing to determine the fairness of the terms and conditions of the plan of arrangement, including the proposed issuance of securities in exchange for other outstanding securities. On \_\_\_\_\_, 2004, the Superior Court, District of Montréal, Province of Québec issued the interim order and, subject to the approval of the plan of arrangement by the Molson securityholders and the approval of the Coors charter amendments and the Coors share issuance by the Coors stockholders, a hearing for the Court's final order on the fairness of the arrangement will be held on or about \_\_\_\_\_, 2005 by the Superior Court District of Montréal, Province of Québec.

The shares of Molson Coors common stock, and the exchangeable shares issued in the arrangement will be freely transferable under U.S. federal securities laws, except by persons who are deemed to be "affiliates" (as that term is defined under the Securities Act of 1933) of Molson prior to the merger transaction or persons who are affiliates of Molson Coors after the merger transaction. Shares held by Molson or Molson Coors affiliates may be resold only in transactions permitted by

Rule 901 in combination with Rule 903 or Rule 904 of Regulation S under the Securities Act of 1933, the resale provisions of Rule 145(d)(1), (2) or (3) under the Securities Act of 1933 or as otherwise permitted under the Securities Act of 1933. Rule 145(d)(1) generally provides that "affiliates" of Molson may not sell securities of Molson Coors received in the merger transaction unless the sale is effected by use of an effective registration statement or in compliance with the volume, current public information, manner of sale and timing limitations set forth in paragraphs (c), (e), (f) and (g) of Rule 144 under the Securities Act of 1933. These limitations generally permit sales made by an affiliate in any three-month period that do not exceed the greater of 1% of the outstanding shares of the relevant class of Molson Coors common stock or the average weekly reported trading volume in those securities over the four calendar weeks preceding the placement of the sell order, provided the sales are made in unsolicited, open market "broker transactions" and that current public information on Molson Coors is available. Persons who may be deemed to be affiliates of an issuer generally include individuals or entities that directly or indirectly control, are controlled by, or are under common control with, that issuer and may include officers and directors of the issuer as well as beneficial owners of 10% or more of any class of capital stock of the issuer. Rules 145(d)(2) and (3) generally provide that these limitations lapse for non-affiliates of Molson Coors (who were affiliates of Molson prior to exchange of shares in the arrangement) after a period of one or two years, respectively, from the date of share issuances, depending upon whether specified currently available information continues to be publicly available with respect to Molson Coors.

Under the combination agreement, prior to the date of the Molson special meeting, Molson will provide Coors with a list of the persons, who, in the opinion of Molson, may be deemed to be affiliates of Molson as of the date of the Molson special meeting.

**This document does not cover any resales of shares of Molson Coors common stock received in the merger transaction by any person who may be deemed an affiliate of Molson Coors after the merger transaction.**

Coors has filed with the SEC a registration statement on Form S-3 and other necessary documents covering the issuance of Molson Coors common stock from time to time in exchange for the exchangeable shares. Accordingly, upon the registration statement on Form S-3 being declared effective, the shares of Molson Coors common stock issued from time to time in exchange for the exchangeable shares will be freely transferable under U.S. federal securities laws, subject to restrictions on persons who are affiliates of Molson Coors after the merger transaction.

Coors will enter into a registration rights agreement providing registration rights permitting resale of the Molson Coors common stock or exchangeable shares issued to persons who are parties to the voting trust agreements referred to below under "Governance and Management of Molson Coors Other Governance Matters Voting Trust Agreements Among Principal Shareholders" beginning on page 138. Coors will provide similar registration rights to the estate of the late T.H.P. Molson and its affiliates. This estate is a Molson family estate of which Eric H. Molson and Stephen T. Molson are trustees. Molson Coors will also assume all outstanding options issued under Molson's Amended Incentive Stock Option Plan, and Coors has agreed to file a registration statement with the SEC on Form S-8 to register the shares of Molson Coors common stock that may be issued upon exercise of those options.

### *Canada*

Coors and Molson Coors Exchangeco have received rulings or orders from applicable provincial securities regulatory authorities in Canada providing exemptions, to the extent required, from their prospectus and registration requirements (and the rights and protections otherwise afforded under those requirements) to permit, among other things:

the issuance of the exchangeable shares and Molson Coors common stock to Molson shareholders upon completion of the merger transaction;

the issuance of Molson Coors common stock to holders of exchangeable shares upon the exchange the exchangeable shares;



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the issuance of Molson Coors replacement options to holders of Molson options as part of the merger transaction;

the issuance of Molson Coors common stock to holders of Molson Coors replacement options upon the exercise of those options; and

the resale of the exchangeable shares and Molson Coors common stock received (1) in connection with the merger transaction, (2) upon the exchange of the exchangeable shares or (3) upon the exercise of Molson Coors replacement options, in those Canadian provinces in which any ruling is required (subject to customary restrictions).

### Ongoing Canadian Reporting Obligations

Molson Coors, upon completion of the arrangement, will be a reporting issuer (or equivalent status) in several Canadian provinces and territories. Under the Multijurisdictional Disclosure System, Molson Coors will be permitted to satisfy its Canadian statutory and financial reporting obligations, including in respect of insider reporting, by complying with applicable U.S. securities laws so long as certain conditions are satisfied, including that following the completion of the merger transaction, Molson Coors files with the relevant Canadian securities regulatory authorities copies of its reports and other materials filed with the SEC. Molson Coors Exchangeco, upon completion of the arrangement, is expected to become a reporting issuer (or equivalent status) in all the Canadian provinces and territories. Molson Coors Exchangeco has received rulings or orders from applicable Canadian securities regulatory authorities exempting it from Canadian statutory financial and reporting requirements, including in respect of insider reporting so long as certain conditions are satisfied. These conditions include that, following completion of the merger transaction, Molson Coors files with the relevant Canadian securities regulatory authorities copies of certain of its reports filed with the SEC and that holders of exchangeable shares receive certain materials that are sent to holders of Molson Coors common stock, including annual and interim financial statements of Molson Coors and stockholder meeting materials. Reports filed by insiders of Molson Coors with the SEC will disclose beneficial ownership of common stock of Molson Coors and exchangeable shares.

Molson has applied to the securities regulatory authorities in Canada to cease to be a reporting issuer upon completion of the merger transaction.

### Treatment of Stock Options

On the record date, there were outstanding options to purchase Molson Class A non-voting shares which, when vested, would be exercisable to acquire a total of 5,780,880 Molson Class A non-voting shares at prices between Cdn.\$11.63 to Cdn.\$36.96 with various expiration dates from December 1, 2004 to June 30, 2014.

Upon completion of the merger transaction, all Molson options, other than Mr. O'Neill's performance-based options, will vest and will be exercisable at the option of the holders.

Subject to the approval of the Molson optionholders resolution, at the effective time of the arrangement, each Molson option will be exchanged for an option to purchase shares of Molson Coors Class B common stock. Each replacement option will constitute an option to purchase a number of shares of Molson Coors Class B common stock equal to the product of the 0.360 exchange ratio and the number of Molson Class A common shares subject to the Molson option being replaced. Each replacement option will provide for an exercise price per share of Molson Coors Class B common stock equal to the exercise price per share of that option immediately prior to the completion of the merger transaction divided by the 0.360 exchange ratio. If the foregoing calculation results in a replacement option of a particular holder being exercisable for a total number of shares of Molson Coors Class B common stock that includes a fraction of a share of Molson Coors Class B common stock, then the

total number of shares of Molson Coors Class B common stock subject to that replacement option will be rounded down to the next whole number of shares of Molson Coors Class B common stock and the total exercise price for that replacement option will be reduced by the exercise price of the fractional share of Molson Coors Class B common stock. In addition, if required, the exercise price of each replacement option to acquire shares of Molson Coors Class B common stock will be increased such that the excess, if any, of the aggregate fair market value of the shares of Molson Coors Class B common stock subject to such replacement option immediately after the exchange over the aggregate exercise price under the replacement option for such Molson Coors Class B common stock does not exceed the excess, if any, of the aggregate fair market value of the Molson Class A non-voting shares subject to the replaced option immediately before the exchange over the aggregate exercise price under such option to acquire Molson Class A non-voting shares, where all amounts are computed in Canadian dollars using the currency exchange rate on the effective date of the arrangement. Except as noted above or under "Interests of Molson's Directors and Management in the Merger Transaction," the term to expiration, conditions to and manner of exercising and all other terms and conditions of replacement options will otherwise be unchanged from those of the Molson options for which they were exchanged. Any document or agreement previously evidencing Molson options will thereafter evidence and be deemed to evidence options to purchase Molson Coors Class B common stock.

Molson Coors will file a registration statement on Form S-8 for the shares of Molson Coors Class B common stock issuable upon the exercise of Molson stock options replaced by options to acquire Molson Coors Class B common stock within five days after the completion of the merger transaction.

If you hold exercisable Molson options and wish to exercise them to acquire Molson Class A non-voting shares in order to receive exchangeable shares and/or Molson Coors common stock and the special dividend payable to Molson shareholders in connection with the plan of arrangement, then prior to 4:00 p.m. (Montréal time) on the second trading day immediately prior to the date of closing of the merger transaction you should exercise your options through your Solium E-SOAP account at [www.solium.com](http://www.solium.com) or by telephone at the following toll-free number: 877-380-7793. Molson optionholders are under no obligation to exercise their Molson options before the effective time. If the Molson optionholders resolution is passed, Molson options that have not been exercised prior to the effective time will be exchanged in the arrangement for replacement options to acquire shares of Molson Coors Class B common stock.

#### **Dissenting Shareholder's Rights**

##### ***Molson***

If you are a registered holder of Molson Class A non-voting shares or Class B common shares, in accordance with the interim order issued by the Superior Court, District of Montréal, Province of Québec, you will have the right to dissent from the Molson shareholders resolution. If the arrangement becomes effective and you properly dissent from the Molson shareholders resolution in compliance with Section 190 of the CBCA, you will be entitled to be paid by Molson or Molson Coors Exchangeco the fair value of the Molson Class A non-voting shares or Class B common shares you hold, determined as of the close of business on the day before the Molson shareholders resolution is approved.

If you want to dissent, you must dissent for all your shares of the relevant class. If you hold shares on behalf of one or more beneficial owners, Section 190 of the CBCA allows you to dissent only for all the shares you hold on behalf of any one beneficial owner that are registered in your name.

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Under Section 190 of the CBCA, you may dissent only for shares that are registered in your name. In many cases, people beneficially own shares that are registered either:

in the name of an intermediary, such as a bank, trust company, securities dealer, broker, trustee or administrator of "registered retirement savings plans," "registered retirement income funds", "registered educational savings plans" and similar plans and their nominees, as these terms are defined under the Canadian Tax Act; or

in the name of a clearing agency in which the intermediary participates, such as The Canadian Depository for Securities Limited or The Depository Trust Company.

If you want to dissent and your shares are registered in someone else's name, you must contact your intermediary and either:

instruct your intermediary to exercise the dissent rights on your behalf (which, if the shares are registered in the name of a clearing agency, will require that the shares first be re-registered in your intermediary's name); or

instruct your intermediary to re-register the shares in your name, in which case you will have to exercise your dissent rights directly.

**In other words, if your shares are registered in someone else's name, you will not be able to exercise your dissent rights directly unless the shares are re-registered in your name.**

**If you want to dissent in respect of the Molson shareholders resolution, you must provide a written dissent notice to Molson's secretary at Molson Inc., 1555 Notre Dame Street East, 4<sup>th</sup> Floor, Montréal, Québec H2L 2R5, Attention: Secretary, facsimile number (514) 590-6332, not later than 5:00 p.m. (Montréal time) on the business day immediately preceding the Molson special meeting (or any adjournment or postponement of the Molson special meeting). If you do not strictly comply with this requirement, you could lose your right to dissent. This requirement is different from the statutory dissent procedures of the CBCA, which would permit a dissent notice to be provided at or prior to the Molson special meeting.**

If you send a dissent notice, you still have the right to vote at the Molson special meeting. However, under the CBCA if you send a dissent notice and then vote in favor of the Molson shareholders resolution, you will no longer be considered a dissenting shareholder with respect to that class of shares voted in favor of the Molson shareholders resolution. You must either vote against the Molson shareholders resolution or abstain to dissent.

The CBCA does not provide (and Molson will not assume) that a vote against the Molson shareholders resolution or an abstention constitutes a dissent notice. Similarly, if you give someone a proxy to vote for the Molson shareholders resolution and then revoke the proxy, your revocation does not constitute a dissent notice. However, if you want to dissent, you should revoke any proxy that instructs the proxy holder to vote for the Molson shareholders resolution to prevent the proxy holder from voting your shares in favor of the Molson shareholders resolution and causing you to forfeit your dissent rights. For instructions on revoking a proxy, see "Special Meeting of Molson Shareholders Revocation of Proxies" beginning on page 58.

If you dissent, Molson is required to notify you that the Molson shareholders resolution has been adopted within 10 days after Molson's shareholders adopt the resolution. Molson is not required to send you a notice if you vote for the Molson shareholders resolution or withdraw your dissent notice.

If you dissent, you must send Molson (to its secretary at the address above) a written demand for payment within 20 days after you receive Molson's notice that the Molson shareholders resolution has been adopted. If you do not receive that notice, you must send a written demand for payment within

20 days after you learn that the Molson shareholders resolution has been adopted. Your demand for payment must contain:

your name and address;

the number of Molson Class A non-voting shares or Class B common shares, or both, for which you are dissenting; and

a demand for payment of the fair value of those shares.

Within 30 days of sending a demand for payment, you must send Molson (to its secretary at the address above) the certificates representing your dissenting shares. If you do not send in your certificates, you forfeit your right to dissent. The Molson transfer agent will endorse on your share certificates a notice that you are a dissenting shareholder and will then send the certificates back to you.

After you send your demand for payment, you will no longer have any rights as a Molson shareholder other than the right to be paid the fair value of your shares unless:

you withdraw your demand for payment before Molson makes a written offer to pay;

Molson or Molson Coors Exchangeco does not make you a timely written offer to pay and you withdraw your demand for payment; or

Molson's board of directors revokes the Molson shareholders resolution.

In all three cases described above, your rights as a shareholder will be reinstated, and in the first two cases, your shares will be subject to the arrangement if it has been completed.

If you dissent, you will not be paid any special dividend until your right to be paid the fair value for your shares has been determined. Also, under the plan of arrangement, if you duly exercise your dissent rights and are ultimately determined to have the right to be paid the fair value of your Molson shares, you will be deemed to have transferred your shares to Molson or Molson Coors Exchangeco at the effective time of the arrangement. Any special dividend payable pursuant to the plan of arrangement will then be paid to you. Accordingly, the "fair value" determined by the Court pursuant to Section 190 of the CBCA shall exclude the value of the special dividend. If you exercise your dissent rights but are ultimately determined for any reason not to have the right to be paid the fair value of your shares, you will be deemed to have participated in the arrangement like any non-dissenting shareholder who is deemed, under the plan of arrangement, to have elected to receive exchangeable shares or Molson Coors common stock. If your address, as shown in the Molson shareholder register, is in Canada as of the close of business on the day preceding the effective day of the arrangement, you will receive exchangeable shares for your Molson shares in accordance with the procedures contained in the plan of arrangement. If your address, as shown in the Molson shareholder register, is not in Canada as of the close of business on the day preceding the effective day of the arrangement, you will receive preferred shares of Molson Coors Exchangeco, which will be exchanged for corresponding shares of Molson Coors common stock, in accordance with the procedures contained in the plan of arrangement. In either case, you will also then receive the amount of the special dividend payable to you (net of any tax withheld) pursuant to the plan of arrangement.

If you dissent, within seven days after the later of the effective date of the arrangement and the date when Molson receives your demand for payment, Molson or Molson Coors Exchangeco is required to send you an offer to pay for your shares. That offer must be in an amount that Molson's board of directors considers to be the fair value of the shares. Molson or Molson Coors Exchangeco must also send you a statement with the offer to pay showing how the fair value was determined. Every offer to pay for a dissenting shareholder's shares must be on the same terms for shares of the same class. Molson or Molson Coors Exchangeco must pay for your shares within 10 days after you accept

the offer to pay, but the offer of Molson or Molson Coors Exchangeco to pay you will lapse if your acceptance is not received within 30 days after it has made the offer to pay.

If you do not accept the offer or if Molson or Molson Coors Exchangeco fails to make you an offer to pay after you have sent your demand for payment, Molson may apply to a court in the Province of Québec to fix a fair value for the shares of all dissenting shareholders. If Molson decides to apply to a court to fix the fair value, it must do so within 50 days after the effective date of the arrangement or within any longer period that the court allows. If Molson fails to apply to a court, you may apply to a court in Québec for the same purpose within a further period of 20 days or within any longer period that the court allows. You are not required to give security for the costs of applying to a court.

If Molson, you or another dissenting shareholder applies to a court, all dissenting shareholders whose shares have not been purchased by Molson or Molson Coors Exchangeco will be joined as parties and will be bound by the court's decision. Molson will be required to notify each affected dissenting shareholder of the date, place and consequences of the application and of the shareholder's right to appear and be heard in person or by counsel. The court may determine whether any person is a dissenting shareholder who should be joined as a party, and the court will then fix a fair value for the shares of all dissenting shareholders. The court will render a final order against Molson or Molson Coors Exchangeco in favor of each dissenting shareholder and for the amount of the fair value of the dissenting shareholder's shares. The court may, in its discretion, allow a reasonable rate of interest on the amount payable to each dissenting shareholder from the effective date of the arrangement until the date of payment.

**This is a summary of the dissenting shareholder provisions of the plan of arrangement and the CBCA, which are technical and complex. Complete copies of the plan of arrangement and Section 190 of the CBCA are attached as Annexes D and J, respectively. If you want to dissent, we recommend that you seek legal advice because, if you fail to comply strictly with the provisions of the plan of arrangement and the CBCA, you could forfeit your dissent rights.**

**The Canadian federal income tax consequences to a holder of Molson shares who exercises dissent rights and who receives fair value for the holder's shares from Molson or Molson Coors Exchangeco will be different from the consequences to a holder who participates in the arrangement.** For more information see "Material Income Tax Consequences Material Canadian Federal Income Tax Consequences to Molson Shareholders" beginning on page 148.

#### *Coors*

Under Delaware law, holders of Coors common stock will not be entitled to demand appraisal of, or to receive payment for, their shares of Coors common stock in connection with the actions to be taken at the Coors special meeting.

### **The Combination Agreement and Related Agreements**

This section of the document describes the material provisions of the combination agreement, as amended, and related documents but does not purport to describe all of the terms of those agreements. You should read the complete text of the combination agreement and amendment number one to the combination agreement, which are collectively attached as Annex B to this document and incorporated into this document by reference, and the other documents referred to below in conjunction with the following summary. We urge you to read the full text of the combination agreement and those other documents because they are the legal documents that govern the merger transaction.

#### **Closing and Effective Time**

##### *Closing*

The closing of the merger transaction will take place on the second business day after the date on which all closing conditions have been satisfied or waived (other than any conditions which by their terms cannot be satisfied until the closing date, but subject to the satisfaction or, where permitted, waiver of those conditions as of the closing date) or another time as agreed to in writing by Molson, Coors and Molson Coors Exchangeco. We currently expect to complete the merger transaction in January 2005.

##### *Effective Time*

The merger transaction will be effective at 12:01 a.m. (Montréal time) on the date shown on the certificate of arrangement issued under the CBCA, which will give effect to the merger transaction.

#### **Representations and Warranties**

The combination agreement contains a number of customary representations and warranties of Molson and Coors relating to, among other things:

proper organization, good standing and qualification of each party and its respective subsidiaries;

no violations of organizational documents;

each party's capitalization;

the corporate authorization and enforceability of, and board approval of, the combination agreement, related agreements and the merger transaction;

the absence of conflicts with applicable law in connection with the parties' performance under the combination agreement and related agreements, required consents and required government approvals;

compliance with laws and permits;

the accuracy of reports required to be filed with Canadian securities regulatory authorities and the Toronto Stock Exchange, in the case of Molson, and with the SEC and the New York Stock Exchange, in the case of Coors, since January 1, 2002 and the accuracy of the financial statements included in those reports;

absence of undisclosed liabilities;

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absence of any material adverse effect and certain other changes or events since the date of the last audited financial statements;

absence of litigation or other actions which if determined adversely would reasonably be expected to have a material adverse effect on Molson or Coors, as applicable;

employee plans;

labor matters;

title to property;

insurance;

taxes and tax status of Molson and Coors;

environmental matters;

intellectual property;

material contracts;

brokers and finders fees;

the opinions of each party's financial advisors;

the securityholder votes required to approve the merger transaction and related matters;

the ownership, solvency status and obligations of Callco and Molson Coors Exchangeco, in the case of Coors;

the exchangeable shares and preferred shares to be issued by Molson Coors Exchangeco, in the case of Coors; and

the common stock to be issued by Molson Coors in connection with the arrangement, in the case of Coors.

## **Covenants**

Each of Molson and Coors has agreed that, pending the consummation of the merger transaction, except as expressly contemplated by the combination agreement or as the other party may expressly consent, it will conduct its business, and its subsidiaries will conduct their respective businesses, in the ordinary course and consistent with past practice and in compliance with all applicable laws and will refrain from taking various non-ordinary course actions, including not doing any of the following:

amending its governing documents;

effecting any split, combination, subdivision or reclassification of its capital stock or any redemption, repurchase or other acquisition of its securities, subject to certain exceptions such as dividends consistent with past practices and in the ordinary course and the Molson special dividend;

adopting any plan of liquidation, dissolution, winding up, merger, consolidation, amalgamation, restructuring, recapitalization or other material reorganization (other than a merger or consolidation with wholly owned subsidiaries);



amending the exercise price or other terms of Molson stock options, or issuing, delivering or selling equity securities, subject to specified exceptions such as upon the exercise or granting of stock options or conversion of convertible securities;

acquiring any material business;

selling or otherwise transferring any material assets or material rights, other than under current contracts or ordinary course sales of inventory;

incurring, assuming or guaranteeing any indebtedness or issuing or selling any debt securities or entering into any keep-well or other arrangements to maintain the financial condition of another

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person, other than short-term borrowings in the ordinary course consistent with past practices and other than Molson borrowings, on terms approved in advance in writing by Coors, necessary to provide for the payment of the Molson special dividend;

making any loan, advance or capital contribution, subject to specified exceptions such as loans to subsidiaries or otherwise in the ordinary course of business to the extent not material;

changing its methods of accounting or accounting practices in any material respect, or its fiscal year, except as required by law;

entering into, terminating or amending any material contract;

settling or proposing to settle any action or liability to the extent the settlement would provide for any injunctive relief or other material restriction on its business or would require a material payment;

taking any action that would prevent or materially impair or delay the ability to consummate the merger transaction; and

agreeing or committing to do any of the foregoing.

Each of Molson and Coors has also agreed to a number of other mutual covenants, including:

providing the other party with reasonable access to its books and records and properties and with all information as may be reasonably requested during the period prior to the termination of the combination agreement or the completion of the merger transaction;

using reasonable best efforts to develop a joint communications plan and, except in connection with any announcement required by applicable law or by any listing agreement or the rules of any securities exchange, to consult with each other before making public statements regarding the merger transaction;

soliciting in favor of the shareholder approvals required to effect the merger transaction;

recommending to its securityholders eligible to vote on these matters that they vote in favor of the shareholder approvals required to effect the merger transaction;

not withdrawing, modifying or qualifying the recommendation referred to above unless the board of directors of the party, after consultation with outside legal counsel, has determined that the failure to take the action would be inconsistent with its fiduciary duties under applicable law;

using its reasonable best efforts to obtain all necessary approvals and to take all actions necessary or advisable to consummate the merger transaction as soon as reasonably practicable;

taking reasonable steps to ensure that certain tax treatment for the merger transaction is achieved;

using its reasonable best efforts to cause a service provider of Molson Coors Exchangeco to make a representation to Molson Coors Exchangeco as to the absence, upon completion of the merger transaction and thereafter, of ownership of shares of Molson Coors Exchangeco other than Class C preferred shares to be exchanged for services provided to Molson Coors Exchangeco; and

using its reasonable best efforts to cause the service provider referred to above to enter into binding arrangements with an unrelated third party to sell at least 25% (but not more than 75%) of the Molson Coors Exchangeco Class C preferred shares.

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In addition, Molson has made a number of additional covenants in connection with the merger transaction (in each case subject to the limits and qualifications set forth in the combination agreement), including:

to fund the Molson special dividend with funds from the operations of Molson and, to the extent that Molson is not able to fund the Molson special dividend with funds from its operations, to fund the Molson special dividend through third-party financing on terms approved in advance in writing by Coors; and

to obtain and set aside, on or prior to the date that the final order is obtained, funds in an amount sufficient to pay the Molson special dividend.

In addition, Coors has made a number of additional covenants in connection with the merger transaction (in each case subject to the limits and qualifications set forth in the combination agreement), including:

using its reasonable best efforts to obtain clearance from Canadian securities regulatory authorities for the issuance and first resale of the exchangeable shares and the Molson Coors common stock issued under the merger transaction and the issuance and first resale of the Molson Coors common stock upon exchange of the exchangeable shares from time to time or exercise of stock options issued under the plan of arrangement in exchange for Molson stock options;

using its reasonable best efforts to obtain the approval of the Toronto Stock Exchange for the listing of the exchangeable shares and preferred shares at or prior to the effective time of the merger transaction;

using its reasonable best efforts to obtain the approval of the New York Stock Exchange for the listing of the Molson Coors common stock to be issued in connection with the merger transaction contemplated by the combination agreement at or prior to the effective time of the merger transaction;

reserving from its authorized capital the number of shares of Molson Coors common stock as may be required from time to time upon the exchange of exchangeable shares or the exercise of stock options as described above, in each case for shares of Molson Coors common stock;

using its reasonable best efforts to cause all registration statements filed in connection with the merger transaction to become effective;

after the completion of the merger transaction, maintaining dual headquarters in the metropolitan areas of Denver, Colorado and Montréal, Canada, and maintaining its North American operating units headquarters in Toronto, Ontario and Golden, Colorado;

subject to receiving the Coors stockholder approval, taking all actions necessary to cause its certificate of incorporation and bylaws to be amended as contemplated by the combination agreement, including changing the name of Coors to "Molson Coors Brewing Company";

using its reasonable best efforts to cause the full board of directors of Molson Coors to consist of the 15 individuals set forth in the combination agreement;

using its reasonable best efforts to cause the nominating committee of Molson Coors and specified subcommittees to consist of the individuals set forth in the combination agreement;

causing the committees of the board of directors of Molson Coors to consist of the standing committees contemplated by the Molson Coors certificate of incorporation and bylaws, including an audit committee, a human resources and compensation committee and any other committees as the parties may agree;



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causing the current chief executive officer of Coors to serve as chief executive officer of Molson Coors, the current chief executive of Molson to become vice chairman, synergies and integration of Molson Coors and causing the specified persons set forth in the combination agreement to be appointed to the officer positions referred to in the combination agreement;

until the last day of the fiscal year in which W. Leo Kiely III ceases to serve as the chief executive officer of Molson Coors, causing the chairman of the board of directors of Molson Coors to be Eric H. Molson, who is the current chairman of Molson's board of directors, or another individual appointed as chairman by the Class A-M nominating subcommittee of the Molson Coors nominating committee;

using its reasonable best efforts to cause the nominating committee of Molson Coors to nominate Daniel J. O'Neill as a director at Molson Coors' 2005 annual meeting;

subject to applicable law, increasing its dividend by adopting a policy of paying a quarterly dividend on Molson Coors common stock equal to the quarterly dividend rate on the Molson shares in effect on July 21, 2004, subject to adjustment for (i) the exchange rate of U.S.\$0.7616 per Canadian dollar on that date and (ii) the 0.360 exchange ratio;

ensuring that at all times prior to the effective time of the merger transaction Molson Coors Exchangeco will lawfully be allowed to pay dividends and redeem its shares;

using its best efforts to cause Molson Coors Exchangeco to be a "taxable Canadian corporation" and a "public corporation" within the meaning of the Canadian Tax Act;

refraining from taking actions that would prevent the exchange of Molson shares for exchangeable shares under the arrangement by validly electing Canadian resident shareholders from being tax deferred for the purposes of the Canadian Tax Act;

using its reasonable best efforts to cause Molson Coors Exchangeco to maintain a substantial presence in Canada for the purposes of the Canadian Tax Act;

permitting Molson holders to effect a "safe-income tuck-in" transaction on the terms described below under "Elections Available to Molson Securityholders Holding Company Alternative" beginning on page 178;

taking all steps within its control as are necessary to ensure that Molson Coors will not become a "specified financial institution" for the purposes of the Canadian Tax Act (subject to specified exceptions) or a "U.S. real property holding corporation" for U.S. tax purposes;

taking all steps within its control as are necessary to ensure that Molson Coors will not become a "foreign investment entity" for the purposes of the Canadian Tax Act (subject to specified exceptions);

on behalf of Molson Coors Exchangeco, paying additional amounts if specified U.S. withholding taxes are imposed so that holders of exchangeable shares will receive the same amount as if those taxes were not imposed;

fulfilling indemnification obligations to the directors and officers of Molson in effect immediately prior to the completion of the merger transaction, and maintaining for six years directors' and officers' liability insurance policies on terms comparable to those applicable to the directors and officers of Molson prior to the completion of the merger transaction; and

indemnifying holders of exchangeable shares from claims, damages and other costs or expenses incurred by those holders as a result of the fact that Molson Coors Exchangeco has been or is an operating subsidiary of Coors rather than being a special

purpose vehicle.

### Covenants Regarding Non-Solicitation

The combination agreement contains detailed provisions prohibiting the parties from seeking an alternative transaction. Under these "non-solicitation" provisions, each of Molson and Coors has agreed that it will not, directly or indirectly:

initiate, solicit, encourage or otherwise knowingly facilitate any inquiries or the making by any third party of any proposal or offer with respect to a purchase, merger, reorganization, share exchange, consolidation, amalgamation, arrangement, business combination, liquidation, dissolution, recapitalization or similar transaction involving any material portion of the consolidated assets of Molson or Coors or any shares of any class of equity securities of Molson or Coors (we refer to any such proposal as an "acquisition proposal");

engage in any negotiations concerning, or provide any confidential information or data to, or have any discussions with, any person relating to an acquisition proposal, or otherwise knowingly facilitate any effort or attempt to make or implement an acquisition proposal;

approve or recommend, or propose publicly to approve or recommend, any acquisition proposal; or

execute or enter into, or publicly propose to accept or enter into, any agreement with respect to an acquisition proposal.

If an acquisition proposal is received, however, nothing contained in the combination agreement will prevent Molson or Coors, or their respective boards of directors, from complying with the provisions of applicable securities laws or regulations relating to directors' obligations to issue a circular or statement in response to a third-party take-over bid or tender offer, as the case may be. In addition, so long as (1) the applicable securityholder approval required by the combination agreement has not yet been obtained and (2) the board of directors of Molson or Coors, as the case may be, has determined in good faith after consultation with outside legal counsel that failure to do so would be inconsistent with its fiduciary duties under applicable law, nothing contained in the combination agreement will prevent Molson or Coors, or their respective boards of directors, from:

providing information in response to a request by a person who has made an unsolicited bona fide written acquisition proposal, if the board of directors of Molson or Coors, as the case may be, (i) determines in good faith (after consultation with its financial advisor and outside legal counsel) that the acquisition proposal constitutes, or is reasonably likely to result in, a superior proposal and (ii) receives from that person an executed confidentiality agreement on terms no less favorable in the aggregate to the disclosing party than those contained in the confidentiality agreement between Molson and Coors;

withdrawing, modifying or qualifying (or publicly proposing to or publicly stating its intention to withdraw, modify or qualify) the recommendation of the board of directors of Molson or Coors, as the case may be, in favor of the transactions contemplated by the combination agreement in respect of an acquisition proposal; or

engaging in any negotiations or discussions with any person who has made an unsolicited bona fide acquisition proposal if the board of directors of Molson or Coors, as the case may be, determines in good faith (after consultation with its financial advisor and outside legal counsel) that the acquisition proposal constitutes, or is reasonably likely to result in, a superior proposal.



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The combination agreement also provides that each party, concurrently with the termination of the combination agreement in connection with a superior proposal and following payment of the termination fee described in the second paragraph under " Termination Fees and Expense Reimbursement" below, may enter into an agreement with respect to an acquisition proposal if, prior to effecting that termination:

the applicable shareholder approval required by the combination agreement has not yet been obtained;

the party is in compliance with the "non-solicitation" provisions of the combination agreement;

the board of directors of the party has determined in good faith, and, in the case of Molson, after considering the recommendation of the Molson independent committee, that the acquisition proposal constitutes a superior proposal after giving effect to all of the adjustments which may be offered by the other party as described below;

the party has notified the other party in writing, at least five days in advance of termination, that it is considering terminating the combination agreement, specifying the material terms and conditions of the superior proposal and the identity of the person making the superior proposal and delivering the documentation described below; and

during the five-day period referred to above, the terminating party has negotiated, and has made its financial and legal advisors available to negotiate, with the other party should the other party elect to make adjustments in the terms and conditions of the combination agreement so that, after giving effect to the adjustments, the acquisition proposal would no longer constitute a superior proposal.

The combination agreement defines a "superior proposal" as a bona fide written acquisition proposal with respect to a party that the board of directors of that party concludes in good faith, after consultation with financial advisors and outside legal counsel, and taking into account all legal, financial, regulatory and other aspects of the proposal, is (i) more favorable, from a financial point of view, to the shareholders of the party receiving the proposal and (ii) fully financed or reasonably capable of being fully financed, reasonably likely to receive all necessary approvals on a timely basis and otherwise reasonably capable of being completed on a timely basis. For purposes of this definition, however, "acquisition proposal" has the meaning set forth above, except that the references in that definition to "any shares" instead will be deemed to be references to "a majority of all outstanding shares of each class" and references to "any material portion" instead will be deemed to be references to "all or substantially all."

Each party must notify the other within 24 hours if any inquiries, proposals or offers are received by, any information is requested from, or any discussions or negotiations are sought to be initiated or continued with, any of its representatives, indicating the name of the relevant person and the material terms and conditions of any proposals or offers and providing, within one business day of receipt, a copy of all documentation setting forth the terms of the inquiry, proposal or offer. Thereafter, the party must keep the other party informed, on a current basis, of the status and terms of those proposals or offers and the status of any related discussions or negotiations (including by delivering any further documentation of the type referred to above).

**Conditions to Completion of the Merger Transaction**

Molson's and Coors' obligations to complete the merger transaction are subject to conditions that must be satisfied or waived before the completion of the merger transaction, including:

the approval of the Molson shareholders resolution by the Molson shareholders and the approval of the Coors share issuance and the Coors charter amendments by the Coors stockholders;

receipt of interim and final orders approving the plan of arrangement from the Superior Court of Québec (the interim order has been obtained and is attached as Annex C) in form and terms reasonably acceptable to Coors and Molson, and those orders having not been set aside or modified in a manner unacceptable to Coors and Molson;

receipt of orders required from the applicable Canadian securities regulatory authorities permitting the issuance and first resale of the Molson Coors common stock and exchangeable shares issuable as part of the merger transaction and the Molson Coors common stock to be issued from time to time, in exchange for the exchangeable shares (for which Molson has applied);

the absence of injunctions, orders or laws restraining, enjoining or making illegal the completion of the transactions contemplated by the combination agreement and plan of arrangement;

receipt of necessary regulatory approvals;

receipt of Toronto Stock Exchange's conditional approval for listing of the exchangeable shares and preferred shares (which has been obtained, subject to the filing of required documentation);

receipt of New York Stock Exchange approval for listing of Molson Coors common stock (for which Coors has applied);

availability of the exemption for the issuance of the shares of Molson Coors common stock to be issued under the arrangement from registration and qualification requirements under applicable U.S. federal and state securities laws;

effectiveness of a registration statement registering shares of Molson Coors common stock issuable upon exchange of exchangeable shares (which Coors intends to file no later than the date of mailing this document);

holders of no more than 5% of Molson's shares having exercised dissent rights in respect of the merger transaction;

Coors' certificate of incorporation and bylaws having been amended and restated in accordance with the combination agreement; and

the registration statement on Form S-3 covering the exchange from time to time of exchangeable shares for shares of the corresponding class of Molson Coors common stock having become effective in accordance with the Securities Act of 1933, as amended (and no stop order suspending the effectiveness of that registration statement having been issued and remaining in effect). Coors filed this registration statement with the SEC on November 24, 2004.

Each party's obligation to effect the arrangement is subject to the satisfaction of the following additional conditions by the other party:

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the representations and warranties of the other party to the combination agreement (without giving effect to any materiality or material adverse effect qualification) being true and correct as of the closing date of the merger transaction (or other specified date), except as would not

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reasonably be expected to have, individually or in the aggregate, a material adverse effect on the other party;

performance and compliance in all material respects with all agreements and covenants required by the combination agreement;

the absence of any event or change which, individually or in the aggregate, has or would reasonably be expected to have a material adverse effect on the other party; and

the execution and delivery by the other party of the voting trust agreements referred to under "Governance and Management of Molson Coors Other Governance Matters Voting Trust Agreements Among Principal Shareholders" beginning on page 138.

Coors' obligations to complete the merger transaction are also subject to Molson having obtained and set aside funds in an amount sufficient to pay the Molson special dividend. If Coors waives a material condition, Coors will recirculate this proxy statement to resolicit the approvals of the Coors stockholders if appropriate under the circumstances.

Molson's obligations to effect the arrangement are also subject to the satisfaction by Coors of the following additional conditions:

the absence of any development that would (i) prevent the exchange of Molson shares for exchangeable shares by validly electing Canadian resident holders eligible to make that election from being treated as a tax deferred transaction for purposes of the Canadian Tax Act or (ii) cause the exchangeable shares to be "foreign property" under the Canadian Tax Act;

Molson shareholders generally having been permitted to effect a "safe-income-tuck-in" transaction described under "Elections Available to Molson Securityholders Holding Company Alternative" beginning on page 178;

Coors having executed and delivered a registration rights agreement for the benefit of parties to the voting trust agreements referred to below under "Governance and Management of Molson Coors Other Governance Matters Voting Trust Agreements Among Principal Shareholders" beginning on page 138;

Coors having taken all actions necessary to cause the board of directors of Molson Coors to be constituted as described under "Governance and Management of Molson Coors Board of Directors of Molson Coors" beginning on page 123; and

Molson Coors Exchangeco not having been liquidated, dissolved or wound up and having remained solvent, and no bankruptcy, insolvency, receivership or similar proceeding having been commenced against Molson Coors Exchangeco.

### **Amendment and Waiver**

Subject to applicable law and the interim order of the Superior Court of Québec, at any time prior to the effective time, Molson and Coors may amend the combination agreement by written agreement. However, after the Molson securityholders have approved the Molson shareholders resolution or the Coors stockholders have approved the Coors share issuance and the Coors charter amendments, no amendment requiring further approval by the securityholders of Molson shareholders or the Coors stockholders, as the case may be, may be effected without that further approval.

## Termination

Molson and Coors may terminate the combination agreement by mutual agreement. In addition, either Molson or Coors may terminate the combination agreement prior to the effective time of the arrangement if any of the following occurs:

the merger transaction is not completed on or before January 31, 2005, except that a party that is in breach of its obligations under the combination agreement may not have the right to terminate if its breach has resulted in the failure of the merger transaction to occur;

any law is passed that makes the arrangement illegal or otherwise prohibited or a governmental authority in the United States or Canada issues a final, non-appealable order restraining, enjoining or otherwise prohibiting consummation of the merger transaction;

the shareholders of Molson fail to approve the Molson shareholders resolution, or the stockholders of Coors fail to approve the Coors share issuance and the Coors charter amendments;

the other party breaches a representation, warranty, covenant or agreement in the combination agreement so that the conditions to complete the arrangement are incapable of being satisfied on or before January 31, 2005;

the other party withdraws, modifies or qualifies the recommendation of its board of directors in favor of the transactions contemplated by the combination agreement; or

the other party intentionally and materially breaches the "non-solicitation" provisions of the combination agreement or its obligation to convene its stockholder meeting.

Either party may also terminate the combination agreement if all of the following occur:

that party has received a superior proposal, as described above under "Covenants Regarding Non-Solicitation";

that party has provided the other party with written notice of the superior proposal in accordance with the combination agreement;

at least five days following receipt by the other party of notice of the superior proposal, and after taking into account any revised proposal made by the other party during the five-day period, the board of directors of the terminating party has determined in good faith that the superior proposal remains a superior proposal that the board of directors has determined to accept;

that party is in compliance with the "non-solicitation" covenants in the combination agreement; and

immediately prior to the termination of the combination agreement, that party pays to the other party the termination fee described below.

In the event of termination of the combination agreement, the obligations of Molson and Coors will terminate, except for the provisions relating to confidentiality, fees and expenses and termination of the combination agreement. Except for the foregoing, there will be no liability on the part of either Molson or Coors upon termination of the combination agreement except for liabilities or damages arising from a willful or intentional breach of the combination agreement.



### **Termination Fees and Expense Reimbursement**

Each of Molson and Coors (referred to in this section entitled "Termination Fees and Expense Reimbursement" as the "paying party") must reimburse all of the other party's out-of-pocket fees and expenses (up to U.S.\$15,000,000) in cash if:

the other party terminates the combination agreement because of a withdrawal, modification or qualification of the recommendation of the board of directors of the paying party in favor of the transactions contemplated by the combination agreement, provided that the full termination fee will be payable in lieu of expenses in the circumstances described in the first bullet under the next paragraph;

the other party terminates the combination agreement because of an intentional and material breach by the paying party of the "non-solicitation" provisions of the combination agreement or its obligation to convene its special meeting of securityholders;

Molson or Coors terminates the combination agreement because the arrangement has not been completed on or before January 31, 2005 and an acquisition proposal has been announced or otherwise communicated to the shareholders of the paying party prior to the termination of the combination agreement;

Molson or Coors terminates the combination agreement because the securityholders of the paying party have failed to approve the proposals relating to the merger transaction and an acquisition proposal has been announced or otherwise communicated to the shareholders of the paying party prior to the termination of the combination agreement; or

the other party terminates the combination agreement because of an uncured breach of a representation, warranty, covenant or agreement in the combination agreement by the paying party so that the closing conditions are incapable of being satisfied on or before January 31, 2005 and an acquisition proposal has been announced or otherwise communicated to the shareholders of the paying party prior to the termination of the combination agreement.

The paying party must pay the other party a termination fee of U.S.\$75,000,000 in cash if:

the other party terminates the combination agreement in the circumstances described in the first bullet of the previous paragraph and prior to the termination the board of directors of the paying party has withdrawn, modified or qualified its recommendation of the transaction as a result of an acquisition proposal received by the paying party or publicly announced or otherwise communicated to the paying party or its shareholders, or

the paying party terminates the combination agreement to accept a superior proposal, as described above.

In addition, following a termination described in the third, fourth or fifth bullets of the first paragraph of this section "Termination Fees and Expense Reimbursement," the paying party must pay the other party an amount in cash equal to the amount by which (i) the termination fee of U.S.\$75,000,000 exceeds (ii) the expenses of the other party reimbursed by the paying party if an acquisition proposal with respect to the paying party is completed within 12 months of termination.

### **Voting Agreements**

This section of the document describes the material provisions of the voting agreements but does not purport to describe all of the terms of those agreements. You should read the complete text of the voting agreements, which are attached as Annexes K and L to this document and incorporated into this document by reference in conjunction with the following summary. We urge you to read the full text of





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the voting agreements because they are the legal documents that govern the voting of shares held by specified significant shareholders of Molson and Coors.

Each of Peter H. Coors, individually, and in his capacity as trustee of the Coors Trust, and Keystone Financing LLC has entered into a voting agreement in favor of Molson and Pentland covering all of the shares of Coors common stock beneficially owned by each of them (collectively 1,260,000 shares of Coors Class A common stock, representing 100% of the issued and outstanding shares of Coors Class A common stock and 10,861,374 shares of Coors Class B common stock representing approximately 30.9% of the shares of Coors Class B common stock issued and outstanding as of the record date). In addition, Pentland has entered into a voting agreement in favor of Coors and the Coors Trust covering all of the Molson shares that it beneficially owns (10,018,000 Molson Class B common shares, representing approximately 50.45% of the Molson Class B common shares issued and outstanding as of the record date).

Under the voting agreements, each shareholder has agreed, among other things, to vote all shares covered by the agreement:

in favor of the transactions contemplated by the combination agreement;

against any action or agreement likely to result in (1) any conditions to the obligations of Molson or Coors, as the case may be, under the combination agreement not being fulfilled or (2) a breach of any representation, warranty, covenant or agreement of Molson or Coors, as the case may be, under the combination agreement;

against any acquisition proposal;

against any amendments to the organizational documents of Molson or Coors, as the case may be, other than those expressly contemplated in the combination agreement; and

against any other action or agreement that is intended, or would reasonably be expected, to impede, interfere with, delay or postpone the transactions contemplated by the combination agreement.

Under the voting agreements, these shareholders also have agreed, except as expressly set forth in the applicable voting agreement, not to:

transfer any or all of their respective shares prior to the completion of the merger transaction or the termination of the combination agreement;

solicit, encourage, initiate or knowingly facilitate any acquisition proposal, engage in discussions with respect to an acquisition proposal or furnish any non-public information with respect to any acquisition proposal; or

participate in any claims against Molson or Coors, as the case may be, in respect of the transactions contemplated by the combination agreement.

In addition, Pentland has agreed not to exercise dissent rights with respect to the plan of arrangement.

The voting agreements will terminate upon the first to occur of the completion of the merger transaction or the termination of the combination agreement.

### **Fees and Expenses**

Whether or not the merger transaction is completed, all costs and expenses incurred in connection with the merger transaction will be paid by the party incurring the expense, except as otherwise provided in the combination agreement and except that all expenses and fees incurred in connection with the filing, printing and mailing of this document will be shared equally by Coors and Molson.



**Governance and Management of Molson Coors**

This section of the document describes the material governance and management arrangements that will apply to Molson Coors upon completion of the merger transaction. You should read the complete text of the restated certificate of incorporation and bylaws of Molson Coors to become effective upon completion of the merger transaction, which are attached as Annexes G and H to this document, respectively, in conjunction with this summary. We urge you to read the full text of the proposed amended and restated certificate of incorporation and bylaws of Molson Coors because they are the legal documents that will govern Molson Coors after the merger transaction. A summary of the material differences between the proposed amended and restated certificate of incorporation and bylaws of Molson Coors and the existing certificate of incorporation and bylaws of Coors is set forth below under "Amendment to Coors' Certificate of Incorporation and Bylaws."

**Board of Directors of Molson Coors**

The combination agreement provides that the Molson Coors board of directors will be comprised of 15 directors upon completion of the merger transaction:

12 directors will be elected by the holders of Molson Coors Class A common stock and the special Class A voting stock (the votes of which are directed by holders of Class A exchangeable shares of Molson Coors Exchangeco), voting together as a single class; and

three directors will be elected by the holders of the Molson Coors Class B common stock and the special Class B voting stock (the votes of which are directed by holders of Class B exchangeable shares of Molson Coors Exchangeco), voting together as a single class.

The Molson Coors certificate of incorporation and bylaws will provide that the board of directors may change the size of the board by vote of at least two-thirds of the authorized number of directors (including vacancies), except that (1) any decrease in the number of directors below 15 must be approved by holders representing a majority of the voting power of Molson Coors Class A common stock and special Class A voting stock, voting together as a single class, and (2) any increase in the number of directors must be by a number divisible by three.

The Molson Coors certificate of incorporation will contain provisions that are intended to ensure that at all times a majority of the directors must be independent. The Molson Coors certificate of incorporation will define an independent director as any director who is independent of the management of Molson Coors and is free from any interest and any business or other relationship (other than interests or relationships arising from ownership of shares of Molson Coors stock) which could, or could reasonably be perceived to, materially interfere with the director's ability to act with a view to the best interests of Molson Coors.

We currently anticipate that the following individuals will serve on the initial Molson Coors board of directors:

***Class A Directors***

Name	Age	Business Experience, Public Company Directorships Held
Francesco Bellini	57	Dr. Bellini has been a board member of Molson since 1997 serving on the audit and finance committee, the environment, health and safety committee and the human resources and pension fund committee. He has served on boards of various public and private companies. Dr. Bellini has been chairman and chief executive officer of Neurochem Inc., a leading Canadian biopharmaceutical company, since 2002. He is also chairman of Picchio Pharma Inc., Innodia Inc., Adaltis Inc., and ViroChem Pharma Inc., all biopharmaceutical companies. A pioneer in the Canadian biopharmaceutical industry, he was chairman & chief executive officer, as well as co-founder of Biochem Pharma (now Shire-Biochem) from 1986 to 2001. Graduate of the University of New Brunswick with a Ph.D. in 1977, he has authored or co-authored more than twenty patents over his 20-year career as a research scientist.



- Peter H. Coors 57 Mr. Coors has been chairman of the boards of directors of Coors and Coors Brewing Company since 2002. He was chief executive officer of Coors from May 2000 to July 2002 and of Coors Brewing Company from December 1992 to May 2000. He has been a director of Coors and Coors Brewing Company since 1973. Prior to 1993, he served as executive vice president and chairman of the brewing division of Coors, before it was organized as Coors Brewing Company. He served as interim treasurer and chief financial officer of Coors from December 1993 to February 1995. He also has served in a number of different executive and management positions for Coors Brewing Company. Since March 1996, he has been a director of U.S. Bancorp. He also has been a director of Energy Corp. of America since March 1996, and was appointed to the board of directors of H.J. Heinz & Co., a manufacturer and marketer of consumer food products, in 2001.
- Melissa E. Coors 32 Ms. Coors has served in a variety of managerial positions with Coors Brewing Company since 1996 with emphasis on international markets. She has served as Caribbean area manager developing strategic annual business plans for the Caribbean markets, business development manager with emphasis on growth in profit and market share in key Coors Brewing Company markets, and assistant brand manager for Coors Light, managing Coors' development and implementation of marketing strategy for the Hispanic market. She earned an MBA from the University of Denver in Marketing and holds a B.S. degree from Georgetown University in Foreign Service, Latin American Studies.

Franklin W. Hobbs	57	Mr. Hobbs was appointed a director of Coors and Coors Brewing Company in 2001 and is a member of the audit committee and the compensation and human resources and pension plan committee. He graduated from Harvard College and Harvard Business School and joined the investment bank, Dillon, Read & Co. Inc., in 1972. He served in roles of increasing responsibility at the firm and was chief executive officer from 1994 to 1997 when the firm was merged into the firm that subsequently became UBS. He was chairman of the investment banking division of UBS from 1999 to 2000 and subsequently became chief executive officer of the investment bank Houlihan Lokey Howard & Zukin from 2002 to 2003. He also serves on the board of directors of Lord Abbett Group of Mutual Funds, the board of overseers of Harvard College, and is president of the board of trustees at Milton Academy.
W. Leo Kiely III	57	Mr. Kiely was appointed chief executive officer of Coors in July 2002 and has served as chief executive officer of Coors Brewing Company since May 2000. He served as president and chief operating officer of Coors Brewing Company from March 1993 to May 2000. He has been a director of Coors and Coors Brewing Company since August 1998. Prior to joining Coors Brewing Company, he held executive positions with Frito-Lay, Inc., a subsidiary of PepsiCo.
Eric H. Molson	67	Mr. Molson has been a director of Molson since 1974 and has served as chairman of the board of Molson since 1988. He is currently a member of the corporate governance committee and environment, health and safety committee of Molson. He is also chancellor of Concordia University and a director of the Montréal General Hospital Corporation and Foundation, the Canadian Irish Studies Foundation and Vie des Arts. Mr. Molson received an Arts Baccalaureate (A.B.) with Honors in Chemistry from Princeton University. He earned a Master Brewer Certificate from the United States Brewers Academy and subsequently studied economics at the McGill Graduate School.
Andrew T. Molson	36	Mr. Molson has been with National Public Relations since 1997. One of his mandates with National Public Relations involved acting as the director of communications of the Montréal Exchange during the restructuring of the Canadian exchanges in 1999. Mr. Molson became a member of the Québec bar in 1994 and holds a law degree from Laval University, a B.A. from Princeton University and a Masters in corporate governance and ethics from the University of London (Birkbeck College). In 2003, he was elected fellow and professional administrator of the Institute of Chartered Secretaries and Administrators. Mr. Molson is the vice president of the Molson Foundation and a director of the McCord Museum, the Montréal Fluency Centre and the Ste-Justine Hospital Foundation.

David P. O'Brien	63	Mr. O'Brien has been a director of Molson since 2002 and is a member of the human resources and pension fund committee and the corporate governance committee. Mr. O'Brien has been the chairman of the board of directors of the Royal Bank of Canada since February 2004. He has also been chairman of the board of directors of EnCana Corporation, an oil and gas company, since April 2002. He was chairman of the board of directors and chief executive officer of PanCanadian Energy Corporation from October 2001 to April 2002 and, before that, he had been chairman of PanCanadian since 1991. Mr. O'Brien was chairman of the board of directors, president and chief executive officer of Canadian Pacific Limited, an energy, hotels and transportation company, from May 1996 to October 2001. He is also a director of Inco Limited, Fairmont Hotels & Resorts and Transcanada Pipelines Limited. In addition, he is a director of the C.D. Howe Institute, a research and educational institution.
Daniel J. O'Neill	52	Mr. O'Neill has been president and chief executive officer of Molson since June 2000. He joined the organization as executive vice president and chief operating officer, North American brewing in 1999 and has served as a director since that time. He had been executive vice president of H.J. Heinz & Co., and served as president and chief executive officer of Star-Kist Foods. He was a director of H.J. Heinz from January 1998 to March 1999. Mr. O'Neill was the president of Campbell Soup Company from March 1994 to December 1997. He joined Campbell Soup after an international career spanning five countries and three continents working with S.C. Johnson, a consumer products company. He received an M.B.A. degree from Queen's University in 1976.
Pamela Patsley	47	Ms. Patsley has served as a director of both Coors and Coors Brewing Company since November 1996. She chairs the audit committee and formerly served as a member of the compensation and human resources committee. She is senior executive vice president of First Data Corporation and president of First Data International, responsible for all operations outside the United States in First Data's card issuing and merchant services businesses. Prior to joining First Data, she served as president and chief executive officer of Paymentech and was a founding director of the company. She was a founding officer in 1985 of the financial institution First USA, Inc. and served as chief financial officer of its parent company from 1987 to 1994. Prior to 1985, she was with KPMG Peat Marwick for six years. She also serves on the board of directors of Texas Instruments Incorporated as a member of the audit and the stockholder relations and public policy committees and as a director of Pegasus Solutions, Inc., serving on the audit and the governance committees.

H. Sanford Riley	53	Mr. Riley has been a director of Molson since 1999, and serves as chairman of the audit and finance committee and is a member of the human resources and pension fund committee. Mr. Riley is president and chief executive officer of Richardson Financial Group, a specialized financial service company. Between 1992 and 2001, he served as president and chief executive officer of Investors Group Inc., a personal financial services organization, retiring as chairman in 2002. Mr. Riley currently serves as a director of the North West Company and James Richardson International Co. His community affiliations include serving as past chairman of the Manitoba Business Council and chancellor of the University of Winnipeg. He obtained a B.A. from Queen's University and an LL.B. from Osgoode Hall Law School.
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Albert C. Yates	62	Dr. Yates has served as a director of Coors and Coors Brewing Company since August 1998. He was appointed chairman of the compensation and human resources committee in November 2001. He was a committee member prior to his appointment as chair and also served as a member of the audit committee. He retired after 12 years as president of Colorado State University in Fort Collins, Colorado in June 2003. He was also a chancellor of the Colorado State University System until October 2003, and is a former member of the board of the Federal Reserve Board of Kansas City-Denver Branch and the board of directors of First Interstate Bank. He currently serves as a director of StarTek, Inc., a publicly-traded company engaged in business outsourcing services, chairs the board of directors of Centennial Bank of the West and is a member of the advisory board of the Janus Funds.
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***Class B Directors***

John E. Cleghorn	63	Mr. Cleghorn has been a director of Molson since 2003 and serves on the human resources and pension fund committee and the corporate governance committee. Mr. Cleghorn is chairman of the board of directors of SNC-Lavalin Group Inc., an international engineering and construction firm. He is the retired chairman of the board of directors and chief executive officer of Royal Bank of Canada. He held that position from 1995 until his retirement in July 2001. He is also a director of Canadian Pacific Railway, Finning International, a distributor of large-scale machinery and equipment, and both Nortel Networks Limited and Nortel Networks Corporation, communications companies. He graduated with a B.Comm. from McGill University and is an officer of the Order of Canada and a fellow of the Institute of Chartered Accountants in Ontario and Québec.
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Charles M. Herington	44	Mr. Herington joined the boards of both Coors and Coors Brewing Company in February 2003. He was appointed as a member of the compensation and human resources committee in May 2003. Since 1999 he has been president and chief executive officer of America Online Latin America. Prior to joining AOL Latin America, he served as president of Revlon Latin America. From 1990 to 1997, Mr. Herington held various executive positions with PepsiCo Restaurants International, serving most recently, from 1995 to 1997, as regional vice president of Kentucky Fried Chicken, Pizza Hut, Taco Bell of South America, Central America and the Caribbean. He also held several high level positions in management and marketing with Procter & Gamble, a consumer products company, in Canada, Puerto Rico and Mexico during the 10 years prior to his association with PepsiCo. He is also director of NII Holdings, Inc. (formerly known as Nextel International), a telecommunications company.
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The third initial Class B Director has not yet been chosen and will be an independent director designated by Molson and Coors prior, or shortly after, to the completion of the merger transaction.

There are no family relationships among any of the directors or principal officers other than Mr. Peter H. Coors and Ms. Melissa E. Coors, who are father and daughter and Messrs. Eric and Andrew Molson, who are father and son.

#### **Nomination of Molson Coors Director Candidates; Removal of Directors**

##### *Nomination of Molson Coors Directors*

Molson Coors' certificate of incorporation will provide that nominees for election to the Molson Coors board of directors will be selected by the board of directors, a nominating committee or one of two nominating subcommittees, as follows:

The Class A-M nominating subcommittee will nominate five candidates to stand for election by the holders of Molson Coors Class A common stock and the special Class A voting stock. In this document we refer to the directors elected according to this nomination process, together with the directors listed under the caption "Class A Directors" above that are currently members of the Molson board of directors, as Molson directors. The Class A-M nominating subcommittee must exercise this nominating power to ensure that at all times a majority of the Molson directors are independent.

The Class A-C nominating subcommittee will nominate five candidates to stand for election by the holders of Molson Coors Class A common stock and the special Class A voting stock. In this document we refer to the directors elected according to this nomination process, together with the directors listed under the caption "Class A Directors" above that are currently members of the Coors board of directors, as Coors directors. The Class A-C nominating subcommittee must exercise this nominating power to ensure that at all times a majority of the Coors directors are independent.

The full nominating committee will nominate two candidates meeting the qualifications described below to stand for election by the holders of Molson Coors Class A common stock and the special Class A voting stock.

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The board of directors will nominate three independent candidates to stand for election by the holders of Molson Coors Class B common stock and the special Class B voting stock.

*Class A-M and A-C Nominating Subcommittees.* The Class A-M nominating subcommittee initially will be comprised of Eric H. Molson and Andrew Molson, and the Class A-C nominating subcommittee initially will be comprised of Peter H. Coors and Melissa E. Coors. If a vacancy arises on the Class A-M nominating subcommittee, then the vacancy will be filled by either (1) the remaining member of the subcommittee or (2) if there is no remaining member, Pentland, as the initial representative of the Molson family beneficiaries under the voting trust agreements referred to below (or, if Pentland ceases to act as representative, then the Molson representative then serving under the voting trust agreements). Vacancies on the Class A-C nominating subcommittee will be filled by either (1) the remaining member of the subcommittee or (2) if there is no remaining member, the Coors Trust, as the initial representative of the Coors family beneficiaries under the voting trust agreements referred to below (or, if the Coors Trust ceases to act as representative then the Coors representative then serving under the voting trust agreements). The process of selecting family representatives under the voting trust agreements is further discussed below under " Other Governance Matters Voting Trust Agreements Among Principal Shareholders."

The Class A-M nominating subcommittee will fill vacancies caused by the removal, resignation, retirement or death of a Molson director and fill newly created seats designated to be filled by Molson directors, and the Class A-C nominating subcommittee will fill vacancies caused by the removal, resignation, retirement or death of a Coors director and fill newly created seats designated to be filled by Coors directors.

The Class A-M nominating subcommittee will cease to have the right to make nominations if Pentland and other Molson family shareholders from time to time party to the voting trust agreement cease to beneficially own, in the aggregate, a number of shares of Molson Coors common stock and exchangeable shares (as adjusted for any stock split, recapitalization, reclassification, reorganization or similar transaction) equal to at least 2% of the aggregate number of shares of Molson Coors common stock and exchangeable shares outstanding on the date of the completion of the merger transaction, of which at least 825,000 shares must be Molson Coors Class A common stock and/or Class A exchangeable shares. Similarly, the Class A-C nominating subcommittee will cease to have the right to make nominations if the Coors Trust or the specified members of the Coors family who select the Coors family representative no longer beneficially own, in the aggregate, a number of shares of Molson Coors common stock and exchangeable shares (as adjusted for any stock split, recapitalization, reclassification, reorganization or similar transaction) equal to at least 3% of the aggregate number of shares of Molson Coors common stock and exchangeable shares outstanding on the date of the completion of the merger transaction, of which at least 825,000 shares must be Molson Coors Class A common stock and/or Class A exchangeable shares. In either case, if the applicable nominating subcommittee ceases to have the right to make nominations, then the subcommittee will be disbanded and independent directors (as that term is defined in the Molson Coors certificate of incorporation) will replace the subcommittee's members on the nominating committee.

*Nominating Committee.* The members of the Class A-M and Class A-C nominating subcommittees will serve on the nominating committee and will select another member of the board of directors who is independent to also serve on the nominating committee.

The full nominating committee will name two director nominees to stand for election by the holders of Molson Coors Class A common stock and the special Class A voting stock, who must be comprised of the following people, subject to the fiduciary duties of the committee:

the chief executive officer of Molson Coors, initially W. Leo Kiely III; and

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Daniel J. O'Neill, or after he ceases to serve as vice chairman, synergies and integration of Molson Coors, a member of management approved by at least two-thirds of the authorized number of directors (including vacancies).

The nominating committee will also have the power to fill vacancies in the two director positions referred to above (with director candidates meeting the qualifications mentioned above).

*Nominations by the Board of Directors.* The full board of directors of Molson Coors will nominate three independent candidates to stand for election by the holders of Molson Coors Class B common stock and the special Class B voting stock and will have the power to fill corresponding vacancies.

### ***Removal of Molson Coors Directors***

The Molson Coors certificate of incorporation will provide that any director may be removed as follows:

for cause, by a vote of the holders of a majority of the total votes entitled to be cast by the holders of all classes of stock of Molson Coors entitled to vote at an election of directors, voting together as a single class, or

without cause, by a vote of the holders of a majority of the total votes entitled to be cast by the holders of the class or classes of stock that elected such director.

### **Other Board Matters**

#### ***Chairman and Vice Chairman of the Molson Coors Board***

Eric H. Molson will serve as the initial chairman of the Molson Coors board of directors. In that capacity, Mr. Molson will preside at all meetings of the board of directors and of the stockholders at which he is present.

Under the bylaws of Molson Coors, the Class A-C nominating subcommittee and the Class A-M nominating subcommittee will be alternately vested during succeeding biennial periods with the power and authority to appoint a director to serve as the non-executive chairman of the Molson Coors board of directors and to remove any director then serving as chairman from that position (but not from his or her position as a director). Initially, during the first biennial period, which will begin at the completion of the merger transaction and end on the last day of the fiscal year in which W. Leo Kiely III ceases to serve as Molson Coors' chief executive officer, this power and authority will be vested in the Class A-M nominating subcommittee, and the initial non-executive chairman will be Eric H. Molson. The second biennial period will begin immediately following the last day of the first biennial period and end on the third annual meeting of Molson Coors stockholders held subsequent to the first biennial period. After the second biennial period, each subsequent biennial period will begin immediately following the last day of the previous biennial period and will end on the date of the second annual meeting of stockholders held subsequent to the previous biennial period. Whichever of the Class A-C nominating subcommittee or the Class A-M nominating subcommittee that for any biennial period does not have the power and authority to appoint the chairman of the board of directors shall have the power and authority to appoint a director to serve as vice chairman of the board of directors for the biennial period and to remove any director then serving as vice chairman of the board of directors (but not from his or her position as a director).

#### ***Committees of the Board of Directors***

The Molson Coors bylaws will provide for an audit committee of the board of directors and a compensation committee of the board of directors (in addition to the nominating committee described above). The members of the audit committee will meet the applicable independence and financial

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literacy requirements of the New York Stock Exchange and the SEC. The board of directors may form other committees from time to time with the approval of at least two-thirds of the authorized number of directors (including vacancies), unless the creation of a committee is required under applicable law or applicable rules of a securities exchange or quotation system, in which case a majority vote is sufficient. The combination agreement also provides that Molson and Coors may agree to constitute additional committees prior to completion of the merger transaction.

### *Stockholder Nominations of Molson Coors Directors and Other Stockholder Proposals*

The Molson Coors bylaws will provide that a stockholder may nominate persons to stand for election to the board of directors at an annual meeting of stockholders and, in the case of the Class A shareholders, may propose other proper business to be considered by the stockholders at an annual meeting of stockholders. In each case, stockholders must comply with the following procedures prior to making nominations or proposing business:

The stockholder must be entitled to vote at the meeting with respect to the matter and be a stockholder of record of the relevant class of stock at the time notice of the matter is delivered to the secretary of Molson Coors.

The stockholder must give notice of the nomination or business to be considered to the secretary of Molson Coors not less than 90 nor more than 120 days prior to the first anniversary of the preceding year's annual meeting. In the case of the first annual meeting after completion of the merger transaction (which we expect to be the 2005 annual meeting) or if an annual meeting is advanced by more than 20 days, or delayed by more than 90 days from the anniversary date, the stockholder must give notice not earlier than 120 days prior to the annual meeting and no later than the close of business on the later of 90 days prior to the annual meeting or the tenth day following the day on which a public announcement of the date of the meeting is first made.

The notice must set forth:

as to each director nominee, all information that is required to be disclosed in a proxy solicitation for election of directors under applicable law, including a written consent from the nominee to serve as a director if elected;

as to any business that the stockholder proposes to bring before the meeting, a brief description of the business desired to be brought before the meeting, the reasons for conducting the business at the meeting and any material interest in the business of the stockholder and the beneficial owner, if any, on whose behalf the proposal is made; and

as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made, (1) name and address of the stockholder on Molson Coors' books, (2) the name and address of the beneficial owner, if any, and (3) the class and number of shares of owned beneficially and the number and class of shares owned of record.

The Molson Coors bylaws will also provide that stockholders of record holding at least 50% of the voting power entitled to vote for a majority of directors may make a proposal of business at an annual meeting of stockholders without complying with these notice procedures. Immediately after the completion of the merger transaction, Pentland and Coors Trust would be able to meet this 50% threshold as a group.

**Officers of Molson Coors**

In the combination agreement, Molson and Coors have agreed that, upon completion of the merger transaction, the following persons will hold the officer positions at Molson Coors set forth opposite their names:

Name	Age	Office and Business Experience
W. Leo Kiely III	57	<i>President and Chief Executive Officer.</i> Mr. Kiely was appointed chief executive officer of Coors in July 2002 and has served as chief executive officer of Coors Brewing Company since May 2000. He served as president and chief operating officer of Coors Brewing Company from March 1993 to May 2000. He has been a director of Coors and Coors Brewing Company since August 1998. Prior to joining Coors Brewing Company, he held executive positions with Frito-Lay, Inc., a subsidiary of PepsiCo.
Daniel J. O'Neill	52	<i>Vice Chairman, Synergies and Integration.</i> Mr. O'Neill has been president and chief executive officer of Molson since June 2000. He joined the organization as executive vice president and chief operating officer, North American brewing in 1999. He had been executive vice president of H.J. Heinz & Co. and served as president and chief executive officer of Star-Kist Foods. He was a director of H.J. Heinz from January 1998 to March 1999. Mr. O'Neill was the president of Campbell Soup Company from March 1994 to December 1997. He joined Campbell Soup after an international career spanning five countries and three continents working with SC Johnson, a consumer products company. He received an M.B.A. degree from Queen's University in 1976.
Timothy V. Wolf	51	<i>Global Chief Financial Officer.</i> Mr. Wolf serves as vice president and chief financial officer of Coors and chief financial officer (global) of Coors Brewing Company. Prior to joining the company in 1995, he served as senior vice president of planning and human resources for Hyatt Hotels Corporation from 1993 to 1994 and in several executive positions for The Walt Disney Company, including vice president, controller and chief accounting officer, from 1989 to 1993. Prior to his experience at Disney, he spent 10 years in various senior financial planning, strategy and control roles at PepsiCo. He currently serves on various non-profit boards.
Kevin Boyce	49	<i>President and Chief Executive Officer, Molson Canada.</i> Mr. Boyce joined Molson in April 2004 as president and chief operating officer, North America after a career spanning almost 20 years with Unilever, a consumer products company, in several positions, including most recently president and chief executive officer, Unilever Cosmetics International from 2003, president and chief executive officer, Unilever Canada from May 2000 to October 2003, and president of Good Humor Breyer's ice cream division of Unilever prior to that.

Robert Coallier	44	<i>Global Chief Business Development Officer.</i> Mr. Coallier was appointed executive vice president, corporate strategy and international operations of Molson in June 2004. Prior to that date, he was executive vice president of Molson and president and chief executive officer of Cervejarias Kaiser Brasil S.A. as well as executive vice president and chief financial officer of Molson from May 2000 to July 2002. Prior to joining Molson, he was chief financial officer of C-MAC Industries, an electronics manufacturer. He is also a director, the chairman of the audit committee and a member of the corporate governance committee of Quebecor World Inc., a commercial printing corporation.
Peter M. R. Kendall	58	<i>President and Chief Executive Officer, Coors Brewers Limited.</i> Mr. Kendall joined Coors in January 1998 as senior vice president and chief international officer of Coors Brewing Company. In 2002, he was appointed chief executive officer of Coors Brewers Limited, Coors' principal UK subsidiary, and is also a vice president of Coors. Before joining Coors Brewing Company, he was executive vice president of operations and finance for Sola International, Inc., a manufacturer and marketer of eyeglass lenses in Menlo Park, California. From 1995 to 1996, he was president of International Book Operations for McGraw Hill Companies. From 1981-1994, he worked in leadership positions for Pepsi International, PepsiCo and PepsiCo Wines and Spirits. Prior to working for PepsiCo, he spent six years at McKinsey & Co., a management consulting firm.
Robert D. Klugman	56	<i>Global Chief Strategy Officer.</i> Mr. Klugman is chief strategy officer (global) for Coors and Coors Brewing Company and a vice president of Coors. From May 1994 to 2003 he served as senior vice president of corporate development of Coors Brewing Company. He served as chief international officer, following the acquisition of Coors Brewers Limited. Prior to that, he was vice president of brand marketing, and also served as vice president of international, development and marketing services. Before joining Coors, he was a vice president of client services at Leo Burnett USA, a Chicago-based advertising agency.
Sylvia Morin	50	<i>Global Chief Corporate Affairs Officer.</i> Ms. Morin is Molson's senior vice president, corporate affairs. Prior to June 24, 2002 when she joined Molson, she was vice president, corporate communications, at BCE Emergis, a leading provider of e-commerce services, and, from May 1999 to June 2000, director, corporate communications at Bell Nexxia, an owner and operator of fiber optic networks and, from 1998 to 1999, director, corporate communications at Teleglobe Inc., a wholesale provider of telecommunications.
Cathy Noonan	48	<i>Global Chief Synergies Officer.</i> Ms. Noonan is Molson's senior vice president, global costs. Prior to July 19, 1999 when she joined Molson, she was senior vice president, planning of Hudson's Bay Company, Canada's largest department store retailer, and, from 1996 to 1998, she was vice-president, logistics for Maple Leaf Meats, a meat products company.

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Robert M. Reese	54	<i>Global Chief Legal Officer.</i> Mr. Reese joined Coors in December 2001 as vice president and general counsel. He currently serves as chief legal officer (global) of Coors and Coors Brewing Company. Prior to joining Coors, he was associated with Hershey Foods Corporation from 1978 to 2001, serving most recently as senior vice president of public affairs, general counsel and secretary.
Mara E. Swan	44	<i>Global Chief People Officer.</i> Ms. Swan was appointed chief people officer (global) of Coors and Coors Brewing Company in March 2002. She joined Coors Brewing Company in November 1994 as a director of human resources responsible for the sales and marketing area and most recently was vice president, human resources. Prior to that, she worked for 11 years at Miller Brewing Company in Milwaukee where she held various positions in human resources.
Peter Swinburn	51	<i>President and Chief Executive Officer, Coors Brewing Worldwide.</i> Mr. Swinburn was appointed president of Coors Brewing Worldwide, a division of Coors Brewing Company, in May 2003. He previously served as chief operating officer of Coors Brewers Limited from Coors' acquisition of Coors Brewers Limited in February 2002 until May 2003. Prior to Coors' acquiring Coors Brewers Limited, Mr. Swinburn was sales director for Bass Brewers (the predecessor entity) from 1994 to 2002.
Fernando Tigre	61	<i>President and Chief Executive Officer, Cervejarias Kaiser Brasil S.A.</i> Mr. Tigre was appointed president and chief executive officer of Cervejarias Kaiser Brasil S.A. on July 1, 2004. Prior to that date, he had been a director of Camargo Correa, parent company of São Paulo Alpargatas, a major shoe and textile manufacturer in Brazil, where he was president from 1997 to 2003 and chairman of the board of directors from 2002 to 2004. He has served as chairman of the board of directors of Santista Têxtil S.A. from 1997 to 2004, Carmago Correa Cimentos S.A. from 2003 to 2004 and Carmago Correa Metais S.A. from 2003 to 2004. Prior to 1997, he was president of Jari Cellulose, a pulp and paper company in Brazil and also held positions with Alcoa, Westinghouse and GE in Brazil.
Gregory L. Wade	56	<i>Global Chief Technical Officer.</i> Mr. Wade is Molson's senior vice president, quality brewing. Prior to March 26, 2001, when he joined Molson, he was corporate vice president and vice president, R&D/QA/engineering/safety and purchasing, with Vlasic Foods International, and from 1996 to 1998, was senior director, R&D/QA international grocery division for Campbell Soup Company.
Ronald A. Tryggestad	48	<i>Chief Accounting Officer.</i> Mr. Tryggestad was named vice president and controller of Coors Brewing Company and controller of Coors in May 2001. He joined Coors in December 1997 as the director of tax. Prior to joining Coors Brewing Company, he was with Total Petroleum Inc. from 1994 to 1997, serving there as director of tax and internal audit. He also worked for Shell Oil Company from 1990 through 1993, and Price Waterhouse from 1982 through 1989.

*Appointment and Removal of Officers*

The board of directors shall elect a chief executive officer, a chief financial officer and a chief legal officer of Molson Coors by a majority vote. The board of directors may elect or delegate to the chief executive officer the authority to appoint a president, one or more vice presidents (executive, senior or otherwise), the secretary, the treasurer, one or more assistant vice presidents, one or more assistant secretaries and one or more assistant treasurers and such other officers as the board of directors may deem desirable and appropriate. Except as provided below, the board of directors may remove any officer with or without cause at any time. Any officer appointed by the chief executive officer may be removed with or without cause by the chief executive officer at any time. The appointment or removal of the chief executive officer generally can only be made by a vote of at least two-thirds of the authorized number of directors (including vacancies). Notwithstanding this two-thirds vote requirement, if the appointment or removal of a chief executive officer is proposed but fails to obtain the necessary vote, then the proposed action will be referred to a committee of the board of directors composed of all of the directors who are independent directors, as defined in the restated certificate of incorporation of Molson Coors, and if at least two-thirds of the members of that committee vote to approve the action, the action may be taken notwithstanding the failure to obtain that two-thirds vote. The board of directors may not revoke, cancel, amend or limit that committee action without a vote of at least two-thirds of the authorized number of directors (including vacancies).

**Supermajority Board Approval Requirement**

The Molson Coors bylaws will provide that the following specified governance actions cannot be taken by Molson Coors, except with the vote of at least two-thirds of the authorized number of directors (including vacancies):

except as described above under " Nomination of Molson Coors Director Candidates; Removal of Directors" and " Other Board Matters," the creation of and changes to committees of the board of directors and, except as described under " Officers of Molson Coors Appointment and Removal of Officers" above, the assignment of directors to committees of the board of directors and the removal of members of these committees. A majority vote, however, will be sufficient if an action is required under applicable law or the rules of any applicable securities exchange or quotation system;

the removal and appointment and any material change in the salary, incentive plans and other forms of compensation of the Molson Coors chief executive officer. If, however, the action is proposed but fails to obtain the required two-thirds approval, the proposed action will be referred to a committee of all of the independent directors, and if at least two-thirds of the members of that committee approves the action, the action may be taken. The board of directors may not revoke, cancel, amend or limit that committee action without a vote of at least two-thirds of the authorized number of directors (including vacancies);

the nomination of persons to stand for election by the holders of the Molson Coors Class B common stock and the special Class B voting stock and the filling of any related vacancy;

any increase or decrease in the number of members of the board of directors, except that (1) any decrease in the number of directors below 15 must also be approved by holders representing a majority of the Molson Coors Class A common stock and special Class A voting stock, voting together as a single class and (2) any increase in the number of directors must be made by a number divisible by three;

any relocation of Molson Coors' executive offices or North American operational headquarters to locations outside of the greater metropolitan areas in which they are currently located;



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any amendment to the Molson Coors bylaws or the adoption of any bylaws by the board of directors;

any approval or recommendation to the stockholders of any amendment to the Molson Coors certificate of incorporation;

any declaration or payment of dividends. However, a majority vote will be sufficient for regular quarterly cash dividends payable consistent with past practice and in an amount no greater than the amount paid in the immediately preceding fiscal quarters; and

entering into any transaction with any affiliate of Molson Coors or a family member of an affiliate (other than compensation of directors and salary and benefits to officers and employees in the ordinary course of business).

The Molson Coors bylaws will provide that the following transformational actions cannot be taken by Molson Coors, except with the vote of at least two-thirds of the authorized number of directors (including vacancies):

any acquisition or disposition or any agreement to acquire or dispose of (a) any business or any corporation, partnership, association or other business organization or division or (b) any other assets or properties (other than the sale of inventory in the ordinary course of business), in any case either having an equity or enterprise value or a purchase price in excess of 15% of the total consolidated assets of Molson Coors;

any sale, transfer or other disposition of any capital stock (or securities convertible into or exchangeable for capital stock) of either Molson or Coors Brewing Company or any of their respective successors to a third party (other than a wholly-owned subsidiary of Molson Coors);

any sale, transfer or other disposition of all or substantially all of the assets of Molson or Coors Brewing Company or any of their respective successors;

any issuance of shares of Molson Coors common stock or preferred stock (or any securities convertible, exchangeable or exercisable for that stock), other than any issuance (i) upon conversion, exchange or exercise of securities (including exchangeable shares) exchangeable or exercisable for shares of common stock or preferred stock or (ii) the issuance of Class B common stock under (a) an award granted under an employee benefit plan or (b) a registered public offering consisting solely of cash; and

any adoption, approval or recommendation of any plan of complete or partial liquidation, merger or consolidation of Molson Coors.

### **Other Governance Matters**

#### ***Stockholder Voting Rights***

Molson Coors' certificate of incorporation and other ancillary agreements related to the merger transaction will provide the holders of Molson Coors Class B common stock and special Class B voting stock (the votes of which are directed by holders of Class B exchangeable shares), voting together as a single class, the right to elect three directors to the board of directors of Molson Coors and, under the limited circumstances described below, to vote on the removal of certain directors. Except in the limited circumstances provided in the certificate of incorporation, as described below, the right to vote for all other purposes will be vested exclusively in the holders of the Molson Coors Class A common stock and special Class A voting stock, voting together as a single class.

Molson Coors' certificate of incorporation, as described below, will require an affirmative vote of a majority of the votes entitled to be cast by the holders of the Molson Coors Class A common stock and



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special Class A voting stock, voting together as a single class, prior to the taking of certain actions, including:

the issuance of any shares of Molson Coors Class A common stock (other than upon the conversion of Molson Coors Class B common stock under circumstances provided in the certificate of incorporation or the exchange or redemption of Class A exchangeable shares in accordance with the terms of those exchangeable shares) or securities (other than Molson Coors Class B common stock) convertible into or exercisable for Molson Coors Class A common stock;

the issuance of a number of shares of Molson Coors Class B common stock (other than upon the conversion of Molson Coors Class A common stock under circumstances provided in the certificate of incorporation or the exchange or redemption of Class B exchangeable shares in accordance with the terms of those exchangeable shares) or securities (other than Molson Coors Class A common stock) that are convertible into or exercisable for a number of shares of Molson Coors Class B common stock, whether in a single transaction or series of related transactions, that is equal to or greater than 20% of the number of outstanding shares of Molson Coors Class B common stock before the issuance;

the issuance of any preferred stock having any voting rights other than those expressly required by Delaware law;

the sale, transfer or other disposition of any capital stock (or securities convertible into or exchangeable for capital stock) of Molson or Coors Brewing Company or any of their respective successors to third parties (other than a wholly-owned subsidiary of Molson Coors);

the sale, transfer or other disposition of all or substantially all of the assets of Molson or Coors Brewing Company or any of their respective successors; and

any decrease in the number of members of the Molson Coors board of directors to a number below 15.

The Molson Coors certificate of incorporation will also require the affirmative vote of the holders of a majority of the voting power of both the Class A common stock and special Class A voting stock, voting as a single class, and the Class B common stock and special Class B voting stock, voting as a single class, for:

any agreement of merger that requires stockholder approval under Delaware law or a statutory share exchange (but only to the extent that Delaware law is amended to provide for such a statutory share exchange);

any sale, lease or exchange of all or substantially all of the property and assets of Molson Coors (other than to or with any entity that is directly or indirectly wholly owned by Molson Coors) or any sale, lease or exchange of all or substantially all of the property and assets of any entity (i) of which Molson Coors, directly or indirectly, has the power to direct the management and policies of the entity, whether through ownership of voting shares or interests, by contract or otherwise and (ii) whose shares or other interests held by Molson Coors constitute all or substantially all of the property and assets of Molson Coors;

any proposal to dissolve Molson Coors or any proposal to revoke the dissolution of Molson Coors; and

any amendment of the certificate of incorporation that requires stockholder approval under the certificate of incorporation or Delaware law and that would:

increase or decrease the aggregate number of the authorized shares of Class B common stock;



change the designation, preferences, limitations or relative rights of any shares of Class B common stock;

change the shares of all or part of the Class B common stock into a different number of shares of the same class;

increase the rights, preferences or number of authorized shares of any other class, or create a new class, that is equal or superior to Class B common stock with respect to distribution or dissolution rights;

other than in accordance with the provisions of the Molson Coors certificate of incorporation described under "Comparison of Shareholders' Rights Conversion Rights and Coattails" and "Description of Molson Coors Capital Stock Common Stock Conversion Rights Coattail Conversion Rights," exchange or reclassify any shares of Class B common stock into shares of another class, or exchange, reclassify or create the right to exchange any shares of another class into shares of Class B common stock; or

limit or deny existing preemptive rights of, or cancel or otherwise affect rights to distributions or dividends that have accumulated but have not yet been declared on, any shares of Class B common stock.

Holders of Molson Coors' stock will have the ability to act by written consent in lieu of a meeting of stockholders.

#### ***Voting Trust Agreements Among Principal Shareholders***

This section of the document describes the material provisions of the voting trust agreements with respect to the Class A common stock and Class A exchangeable shares to be held following the merger transaction by Pentland and the Coors Trust (and other members of the Molson or Coors families that may become parties to the agreements from time to time). A form of the voting trust agreement that will govern the Molson Coors Class A common stock is attached as Annex I. We urge you to read the full text of that form of agreement because the agreement will govern the voting decisions and transfer restrictions applicable to the shares of Molson Coors Class A common stock owned by the significant stockholders of Molson Coors following the merger transaction. Substantially identical voting arrangements and transfer restrictions applicable to the Class A exchangeable shares (and ancillary rights) will be reflected in a similar agreement to be entered into by Pentland and the Coors Trust with respect to the Class A exchangeable shares (and ancillary rights) to be owned by them following the merger transaction.

The Coors Trust, the sole holder of Coors Class A common stock, and Pentland, the principal holder of the Molson Class B common shares, will enter into voting trust agreements upon completion of the merger transaction in order to combine their voting power over the Molson Coors Class A common stock and Class A exchangeable shares they will own upon completion of the merger transaction. The Coors Trust will deposit into the trust arrangements all of its shares of Molson Coors Class A common stock, or approximately 33.49% of the pro forma voting power of the Molson Coors Class A common stock and special Class A voting stock. Pentland will deposit into the trust arrangements all of its Class A exchangeable shares, or approximately 33.55% of the pro forma voting power of the Molson Coors Class A common stock and special Class A voting stock. These shares, together with any other shares deposited into the trust, will be voted as a block by the trustees as follows:

All shares subject to the voting trust agreements will be voted in favor of director nominees that have been nominated by the nominating committee or the Class A-M or Class A-C nominating subcommittees, and against any other director nominees;

If the representative of the Molson family beneficiaries under the voting trust agreements or the representative of the Coors family beneficiaries under the voting trust agreements so instructs the trustees, the trustees will vote all shares subject to the voting trust agreements in favor of the removal of a director nominated or appointed by the Class A-M nominating subcommittee or the Class A-C nominating subcommittee, respectively, from the board of directors; the trustees will otherwise vote all the shares against a removal of those directors; and

Unless the representatives of both the Molson family beneficiaries under the voting trust agreements and the Coors family beneficiaries under the voting trust agreements instruct the trustees to vote otherwise, all shares subject to the voting trust agreements will be voted in accordance with the recommendation of the board of directors with respect to any other proposal to remove a director from the board of directors.

With respect to all corporate matters other than those described above relating to the election and removal of directors and those described below relating to the exchangeable shares, all shares subject to the voting trust agreements will be voted against the approval of any matter unless the trustees receive instructions from the representatives of both the Molson family beneficiaries under the voting trust agreements and the Coors family beneficiaries under the voting trust agreements to vote in favor of the approval of the matter.

If the holders of exchangeable shares (in their capacity as shareholders of Exchangeco and not in their capacity as indirect holders of voting rights with respect to Molson Coors) are required to vote on certain proposals that would materially adversely affect the terms of either class of exchangeable shares or modify or terminate the voting and exchange trust agreement described below under "Information Concerning Molson Coors Exchangeco Description of Exchangeable Shares of Molson Coors Exchangeco," then the exchangeable shares will be voted against any proposal if the representative of the Molson family beneficiaries under the voting trust agreements has instructed the trustees to vote against the proposal (even if the representative has otherwise forfeited the right to provide instructions to the trustees as described below).

Each of the Molson and Coors shareholders party to the voting trust agreements will appoint a representative to act on behalf of the beneficiaries of their respective family groups. The representative of the Molson family beneficiaries under the voting trust agreements will forfeit the right to provide instructions to the trustees with respect to any of the above matters if Pentland and any other Molson family shareholders cease to beneficially own, in the aggregate, a number of shares of Molson Coors common stock and exchangeable shares (as adjusted for any stock split, recapitalization, reclassification, reorganization or similar transaction) equal to at least 2% of the total number of shares of Molson Coors common stock and exchangeable shares outstanding on the date of the completion of the merger transaction, of which at least 825,000 shares must be Molson Coors Class A common stock (and/or Class A exchangeable shares) subject to the voting trust agreements. Similarly, the representative of the Coors family beneficiaries under the voting trust agreements will forfeit the right to provide instructions to the trustees with respect to the above matters if the Coors Trust and any other Coors family stockholders cease to beneficially own, in the aggregate, a number of shares of Molson Coors common stock and exchangeable shares (as adjusted for any stock split, recapitalization, reclassification, reorganization or similar transaction) equal to at least 3% of the total number of shares of Molson Coors common stock and exchangeable shares outstanding on the date of the completion of the merger transaction, of which at least 825,000 shares must be Molson Coors Class A common stock (and/or Class A exchangeable shares) subject to the voting trust agreements. In the event of a forfeiture by either family of the above rights, the trustee under the voting trust agreements will vote all shares at the direction of the representative of the other family acting on its own. If both families forfeit the above rights, the voting trust agreements will terminate.

The voting trust agreements will also contain restrictions on the transfer of the shares subject to the voting trust agreements. A Molson family beneficiary or Coors family beneficiary under the voting trust agreements may transfer its interest in shares subject to the voting trust agreements to any other beneficiary under the relevant voting trust agreements or to members of its family group, so long as the transferee is or becomes a party to the voting trust agreements with respect to the transferred shares. Shares subject to the voting trust agreements must be converted into shares of Molson Coors Class B common stock (or Class B exchangeable shares, as applicable) before they can be transferred to any persons that are not beneficiaries under the voting trust agreements or members of the Molson or Coors family groups. Any shares so converted will no longer be subject to the voting trust agreements.

The voting trust agreements will prohibit any Molson family beneficiary from transferring its interest in shares subject to the voting trust agreements to a third party (or converting these shares into shares of Molson Coors Class B common stock or Class B exchangeable shares) if the remaining shares subject to those agreements would constitute less than 50.1% of the aggregate voting power of the outstanding shares of Molson Coors Class A common stock and Class A exchangeable shares, unless prior to the proposed transfer or conversion, the number of shares of the Coors family beneficiaries subject to the voting trust agreement, is less than the number (as adjusted for any stock split, recapitalization, reclassification, reorganization or similar transactions) initially deposited by the Coors Trust into the voting trust.

Pentland is seeking an advance tax ruling with respect to depositing shares into a voting trust to the effect that such deposit does not constitute a disposition or deemed disposition for Canadian tax purposes. Molson, Coors, Pentland and the Coors Trust have agreed that if such ruling is not obtained, the parties will use commercially reasonable efforts to enter into other agreements or arrangements that preserve the fundamental elements of the proposed voting trust arrangements but that do not constitute a disposition or deemed disposition for Canadian tax purposes.

A Molson family beneficiary and a Coors family beneficiary under the voting trust agreements is also prohibited from transferring its interest in shares subject to the voting trust agreements if, as a result of the transfer, the right of holders of shares of Molson Coors Class B common stock or the right of holders of Class B exchangeable shares to convert into shares of Molson Coors Class A common stock or Class A exchangeable shares, respectively, in limited circumstances relating to specified offers which are not made to holders of Molson Coors Class B common stock or Class B exchangeable shares would be triggered. The trustee under these agreements is authorized, unless both family groups give instructions to the contrary, in the event of such specified offers, to deliver a notice providing Molson Coors with adequate assurances that the family groups will not participate in the specified offers. See "Description of the Molson Coors Capital Stock Common Stock Conversion Rights Coattail Conversion Rights."

### **Amendments to Coors' Certificate of Incorporation**

This section of the document describes the material differences between the proposed restated certificate of incorporation of Molson Coors to become effective upon completion of the merger transaction and the current certificate of incorporation of Coors but does not purport to describe all of the differences between, or terms of, those documents. You should read the complete text of the proposed restated certificate of incorporation of Molson Coors, which is attached as Annex G to this document and incorporated into this document by reference in conjunction with the following summary.

The combination agreement requires that Coors amend and restate its certificate of incorporation at the completion of the merger transaction in the form attached to this document as Annex G. The amendments to Coors' certificate of incorporation that will be reflected in the restated certificate of incorporation of Molson Coors to be adopted upon completion of the merger transaction are summarized below.

#### **Number of Shares of Authorized Capital Stock**

An amendment is proposed to the existing Coors certificate of incorporation to increase the number of authorized shares of Molson Coors Class A common stock and Class B common stock to 500,000,000 for each class from 1,260,000 shares of Class A common stock and 200,000,000 shares of Class B common stock. The changes in the number of authorized Class A and Class B shares are necessary to accommodate the number of shares being issued in the merger transaction (including shares reserved for stock options held by Molson optionholders) or to be issued upon the exchange of exchangeable shares, a desire for flexibility for necessary corporate actions (including any stock splits in the future based on market conditions) and the fact that each class is convertible into the other class under specified circumstances, as described below under " Conversion of Class A Common Stock" and " Conversion of Class B Common Stock."

#### **Voting Rights to Elect Directors**

An amendment is proposed to the existing Coors certificate of incorporation to provide that holders of the Class B common stock and the special Class B voting stock (acting upon the instructions of the holders of Class B exchangeable shares), voting together as a class, will be entitled to elect three members of the Molson Coors board of directors while the Class A common stock and the special Class A voting stock (acting upon the instructions of the holders of Class A exchangeable shares), voting together as a class, will elect the remaining directors. The existing Coors certificate of incorporation provides that the holders of Class A common stock elect all of the directors.

#### **Dividends**

It is proposed that the existing Coors certificate of incorporation be amended to provide that no dividend may be declared or paid on the Class A common stock or Class B common stock unless an equal dividend is declared or paid on the Class B common stock or Class A common stock, as applicable. The existing certificate of incorporation of Coors provided that no dividend may be declared or paid on the Class A common stock unless an equal dividend is declared or paid on the Class B common stock. This provision reflects the intent of the parties that the holders of each class of common stock will receive the same dividends and that holders of the exchangeable shares will receive the economic equivalent of those dividends through their ownership of exchangeable shares but no additional dividends by virtue of the special voting shares.

#### **Stockholder Voting Rights**

The authority of holders of Class A common stock and special Class A voting stock (acting upon the instructions of the holders of Class A exchangeable shares), voting together as a class, to vote on



fundamental changes in governance and business operation will be increased in order to accomplish the intent of the principal shareholders of each of Molson and Coors that those shareholders preserve their ability to influence major decisions affecting the combined company. It is therefore proposed that an amendment be adopted to the existing certificate of incorporation of Coors to require the affirmative vote of a majority of the votes entitled to be cast by the holders of the Class A common stock and special Class A voting stock (acting upon the instructions of the holders of Class A exchangeable shares), voting together as a single class, prior to taking of the actions described in "Governance and Management of Molson Coors Other Governance Matters Stockholder Voting Rights" beginning on page 133. Coors' existing certificate of incorporation does not contain a similar provision.

#### **Company Name**

The parties to the merger transaction have agreed that the name of the combined company should reflect its leading product lines and therefore have proposed to change the name in the existing Coors certificate of incorporation from "Adolph Coors Company" to "Molson Coors Brewing Company."

#### **Special Class A Voting Stock and Special Class B Voting Stock**

An amendment is proposed to the existing Coors certificate of incorporation to authorize the creation of one share of special Class A voting stock and one share of special Class B voting stock of Molson Coors, through which the holders of Class A exchangeable shares and Class B exchangeable shares, respectively, will exercise their voting rights with respect to the combined company. The addition of the special voting stock provides a mechanism for holders of exchangeable shares, which are intended to be substantially the economic equivalent of the Molson Coors common stock, to vote with the corresponding class of Molson Coors common stock. The special Class A and Class B voting stock are entitled to one vote for each Class A and Class B exchangeable share, respectively, from time to time outstanding as of the applicable record date, excluding shares held by Molson Coors or its subsidiaries, and generally vote together with the Class A common stock and Class B common stock, respectively, on all matters on which the Class A common stock and Class B common stock, respectively, are entitled to vote. This structure provides voting rights to a holder of the exchangeable shares through a voting trust arrangement. The existing Coors certificate of incorporation does not contain a similar provision.

#### **Removal of Directors**

It is proposed to amend the existing Coors certificate of incorporation to provide that (i) any director may be removed, with cause, by a vote of holders of a majority of the voting power of the Class A common stock, special Class A voting stock (acting upon the instructions of the holders of Class A exchangeable shares), Class B common stock and special Class B voting stock (acting upon the instructions of the holders of Class B exchangeable shares), voting together as a single class, and (ii) any director may be removed, without cause, by a vote of holders of a majority of the voting power of the class or classes of stock that elected the director. The existing Coors certificate of incorporation provided that any director may be removed, with or without cause, by a vote of holders of a majority of the voting power of the Class A common stock. This change is made necessary by the expansion of director election rights to holders of Class B common stock and special Class B voting stock, and reflects the operation of Delaware law with respect to the removal of directors.

#### **Nominating Committee**

An amendment is proposed to the existing certificate of incorporation of Coors to create a nominating committee and to provide for related nominating procedures and procedures for filling vacancies on the Molson Coors board of directors. The proposed Molson Coors certificate of incorporation contains detailed mechanisms for nominating candidates for directors, as described in

"Governance and Management of Molson Coors Nomination of Molson Coors Director Candidates; Removal of Directors" beginning on page 125. Coors' existing certificate of incorporation does not contain a similar provision. These procedures, together with the arrangements under the voting trust agreements, will permit the continued involvement of the principal shareholders in the Molson Coors board nomination process.

#### **Conversion of Class A Common Stock**

It is proposed to adopt an amendment to the existing certificate of incorporation of Coors to provide that shares of Molson Coors Class A common stock will be convertible at any time at the election of the holder into shares of Molson Coors Class B common stock on a one-for-one basis, as described in "Description of the Molson Coors Capital Stock Common Stock Conversion Rights" beginning on page 283. Since a majority of the Class A common stock (together with the equivalent exchangeable shares) will initially be held by just two entities, Pentland and Coors Trust, a conversion right has been provided to the holders of Class A common stock so the shares may be exchanged for Class B common stock, which we expect to be more liquid than the Class A common stock. Molson's charter currently permits similar conversions. The Coors existing certificate of incorporation does not permit conversion from shares of Class A common stock to Class B common stock.

#### **Conversion of Class B Common Stock**

An amendment is proposed to the existing certificate of incorporation of Coors to provide that shares of Molson Coors Class B common stock will be convertible into shares of Molson Coors Class A common stock in limited circumstances relating to specified offers which are not made to holders of Molson Coors Class B common stock, as described in "Description of the Molson Coors Capital Stock Common Stock Conversion Rights" beginning on page 283. This provision ensures that the Molson Coors certificate of incorporation is consistent with the Molson charter and the rules of the Toronto Stock Exchange regarding the rights of the holders of the Class B common stock to convert their shares under limited circumstances relating to specified offers that are not made to holders of Class B common stock. Coors' existing certificate of incorporation does not permit conversion from shares of Class B common stock to Class A common stock.

#### **Board Authorization to Adopt, Amend or Repeal the Molson Coors Bylaws**

It is proposed to adopt an amendment to the existing certificate of incorporation of Coors to provide that the power of the Molson Coors board of directors to amend the Molson Coors bylaws may be limited by a provision of the bylaws in effect as of the date of the filing of the restated certificate of incorporation of Molson Coors. The existing Coors certificate of incorporation does not contain a similar provision.

#### **Authorized Share Increase**

An amendment is proposed to the existing Coors certificate of incorporation, subject to the right of the holders of Class B common stock and the special Class B voting stock (acting upon the instructions of the holders of Class B exchangeable shares), voting together as a class, to vote on any charter amendment to increase or decrease the authorized number of shares of Class B common stock, to provide that the number of authorized shares of any class of stock may be increased or decreased by the affirmative vote of the holders of Class A common stock and special Class A voting stock (acting upon the instructions of the holders of Class A exchangeable shares), voting together as a single class. The existing Coors certificate of incorporation does not contain a similar provision.

**Size of Molson Coors Board**

An amendment is proposed to the existing Coors certificate of incorporation to provide that the size of the Molson Coors board of directors shall be determined by resolution of the Molson Coors board of directors in accordance with the bylaws. The existing Coors certificate of incorporation provides that the number of directors shall be not less than three, but that the exact number shall be elected as is set forth in the Bylaws. The Molson Coors board of directors will initially have 15 members.

**Indemnification**

An amendment is proposed to the existing Coors certificate of incorporation to provide that, except as otherwise provided in the bylaws, Molson Coors shall be required to indemnify a person otherwise entitled to indemnification pursuant to the Coors existing certificate of incorporation in connection with a proceeding commenced by such person only if the commencement of such proceeding was authorized by the Molson Coors bylaws, any written agreement between such person and Molson Coors, or in the specific case by the Molson Coors board of directors.

**Amendments to Coors' Bylaws**

This section of the document describes the material differences between the proposed restated bylaws of Molson Coors to become effective upon completion of the merger transaction and the current bylaws of Coors but does not purport to describe all of the differences between, or terms of, those documents. In conjunction with this summary description, you should read the proposed amended and restated bylaws of Molson Coors, which are attached as Annex H to this document.

The combination agreement requires that Coors amend and restate its bylaws at the completion of the merger transaction in the form attached to this document as Annex H. Amendments to Coors' bylaws include the following:

	<b>Proposed Molson Coors Bylaws</b>	<b>Existing Coors Bylaws</b>	<b>Reasons for Amendment</b>
<b>Size of Board of Directors</b>	Initially, 15 members.  Board of directors may increase the number of directors to be elected by holders of the Class A common stock and the holder of the special Class A voting stock as described in "Governance and Management of Molson Coors Board of Directors of Molson Coors" beginning on page 120.	Currently, 8 members.  Board of directors may set the size of the board so long as there are at least three directors.	The size and composition of the board is intended to represent an equitable split between the two predecessor companies of the board of directors based on the merger-of-equals nature of the merger transaction.
<b>Stockholder Nominations of and Other Stockholder Proposals</b>	The amended and restated bylaws contain detailed mechanisms for stockholder nominations of director candidates and for the making of other stockholder proposals, as described in "Governance and Management of Molson Coors Other Board Matters" beginning on page 126.	Nominations for director candidates could be made by any holder of Class A common stock.	This change is appropriate in light of the expansion of voting rights to holders of Class B common stock and special Class B voting stock, and provides for an orderly process for the making of director nominations and proposals by those stockholders. This provision also permits the board of directors an opportunity to consider the qualifications of proposed nominees and proposals.
<b>Conduct of Meetings</b>	Annual meetings of all stockholders will be held at a time and place determined by the board of directors.	Annual meetings of only the holders of Class A common stock are held.	This change results from the expansion of voting rights to holders of Class B common stock and special Class B voting stock to include the right to annually elect three directors.

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Only the board of directors may call a special meeting of stockholders.

Specified officers who are also board members must call a special meeting upon the demand of the holders of shares representing at least 10% of the votes entitled to be cast on a matter that may properly be raised at a meeting.

This change is appropriate in light of the expansion of voting rights to holders of Class B common stock and special Class B voting stock and the fact that the merger transaction will result in the Class A common stock being widely held rather than held by a single holder, as is currently the case. The change is intended to ensure that stockholder meetings will be called on an orderly basis determined in the business judgment of the elected board of directors.

### **Chairman and Vice Chairman**

The proposed bylaws provide a mechanism for alternating the selection and removal of a chairman and vice chairman of the board of directors between the two nominating subcommittees, as described in "Governance and Management of Molson Coors Other Board Matters" beginning on page 130.

The board of directors must elect one of its members as the chairman.

This procedure facilitates the merger-of-equals provisions set forth in the combination agreement.

### **Supermajority Board Approval**

Specified governance or transformational actions cannot be taken by Molson Coors, except with the vote of at least two-thirds of the authorized number of directors (including vacancies), as described in "Governance and Management of Molson Coors Supermajority Board Approval Requirement" beginning on page 131.

Coors' existing bylaws do not contain a similar provision.

This procedure is intended to ensure that extraordinary corporate or business actions have substantial consensus among directors.

### **Audit and Compensation Committees**

The proposed bylaws provide for an audit committee and compensation committee of the board of directors, as described in "Governance and Management of Molson Coors Other Board Matters" beginning on page 130.

Coors' existing bylaws do not contain a similar provision, although Coors has both committees.

This amendment is reflective of the current composition of committees of Molson's and Coors' boards of directors, as well as being consistent with current governance practices for publicly held companies.

### **Officers and Directors**

The proposed bylaws provide for the selection and removal of a chief executive officer, chief financial officer, chief legal officer and other officers, as described in "Governance and Management of Molson Coors Other Board Matters" beginning on page 130.

Coors' existing bylaws do not provide specifically for a chief executive officer, vice chairman, chief financial officer or chief legal officer, although Coors has individuals who serve in these roles (other than vice-chairman).

This provision reflects the key officers to be appointed as agreed under the combination agreement.

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### Restrictions on Transfers of Shares

The proposed bylaws do not contain a similar provision, although Pentland and Coors Trust have agreed to transfer restrictions described under "Governance and Management of Molson Coors Other Governance Matters Voting Trust Agreements Among Principal Shareholders" beginning on page 138.

The following shares could only be transferred if the shares were first offered for purchase by Coors and specified Coors family members:

Shares of Class A common stock, all of which are held by Coors Trust; and

Shares of Class B common stock that were issued in transactions that were not registered under the U.S. Securities Act of 1933, as amended.

The limitation on transfers of shares of Class A common stock will be eliminated in light of the fact that Molson Coors intends for the shares to be publicly listed on the New York Stock Exchange and Toronto Stock Exchange.

### Future Bylaw Amendments

The board of directors may amend the bylaws by a two-thirds vote, except for the following provisions, which will require the affirmative vote of the holders of the Molson Coors Class A common stock and special Class A voting stock:

the provisions of the bylaws providing that specified actions can only be taken with the approval of two-thirds of the directors;

the provisions of the bylaws providing for the selection of the chairman of the board of directors;

the provisions of the bylaws providing for amendments.

The holders of the Class A common stock and special Class A voting stock may amend the bylaws, and may further limit the power of the board of directors to amend the bylaws through an amendment to the certificate of incorporation or the bylaws that provides that a particular bylaw may only be amended by the holders of the Molson Coors Class A common stock and special Class A voting stock.

Board of directors is authorized to amend the bylaws at any annual meeting or any special meeting called for that purpose.

The holders of the Class A common stock also may:

amend the bylaws at any annual meeting or any special meeting called for that purpose; or

further limit the power of the board of directors to amend the bylaws through an amendment to the certificate of incorporation or the bylaws that provides that a particular bylaw may only be amended by the holders of the Molson Coors Class A common stock.

These amendments will permit Molson Coors' principal shareholders, so long as they maintain control over a certain percentage of Molson Coors Class A common stock and Class A exchangeable shares, to continue to prevent the amendment of certain fundamental governance procedures set out in the combination agreement.

**Material Income Tax Consequences**

**Material Canadian Federal Income Tax Consequences to Molson Shareholders**

In the opinion of McCarthy Tétrault LLP, the following is an accurate summary of the material Canadian federal income tax consequences under the *Income Tax Act* (Canada), which we refer to in this section as the "Canadian Tax Act," generally applicable to Molson shareholders who, for purposes of the Canadian Tax Act, and at all relevant times, hold their Molson Class A non-voting shares and/or Molson Class B common shares and will hold their Class A preferred shares, Class B1 preferred shares, Class B2 preferred shares, Class A exchangeable shares and/or Class B exchangeable shares of Molson Coors Exchangeco, shares of Molson Coors Class A common stock and/or shares of Molson Coors Class B common stock as capital property and deal at arm's length with, and are not and will not be affiliated with, any of Molson Coors, Molson, Callco or Molson Coors Exchangeco. This summary does not apply to a Molson shareholder with respect to whom Molson Coors is or will be a foreign affiliate within the meaning of the Canadian Tax Act.

Molson Class A non-voting shares, Molson Class B common shares, Class A preferred shares, Class B1 preferred shares, Class B2 preferred shares, Class A exchangeable shares and/or Class B exchangeable shares of Molson Coors Exchangeco, shares of Molson Coors Class A common stock and/or shares of Molson Coors Class B common stock will generally be considered to be capital property to a shareholder unless the shares are held in the course of carrying on a business of trading or dealing in securities, in an adventure in the nature of trade or as "mark-to-market property" for the purposes of the Canadian Tax Act. Certain Molson shareholders who are residents of Canada for the purposes of the Canadian Tax Act, and whose Molson shares might not otherwise qualify as capital property, may be entitled to make an irrevocable election in accordance with subsection 39(4) of the Canadian Tax Act to have their Molson shares and every "Canadian security" (as defined in the Canadian Tax Act) owned by such Molson shareholder in the taxation year of the election and in all subsequent taxation years deemed to be capital property. Where a Molson shareholder makes an election with Molson Coors Exchangeco under section 85 of the Canadian Tax Act in respect of Molson shares, as described below, the Class A preferred shares, Class B1 preferred shares, Class B2 preferred shares, Class A exchangeable shares and Class B exchangeable shares received under the arrangement in exchange for such Molson shares will not be "Canadian securities" to such holder for this purpose and therefore will not be deemed to be capital property under subsection 39(4) of the Canadian Tax Act. Molson shareholders who do not hold their Molson Class A non-voting shares or Molson Class B common shares as capital property should consult their own tax advisors regarding their particular circumstances.

This summary is based on the Canadian Tax Act and the regulations thereunder and the published administrative practices and policies of the Canada Revenue Agency, which we refer to in this section as the "CRA," all in effect as of the date of this document. This summary takes into account all proposed amendments to the Canadian Tax Act and the regulations thereunder that have been publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof and assumes that such proposed amendments will be enacted substantially as proposed. However, no assurance can be given that such proposed amendments will be enacted in the form proposed, or at all. This summary does not take into account or anticipate any other changes in law or any changes in CRA administrative practices and policies, whether by judicial, governmental or legislative action or decision, nor does it take into account other federal or any provincial, territorial or foreign income tax legislation or considerations, which may differ from the material Canadian federal income tax consequences described herein. No advance income tax ruling has been sought or obtained from the CRA to confirm the tax consequences of any of the transactions described herein and accordingly no assurance can be given that the CRA will not assert a position contrary to one or more positions reflected in the summary below.

**This summary is of a general nature only and is not intended to be, and should not be construed to be, legal, business or tax advice to any particular Molson shareholder. This summary does not take into account your particular circumstances and does not address consequences that may be particular to you. Therefore, you should consult your own tax advisor regarding the particular consequences of the arrangement to you.**

In particular, this summary does not take into account the mark-to-market rules applicable to securities held by financial institutions, special rules applicable to insurers carrying on business in Canada and elsewhere that are not Canadian residents for the purpose of the Canadian Tax Act, the Income Tax Application Rules, applicable to Molson shareholders who have held their Molson shares continuously since December 31, 1971 (or are deemed to have done so under those rules), or the tax consequences of participating in the holding company alternative as described under "Elections Available to Molson Securityholders Holding Company Alternative."

For the purposes of the Canadian Tax Act, all amounts relating to the acquisition, holding or disposition of securities (including dividends, adjusted cost base and proceeds of disposition) must be expressed in Canadian dollars; amounts denominated in United States dollars must be converted into Canadian dollars based on the prevailing United States dollar exchange rate generally at the time such amounts arise.

#### *Allocation of Consideration*

Under the arrangement, (i) a pro rata portion of the total number of Class B1 preferred shares and Class B2 preferred shares and/or the total number of Class B exchangeable shares (and ancillary rights) received by a holder of Molson Class A non-voting shares will be allocated to each Molson Class A non-voting share disposed of by such shareholder pursuant to the arrangement and (ii) a pro rata portion of the total number of Class A preferred shares, Class B1 preferred shares and Class B2 preferred shares and/or the total number of Class A exchangeable shares (and ancillary rights) and Class B exchangeable shares (and ancillary rights) received by a holder of Molson Class B common shares will be allocated to each Molson Class B common share disposed of by such shareholder pursuant to the arrangement. As a consequence, on the disposition of Molson Class A non-voting shares or Molson Class B common shares, as the case may be, the same indivisible combination of types of consideration will be received in respect of each such Molson share.

#### *Receipt of Ancillary Rights*

A Molson shareholder who receives Class A exchangeable shares and/or Class B exchangeable shares under the arrangement will also receive the ancillary rights connected to such shares, (e.g. the voting rights and exchange rights described under "Information Concerning Molson Coors Exchangeco Description of Exchangeable Shares of Molson Coors Exchangeco"). A Molson shareholder will be required to account for the ancillary rights in determining the proceeds of disposition of such shareholder's Molson shares and the cost of exchangeable shares and/or Molson Coors Exchangeco preferred shares received in consideration therefor. Molson is of the view that the ancillary rights have nominal fair market value. This determination of value is not binding on the CRA and it is possible that the CRA could take a contrary view.

#### *Call Rights*

Molson is of the view that the liquidation call rights, retraction call rights and redemption call rights granted by Molson shareholders who acquire the exchangeable shares have only a nominal fair market value and accordingly no amount should be allocated to such call rights. This determination of value is not binding on the CRA and it is possible that the CRA could take a contrary view. Provided that this view with respect to the value of such call rights is correct, the granting of the call rights will



not result in any material adverse income tax consequences to a Molson shareholder who acquires exchangeable shares. However, should the CRA challenge this view and ultimately succeed in establishing that the call rights have a fair market value in excess of a nominal amount, Molson shareholders who acquire exchangeable shares will realize a capital gain in an amount equal to the fair market value of the call rights. For a description of the tax treatment of capital gains and losses, see "Taxation of Capital Gain or Capital Loss."

***Cost Averaging of Identical Property***

The Canadian Tax Act provides for a cost averaging rule for "identical properties," such as shares issued by a company (including any fractional share) that are of the same class or series. Generally, when a person acquires a property that is identical to one or more other properties already held by the person, the person's adjusted cost base of each identical property will be equal to the quotient obtained when the aggregate of the adjusted cost bases of all the identical properties previously held by the person and the cost of the newly acquired identical property is divided by the number of all such identical properties held at that time. Accordingly, at any time, the cost to a holder of a Class A exchangeable share, Class B exchangeable share, share of Molson Coors Class A common stock, share of Molson Coors Class B common stock, an ancillary right connected to a Class A exchangeable share or an ancillary right connected to a Class B exchangeable share, as the case may be, will be averaged with the adjusted cost bases of any other properties identical to such property held by such person as capital property at that time.

***Molson Shareholders Resident in Canada***

The following section of the summary is applicable to a holder of Molson Class A non-voting shares and/or Molson Class B common shares who, for the purpose of the Canadian Tax Act and any applicable income tax treaty, is or is deemed to be a resident of Canada at all relevant times. Such a shareholder is hereinafter referred to as a Canadian resident shareholder or a Canadian resident holder.

***Receipt of the Special Dividend***

***Individuals.*** In the case of a holder of Molson shares who is an individual (including most trusts), the special dividend received on Molson shares by the shareholder will be required to be included in computing the individual's income for the taxation year in which the special dividend is received and will be subject to the gross-up and dividend tax credit rules generally applicable to taxable dividends received from taxable Canadian corporations.

***Corporations.*** In the case of a holder of Molson shares that is a corporation, subject to the potential application of subsection 55(2) of the Canadian Tax Act, discussed below, the special dividend received on Molson shares will be required to be included in computing the corporation's income for the taxation year in which the special dividend is received and such dividend will normally be deductible in computing the corporation's taxable income.

In the case of a holder of Molson shares that is a "private corporation" (as defined in the Canadian Tax Act) or any other corporation controlled or deemed to be controlled by or for the benefit of an individual (other than a trust) or a related group of individuals (other than trusts), such shareholder will generally be liable to pay a refundable tax under Part IV of the Canadian Tax Act of 33<sup>1</sup>/<sub>3</sub>% on dividends received on Molson shares, to the extent such dividends are deductible in computing such shareholder's taxable income. A "Canadian-controlled private corporation" may be liable to pay an additional refundable tax of 6<sup>2</sup>/<sub>3</sub>% on dividends received on Molson shares if such dividends are not deductible in computing taxable income.

Subsection 55(2) of the Canadian Tax Act provides that, under certain conditions, all or part of a dividend (other than a dividend that is subject to Part IV tax that is not refunded as part of the same series of transactions) received by a corporate holder of Molson shares may be treated as proceeds of disposition of the Molson shares and not as a dividend. Although counsel is of the view that subsection 55(2) of the Canadian Tax Act should not apply to the special dividend, holders of Molson shares that are corporations not subject to Part IV tax on the special dividend should consult their own tax advisors for specific advice with respect to the potential application of subsection 55(2) of the Canadian Tax Act to the special dividend.

*Exchange of Molson Shares*

*Rollover Transaction.* A Canadian resident holder of Molson Class A non-voting shares and/or Molson Class B common shares (i) who elects to receive consideration that includes exchangeable shares (and ancillary rights) in exchange for such Molson shares, (ii) who is eligible to make an election under subsection 85(1) or subsection 85(2) of the Canadian Tax Act, as described below under the heading "Rollover Election" ("Rollover Election") and (iii) who makes a valid Rollover Election with Molson Coors Exchangeco in respect of any such Molson shares, may obtain a full or partial tax deferral (rollover) of any capital gain otherwise arising on the exchange of such Molson shares, depending on the adjusted cost base to such eligible shareholder of the Molson shares at the time of the exchange, the number of Molson Coors Exchangeco preferred shares and/or the fair market value of any ancillary rights received in exchange for such Molson Shares and the amount elected by such eligible shareholder to be the proceeds of disposition of such Molson shares.

*Non-Rollover Transaction.* The following is a summary of the tax consequences to a Canadian resident holder of Molson Class A non-voting shares and/or Molson Class B common shares (i) who is not eligible to make the Rollover Election, or (ii) who does not make a valid Rollover Election with Molson Coors Exchangeco in respect of the Molson shares.

*Exchange of Molson Class A Non-Voting Shares for Class B Exchangeable Shares (and Ancillary Rights)*

Unless a valid Rollover Election is made, the exchange of Molson Class A non-voting shares for Class B exchangeable shares (and ancillary rights) will generally be a taxable event to a Canadian resident holder of Molson Class A non-voting shares. Such shareholder will be considered, at the effective time of the exchange, to have disposed of the Molson Class A non-voting shares for proceeds of disposition equal to the sum of (i) the fair market value of Class B exchangeable shares (including any fractional share that under the arrangement will be disposed of for cash) acquired by such shareholder on the exchange and (ii) the fair market value of the ancillary rights acquired by such shareholder on the exchange. As a result, such a shareholder will realize a capital gain (or capital loss) to the extent that such proceeds of disposition exceed (or are less than) the sum of (i) the adjusted cost base to such shareholder of his or her Molson Class A non-voting shares immediately prior to the exchange and (ii) any reasonable costs of disposition. For a description of the tax treatment of capital gains and losses, see "Taxation of Capital Gain or Capital Loss" below.

The cost to such a shareholder of:

Class B exchangeable shares (including any fractional share) received in exchange for the Molson Class A non-voting shares will be equal to the fair market value of the Molson Class A non-voting shares at the effective time of the exchange multiplied by a fraction the numerator of which is the fair market value at the effective time of the exchange of the Class B exchangeable shares (including any fractional share) received on the exchange and the denominator of which is the aggregate fair market value at the effective time of the exchange of the Class B

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exchangeable shares (including any fractional share) and the ancillary rights received on the exchange; and

the ancillary rights received in exchange for the Molson Class A non-voting shares will be equal to the fair market value of the Molson Class A non-voting shares at the effective time of the exchange multiplied by a fraction the numerator of which is the fair market value at the effective time of the exchange of the ancillary rights received on the exchange and the denominator of which is the aggregate fair market value at the effective time of the exchange of the Class B exchangeable shares (including any fractional share) and the ancillary rights received on the exchange.

### *Exchange of Molson Class A Non-Voting Shares for Class B1 Preferred Shares and Class B2 Preferred Shares*

The exchange of Molson Class A non-voting shares solely for Class B1 preferred shares and Class B2 preferred shares will generally be a taxable event to a Canadian resident holder of Molson Class A non-voting shares. Such a shareholder will not be entitled to make a Rollover Election and will be considered, at the effective time of the exchange, to have disposed of the Molson Class A non-voting shares for proceeds of disposition equal to the aggregate fair market value of the Class B1 preferred shares and Class B2 preferred shares (including any fractional preferred shares) acquired by such shareholder on the exchange. As a result, such a shareholder will realize a capital gain (or capital loss) to the extent that such proceeds of disposition exceed (or are less than) the sum of (i) the adjusted cost base to such shareholder of his or her Molson Class A non-voting shares immediately prior to the exchange and (ii) any reasonable costs of disposition. For a description of the tax treatment of capital gains and losses, see "Taxation of Capital Gain or Capital Loss" below.

The cost to such a shareholder of:

Class B1 preferred shares (including any fractional share) received in exchange for the Molson Class A non-voting shares will be equal to the fair market value of the Molson Class A non-voting shares at the effective time of the exchange multiplied by a fraction the numerator of which is the fair market value at the effective time of the exchange of all the Class B1 preferred shares (including any fractional share) received on the exchange and the denominator of which is the aggregate fair market value at the effective time of the exchange of the total consideration (including any fractional shares) received in exchange for such Molson Class A non-voting shares; and

Class B2 preferred shares (including any fractional share) received in exchange for the Molson Class A non-voting shares will be equal to the fair market value of the Molson Class A non-voting shares at the effective time of the exchange multiplied by a fraction the numerator of which is the fair market value at the effective time of the exchange of the Class B2 preferred shares (including any fractional share) received on the exchange and the denominator of which is the aggregate fair market value at the effective time of the exchange of the total consideration (including any fractional shares) received in exchange for such Molson Class A non-voting shares.

### *Exchange of Molson Class A Non-Voting Shares for Class B Exchangeable Shares (and Ancillary Rights) and Class B1 Preferred Shares and Class B2 Preferred Shares*

Unless a valid Rollover Election is made, the exchange of Molson Class A non-voting shares for Class B exchangeable shares (and ancillary rights) and Class B1 preferred shares and Class B2 preferred shares will generally be a taxable event to a Canadian resident holder of Molson Class A non-voting shares. Such shareholder will be considered, at the effective time of the exchange, to have disposed of the Molson Class A non-voting shares for proceeds of disposition equal to the sum of

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(i) the fair market value of the Class B exchangeable shares (including any fractional share that under the arrangement will be disposed of for cash) acquired by such shareholder on the exchange, (ii) the fair market value of Class B1 preferred shares (including any fractional share) and Class B2 preferred shares (including any fractional share) acquired by such shareholder on the exchange and (iii) the fair market value of the ancillary rights acquired by such shareholder on the exchange. As a result, such a shareholder will realize a capital gain (or capital loss) to the extent that such proceeds of disposition exceed (or are less than) the sum of (i) the adjusted cost base to such shareholder of his or her Molson Class A non-voting shares immediately prior to the exchange and (ii) any reasonable costs of disposition. For a description of the tax treatment of capital gains and losses, see "Taxation of Capital Gain or Capital Loss" below.

The cost to such a shareholder of:

Class B exchangeable shares (including any fractional share) received in exchange for the Molson Class A non-voting shares will be equal to the fair market value of the Molson Class A non-voting shares at the effective time of the exchange multiplied by a fraction the numerator of which is the fair market value at the effective time of the exchange of the Class B exchangeable shares (including any fractional share) received on the exchange and the denominator of which is the aggregate fair market value at the effective time of the exchange of the total consideration (including any fractional shares) received in exchange for such Molson Class A non-voting shares;

Class B1 preferred shares (including any fractional share) received in exchange for the Molson Class A non-voting shares will be equal to the fair market value of the Molson Class A non-voting shares at the effective time of the exchange multiplied by a fraction the numerator of which is the fair market value at the effective time of the exchange of the Class B1 preferred shares (including any fractional share) received on the exchange and the denominator of

which is the aggregate fair market value at the effective time of the exchange of the total consideration (including any fractional shares) received in exchange for such Molson Class A non-voting shares;

Class B2 preferred shares (including any fractional share) received in exchange for the Molson Class A non-voting shares will be equal to the fair market value of the Molson Class A non-voting shares at the effective time of the exchange multiplied by a fraction the numerator of which is the fair market value at the effective time of the exchange of the Class B2 preferred shares (including any fractional share) received on the exchange and the denominator of which is the aggregate fair market value at the effective time of the exchange of the total consideration (including any fractional shares) received in exchange for such Molson Class A non-voting shares; and

ancillary rights received in exchange for the Molson Class A non-voting shares will be equal to the fair market value of the Molson Class A non-voting shares at the effective time of the exchange multiplied by a fraction the numerator of which is the fair market value at the effective time of the exchange of the ancillary rights received on the exchange and the denominator of which is the aggregate fair market value at the effective time of the exchange of the total consideration (including any fractional shares) received in exchange for such Molson Class A non-voting shares.

### *Exchange of Molson Class B Common Shares for Class A Exchangeable Shares (and Ancillary Rights) and Class B Exchangeable Shares (and Ancillary Rights)*

Unless a valid Rollover Election is made, the exchange of Molson Class B common shares for Class A exchangeable shares (and ancillary rights) and Class B exchangeable shares (and ancillary rights) will generally be a taxable event to a Canadian resident holder of Molson Class B common

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shares. Such shareholder will be considered, at the effective time of the exchange, to have disposed of the Molson Class B common shares for proceeds of disposition equal to the sum of (i) the aggregate fair market value of the Class A exchangeable shares and Class B exchangeable shares (including any fractional shares that under the arrangement will be disposed of for cash) acquired by such shareholder on the exchange, and (ii) the fair market value of the ancillary rights acquired by such shareholder on the exchange. As a result, such a shareholder will realize a capital gain (or capital loss) to the extent that such proceeds of disposition exceed (or are less than) the sum of (i) the adjusted cost base to such shareholder of his or her Molson Class B common shares immediately prior to the exchange and (ii) any reasonable costs of disposition. For a description of the tax treatment of capital gains and losses, see "Taxation of Capital Gain or Capital Loss" below.

The cost to such a shareholder of:

Class A exchangeable shares (including any fractional share) received in exchange for the Molson Class B common shares will be equal to the fair market value of the Molson Class B common shares at the effective time of the exchange multiplied by a fraction the numerator of which is the fair market value at the effective time of the exchange of the Class A exchangeable shares (including any fractional share) received on the exchange and the denominator of which is the aggregate fair market value at the effective time of the exchange of the total consideration (including any fractional shares) received in exchange for such Molson Class B common shares;

Class B exchangeable shares (including any fractional share) received in exchange for the Molson Class B common shares will be equal to the fair market value of the Molson Class B common shares at the effective time of the exchange multiplied by a fraction the numerator of which is the fair market value at the effective time of the exchange of the Class B exchangeable shares (including any fractional share) received on the exchange and the denominator of which is the aggregate fair market value at the effective time of the exchange of the total consideration (including any fractional shares) received in exchange for such Molson Class B common shares;

ancillary rights in respect of the Class A exchangeable shares received in exchange for the Molson Class B common shares will be equal to the fair market value at the effective time of the exchange of the Molson Class B common shares multiplied by a fraction the numerator of which is the fair market value at the effective time of the exchange of those ancillary rights received on the exchange and the denominator of which is the aggregate fair market value at the effective time of the exchange of the total consideration (including any fractional shares) received in exchange for such Molson Class B common shares; and

ancillary rights in respect of the Class B exchangeable shares received in exchange for the Molson Class B common shares will be equal to the fair market value at the effective time of the exchange of the Molson Class B common shares multiplied by a fraction the numerator of which is the fair market value at the effective time of the exchange of those ancillary rights received on the exchange and the denominator of which is the aggregate fair market value at the effective time of the exchange of the total consideration (including any fractional shares) received in exchange for such Molson Class B common shares.

### *Exchange of Molson Class B Common Shares for Class A Preferred Shares, Class B1 Preferred Shares and Class B2 Preferred Shares*

The exchange of Molson Class B common shares solely for Class A preferred shares, Class B1 preferred shares and Class B2 preferred shares will generally be a taxable event to a Canadian resident holder of Molson Class B common shares. Such a shareholder will not be entitled to make a Rollover Election and will be considered, at the effective time of the exchange, to have disposed of the Molson Class B common shares for proceeds of disposition equal to the aggregate fair market value of the Class A preferred shares, Class B1 preferred shares and Class B2 preferred shares (including fractional

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preferred shares) acquired by such shareholder on the exchange. As a result, such a shareholder will realize a capital gain (or capital loss) to the extent that such proceeds of disposition exceed (or are less than) the sum of (i) the adjusted cost base to such shareholder of his or her Molson Class B common shares immediately prior to the exchange and (ii) any reasonable costs of disposition. For a description of the tax treatment of capital gains and losses, see "Taxation of Capital Gain or Capital Loss" below.

The cost to such a shareholder of:

Class A preferred shares (including any fractional share) received in exchange for the Molson Class B common shares will be equal to the fair market value of the Molson Class B common shares at the effective time of the exchange multiplied by a fraction the numerator of which is the fair market value at the effective time of the exchange of the Class A preferred shares (including any fractional share) received on the exchange and the denominator of which is the aggregate fair market value at the effective time of the exchange of the total consideration (including any fractional shares) received in exchange for such Molson Class B common shares;

Class B1 preferred shares (including any fractional share) received in exchange for the Molson Class B common shares will be equal to the fair market value of the Molson Class B common shares at the effective time of the exchange multiplied by a fraction the numerator of which is the fair market value at the effective time of the exchange of the Class B1 preferred shares (including any fractional share) received on the exchange and the denominator of which is the aggregate fair market value at the effective time of the exchange of the total consideration (including any fractional shares) received in exchange for such Molson Class B common shares; and

Class B2 preferred shares (including any fractional share) received in exchange for the Molson Class B common shares will be equal to the fair market value of the Molson Class B common shares at the effective time of the exchange multiplied by a fraction the numerator of which is the fair market value at the effective time of the exchange of the Class B2 preferred shares (including any fractional share) received on the exchange and the denominator of which is the aggregate fair market value at the effective time of the exchange of the total consideration (including any fractional shares) received in exchange for such Molson Class B common shares.

*Exchange of Molson Class B common shares for Class A Exchangeable Shares (and Ancillary Rights), Class B Exchangeable Shares (and Ancillary Rights), Class A Preferred Shares, Class B1 Preferred Shares and Class B2 Preferred Shares*

Unless a valid Rollover Election is made, the exchange of Molson Class B common shares for Class A exchangeable shares (and ancillary rights), Class B exchangeable shares (and ancillary rights), Class A preferred shares, Class B1 preferred shares and Class B2 preferred shares will generally be a taxable event to a Canadian resident holder of Molson Class B common shares. Such a shareholder will be considered, at the effective time of the exchange, to have disposed of the Molson Class B common shares for proceeds of disposition equal to the sum of (i) the aggregate fair market value of the Class A exchangeable shares and Class B exchangeable shares (including any fractional shares that under the arrangement will be disposed of for cash) acquired by such shareholder on the exchange, (ii) the aggregate fair market value of the Class A preferred shares, Class B1 preferred shares and Class B2 preferred shares (including any fractional shares) acquired by such shareholder on the exchange, and (iii) the aggregate fair market value of the ancillary rights acquired by such shareholder on the exchange. As a result, such a shareholder will realize a capital gain (or capital loss) to the extent that such proceeds of disposition exceed (or are less than) the sum of (i) the adjusted cost base to such shareholder of his or her Molson Class B common shares immediately prior to the exchange and (ii) any reasonable costs of disposition. For a description of the tax treatment of capital gains and losses, see "Taxation of Capital Gain or Capital Loss" below.

The cost to such a shareholder of:

Class A exchangeable shares (including any fractional share) received in exchange for the Molson Class B common shares will be equal to the fair market value of the Molson Class B common shares at the effective time of the exchange multiplied by a fraction the numerator of which is the fair market value at the effective time of the exchange of the Class A exchangeable shares (including any fractional share) received on the exchange and the denominator of which is the aggregate fair market value at the effective time of the exchange of the total consideration (including any fractional shares) received in exchange for such Molson Class B common shares;

Class B exchangeable shares (including any fractional share) received in exchange for the Molson Class B common shares will be equal to the fair market value of the Molson Class B common shares at the effective time of the exchange multiplied by a fraction the numerator of which is the fair market value at the effective time of the exchange of the Class B exchangeable shares (including any fractional share) received on the exchange and the denominator of which is the aggregate fair

market value at the effective time of the exchange of the total consideration (including any fractional shares) received in exchange for such Molson Class B common shares;

Class A preferred shares (including any fractional share) received in exchange for the Molson Class B common shares will be equal to the fair market value of the Molson Class B common shares at the effective time of the exchange multiplied by a fraction the numerator of which is the fair market value at the effective time of the exchange of the Class A preferred shares (including any fractional share) received on the exchange and the denominator of which is the aggregate fair market value at the effective time of the exchange of the total consideration (including any fractional shares) received in exchange for such Molson Class B common shares;

Class B1 preferred shares (including any fractional share) received in exchange for the Molson Class B common shares will be equal to the fair market value of the Molson Class B common shares at the effective time of the exchange multiplied by a fraction the numerator of which is the fair market value at the effective time of the exchange of the Class B1 preferred shares (including any fractional share) received on the exchange and the denominator of which is the aggregate fair market value at the effective time of the exchange of the total consideration (including any fractional shares) received in exchange for such Molson Class B common shares;

Class B2 preferred shares (including any fractional share) received in exchange for the Molson Class B common shares will be equal to the fair market value of the Molson Class B common shares at the effective time of the exchange multiplied by a fraction the numerator of which is the fair market value at the effective time of the exchange of the Class B2 preferred shares (including any fractional share) received on the exchange and the denominator of which is the aggregate fair market value at the effective time of the exchange of the total consideration (including any fractional shares) received in exchange for such Molson Class B common shares;

ancillary rights in respect of Class A exchangeable shares received in exchange for the Molson Class B common shares will be equal to the fair market value of the Molson Class B common shares at the effective time of the exchange multiplied by a fraction the numerator of which is the fair market value at the effective time of the exchange of those ancillary rights received on the exchange and the denominator of which is the aggregate fair market value at the effective time of the exchange of the total consideration (including any fractional shares) received in exchange for such Molson Class B common shares; and

ancillary rights in respect of Class B exchangeable shares received in exchange for the Molson Class B common shares will be equal to the fair market value of the Molson Class B common shares at the effective time of the exchange multiplied by a fraction the numerator of which is the fair market value at the effective time of the exchange of those ancillary rights received on

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the exchange and the denominator of which is the aggregate fair market value at the effective time of the exchange of the total consideration (including any fractional shares) received in exchange for such Molson Class B common shares.

### *Rollover Election*

Molson Coors Exchangeco will make a joint election under subsection 85(1) or subsection 85(2), as applicable, of the Canadian Tax Act (and the corresponding provisions of any applicable provincial tax legislation) in respect of particular Molson Class A non-voting shares or Molson Class B common shares, with an eligible Canadian resident beneficial owner of Molson shares who elects (or for whom the registered holder of such Molson shares has elected on such beneficial owner's behalf) to receive consideration that includes exchangeable shares (and ancillary rights), and at the amounts elected by such beneficial owner of Molson shares, subject to the limitations under the Canadian Tax Act and in the arrangement. For further information respecting the tax election, see Interpretation Bulletin IT-291R3 "Transfer of Property to a Corporation under Subsection 85(1)" (January 12, 2004) and Information Circular IC 76-19R3 "Transfer of Property to a Corporation under Section 85" (June 17, 1996) issued by the CRA. **The comments made herein with respect to such elections are provided for general assistance only. The law in this area is complex and contains numerous technical requirements. Eligible shareholders wishing to make the tax election should consult their own tax advisors.**

*Eligible Shareholders.* Molson Coors Exchangeco will only make an election with an eligible shareholder. For this purpose, an "eligible shareholder" must (i) be the beneficial owner of Molson Class A non-voting shares or Molson Class B common shares, as the case may be; (ii) be a resident of Canada for the purposes of the Canadian Tax Act, including a partnership any member of which is a resident of Canada for the purposes of the Canadian Tax Act; (iii) not be exempt from tax under the Canadian Tax Act; (iv) not be a partnership, all of the members of which who are residents of Canada are exempt from tax under the Canadian Tax Act; and (v) have represented in the letter of transmittal and election form that such holder meets the conditions set out in (i) through (iv).

*Elected Amount.* An eligible shareholder may elect an amount which, subject to certain limitations contained in the Canadian Tax Act and in the arrangement, will be treated as the proceeds of disposition of such eligible shareholder's Molson Class A non-voting shares or Molson Class B common shares, as the case may be. The limitations imposed by the Canadian Tax Act are that the amounts elected in respect of the exchange of the Molson Class A non-voting shares or Molson Class B common shares, as the case may be, to which the tax election applies may not be:

less than the fair market value of the ancillary rights received on the particular exchange;

less than the lesser of (i) the adjusted cost base to the eligible shareholder of the Molson Class A non-voting shares or Molson Class B common shares, as the case may be, and (ii) the fair market value of the Molson Class A non-voting shares or Molson Class B common shares, as the case may be; and

greater than the fair market value of the Molson Class A non-voting shares or Molson Class B common shares, as the case may be;

in each case, determined at the effective time of the exchange. In addition to the foregoing limitations, the arrangement provides that the elected amount cannot be less than the sum of (i) the fair market value of any preferred shares of Molson Coors Exchangeco (including any fractional shares) received in consideration for Molson Class A non-voting shares or Molson Class B common shares, as the case may be and (ii) the fair market value of the ancillary rights received on the particular exchange.

If the amount elected in the tax election is greater than the permissible maximum amount or is less than the permissible minimum amount, the elected amount is deemed to be such permissible



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maximum or minimum amount. The amount elected by an eligible shareholder, as modified by such limitations, is referred to herein as the Elected Amount.

*Tax Treatment to holders of Molson Class A non-voting shares.* Where an eligible shareholder and Molson Coors Exchangeco make a valid Rollover Election in respect of the holder's Molson Class A non-voting shares, the tax treatment to such shareholder will generally be as follows:

the shareholder's Molson Class A non-voting shares will be deemed to have been disposed of for proceeds of disposition equal to the Elected Amount;

such shareholder will not realize a capital gain (nor a capital loss), provided that the Elected Amount is equal to the sum of (i) the adjusted cost base to such shareholder of his or her Molson Class A non-voting shares immediately before the exchange and (ii) any reasonable costs of disposition;

a capital gain (or a capital loss) will be realized, however, to the extent that the Elected Amount exceeds (or is less than) the sum of (i) the adjusted cost base to such shareholder of his or her Molson Class A non-voting shares immediately prior to the exchange and (ii) any reasonable costs of disposition. For a description of the tax treatment of capital gains and losses, see "Taxation of Capital Gain or Capital Loss" below;

the cost to such shareholder of the Class B exchangeable shares (including any fractional share) received in exchange for the Molson Class A non-voting shares will be equal to the Elected Amount, minus the sum of (i) the fair market value at the effective time of the exchange of the ancillary rights acquired on the exchange and (ii) the fair market value immediately after the effective time of the exchange of any Class B1 preferred shares and Class B2 preferred shares (including any fractional shares) received on the exchange;

the cost to such shareholder of any ancillary rights received in exchange for the Molson Class A non-voting shares will be equal to their fair market value at the effective time of the exchange;

the cost to such shareholder of any Class B1 preferred shares (including any fractional share) received in exchange for the Molson Class A non-voting shares will be equal to the fair market value of such Class B1 preferred shares immediately after the effective time of the exchange; and

the cost to such shareholder of any Class B2 preferred shares (including any fractional share) received in exchange for the Molson Class A non-voting shares will be equal to the fair market value of such Class B2 preferred shares immediately after the effective time of the exchange.

*Tax Treatment to Holders of Molson Class B Common Shares.* Where an eligible shareholder and Molson Coors Exchangeco make a valid Rollover Election in respect of the holder's Molson Class B common shares, the tax treatment to such shareholder will generally be as follows:

the shareholder's Molson Class B common shares will be deemed to have been disposed of for proceeds of disposition equal to the Elected Amount;

such shareholder will not realize a capital gain (nor a capital loss), provided that the Elected Amount is equal to the sum of (i) the adjusted cost base to such shareholder of his or her Molson Class B common shares immediately before the exchange and (ii) any reasonable costs of disposition;

a capital gain (or capital loss) will be realized, however, to the extent that the Elected Amount exceeds (or is less than) the sum of (i) the adjusted cost base to such shareholder of his or her Molson Class B common shares immediately prior to the

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exchange and (ii) any reasonable costs of disposition. For a description of the tax treatment of capital gains and losses, see "Taxation of Capital Gain or Capital Loss" below;

the cost to such a shareholder of the Class A exchangeable shares (including any fractional share) received in exchange for the Molson Class B common shares will be equal to (A) the Elected Amount, minus the sum of (i) the fair market value at the effective time of the exchange of the ancillary rights acquired on the exchange and (ii) the fair market value immediately after the effective time of the exchange of any Class A preferred shares, Class B1 preferred shares and Class B2 preferred shares (including any fractional shares) received on the exchange, multiplied by (B) a fraction the numerator of which is the fair market value immediately after the effective time of the exchange of the Class A exchangeable shares (including any fractional share) received on the exchange and the denominator of which is the aggregate fair market value immediately after the effective time of the exchange of all Class A exchangeable shares and Class B exchangeable shares (including any fractional shares) received on the exchange;

the cost to such shareholder of the Class B exchangeable shares (including any fractional share) received in exchange for the Molson Class B common shares will be equal to (A) the Elected Amount, minus the sum of (i) the fair market value at the effective time of the exchange of the ancillary rights acquired on the exchange and (ii) the fair market value immediately after the effective time of the exchange of any Class A preferred shares, Class B1 preferred shares and Class B2 preferred shares (including any fractional shares) received on the exchange, multiplied by (B) a fraction the numerator of which is the fair market value immediately after the effective time of the exchange of the Class B exchangeable shares (including any fractional share) received on the exchange and the denominator of which is the aggregate fair market value immediately after the effective time of the exchange of all Class A exchangeable shares and Class B exchangeable shares (including any fractional shares) received on the exchange;

the cost to such shareholder of the ancillary rights in respect of the Class A exchangeable shares and the ancillary rights in respect of the Class B exchangeable shares received in exchange for the Molson Class B common shares will be equal to their respective fair market values at the effective time of the exchange;

the cost to such shareholder of any Class A preferred shares (including any fractional share) received in exchange for the Molson Class B common shares will be equal to the fair market value of such Class A preferred shares (including any fractional share) immediately after the effective time of the exchange;

the cost to such shareholder of any Class B1 preferred shares (including any fractional share) received in exchange for the Molson Class B common shares will be equal to the fair market value of such Class B1 preferred shares immediately after the effective time of the exchange; and

the cost to such shareholder of any Class B2 preferred shares (including any fractional share) received in exchange for the Molson Class B common shares will be equal to the fair market value of such Class B2 preferred shares immediately after the effective time of the exchange.

*Procedure for Making an Election.* In order to make a Rollover Election, the eligible shareholder must provide to Molson Coors Exchangeco, at the address indicated in the tax election package (which may be obtained by mail from the depositary and is also available via the Internet on Molson's website at [www.molson.com/investors](http://www.molson.com/investors)), two signed copies of the applicable tax election forms within 90 days following the effective date of the arrangement, duly completed with (i) the details of the number of Molson Class A non-voting shares and/or Molson Class B common shares transferred in respect of which the eligible shareholder is making a Rollover Election, (ii) the applicable Elected Amounts for each class of shares and (iii) the details of the consideration received for each class of shares.

An eligible shareholder interested in making the Rollover Election should so indicate on the letter of transmittal and election form that is enclosed with this document and a tax election package, consisting of the relevant CRA and Québec tax election forms and a letter of instructions, will be sent by mail to such shareholder if he so elects. A tax election package may also be obtained by mail from the depositary or via the Internet on Molson's website at [www.molson.com/investors](http://www.molson.com/investors). The relevant federal tax election form is form T2057 (or, in the event that the Molson shares are held as partnership property, form T2058). For an eligible shareholder subject to Québec income tax, the Québec tax election form is form TP-518 (or, in the event that the Molson shares are held as partnership property, form TP-529).

*Joint Ownership.* Where the Molson shares are held in joint ownership and two or more of the co-owners wish to make a tax election, a co-owner designated for such purpose should file a copy of the federal election form T2057 (and any other relevant provincial or territorial forms) for each co-owner. Such election forms must be accompanied by a list of the names, addresses and social insurance numbers or tax account numbers of each of the co-owners, along with the letter signed by each of the co-owners authorizing the designated co-owner to complete and file the forms.

*Partnership.* Where the Molson shares are held as partnership property and the partnership wishes to make the tax election, a partner designated by the partnership must file a copy of the federal election form T2058 (and any other relevant provincial or territorial forms) on behalf of all members of the partnership. Such election forms must be accompanied by a list of the names, addresses, social insurance numbers or tax account numbers of each of the partners, along with the letter signed by each partner authorizing the designated partner to complete and file the forms.

*Additional Provincial or Territorial Election Forms.* Certain provincial or territorial jurisdictions may require that a separate joint election be filed for provincial or territorial income tax purposes. Molson Coors Exchangeco will also make a joint election with an eligible shareholder under the provisions of the relevant provincial or territorial income tax law with similar effect to section 85 of the Canadian Tax Act, subject to the same limitations as described herein. **Eligible shareholders should consult their own tax advisors to determine whether separate election forms must be filed with any provincial or territorial taxing authority and to determine the procedure for filing any such separate election form.** It will be the sole responsibility of each eligible shareholder who wishes to make such an election to obtain the appropriate provincial or territorial election forms and to submit such forms to Molson Coors Exchangeco for execution at the same time as the federal election forms.

*Execution by Molson Coors Exchangeco of Election Forms.* Subject to the election forms complying with the provisions of the applicable income tax law and the arrangement, Molson Coors Exchangeco will sign the tax election forms submitted by an eligible shareholder that appear correct and complete, and return them to the eligible shareholder within 90 days of their receipt. Molson Coors Exchangeco, in its sole discretion, may choose to sign and return an election form even if such form is received more than 90 days following the effective date of the arrangement, but Molson Coors Exchangeco will have no obligation to do so. **With the exception of signing and returning the properly completed election forms it receives, Molson Coors Exchangeco assumes no responsibility for making any tax election, and compliance with the requirements for a valid election will be the sole responsibility of the eligible shareholder making the election.** Neither Molson Coors Exchangeco nor the transfer agent will be responsible for the proper completion or filing of any election form, except for Molson Coors Exchangeco's obligation to sign and return properly completed election forms which are received by Molson Coors Exchangeco within 90 days following the effective date of the arrangement, within 90 days of receipt by Molson Coors Exchangeco. Neither Molson, Molson Coors nor Molson Coors Exchangeco will be responsible or liable for any taxes, interest, penalties, damages or expenses resulting from the failure by anyone to properly complete or file an election form in the form and manner and

within the time prescribed by the Canadian Tax Act (or the corresponding provisions of any applicable provincial tax legislation).

*Filing of Election Forms.* In order for the CRA (and, where applicable, the Ministère du Revenu du Québec) or any provincial tax authority to accept a tax election form without a late filing penalty being paid by an eligible shareholder, the election forms, duly completed and executed by both the eligible shareholder and Molson Coors Exchangeco must be received by the appropriate tax authorities on or before the earliest due date for the filing of either Molson Coors Exchangeco's or the eligible shareholder's income tax return for the taxation year in which the exchange takes place. The tax election form generally must, in the case of an eligible shareholder who is an individual (other than a trust), be received by the tax authorities by April 30, 2006 (being generally the deadline when such individuals are required to file tax returns for the 2005 taxation year). Eligible shareholders are strongly advised to consult their own tax advisors as soon as possible respecting the deadlines applicable to their own particular circumstances. However, regardless of such deadlines, properly completed tax election forms must be received by Molson Coors Exchangeco at the address set out in the tax election package (which may be obtained by mail from the depositary and is also available via the Internet on Molson's website at [www.molson.com/investors](http://www.molson.com/investors)) within 90 days following the effective date of the arrangement.

**Any eligible shareholder who does not ensure that Molson Coors Exchangeco has received the properly completed tax election forms within 90 days following the effective date of the arrangement may not be able to benefit from the rollover provisions of the Canadian Tax Act and any applicable provincial tax legislation.**

*Exchange of Preferred Shares of Molson Coors Exchangeco for shares of Molson Coors Class A Common Stock and/or shares of Molson Coors Class B Common Stock*

At the effective time of the exchange, a holder of preferred shares (including any fractional shares) of Molson Coors Exchangeco will transfer such shares to Callco in exchange for shares of the corresponding class of Molson Coors common stock (including any fractional shares). Such shareholder will be considered (i) to have disposed of such preferred shares for proceeds of disposition equal to the fair market value at that time of the shares of the corresponding class of Molson Coors common stock (including any fractional shares) acquired in exchange therefor, (ii) to realize a capital gain (or capital loss) to the extent that the fair market value at that time of the shares of the corresponding class of Molson Coors common stock acquired on the exchange exceeds (or is less than) the adjusted cost base of such preferred shares and (iii) to have acquired the shares of the corresponding class of Molson Coors common stock (including any fractional shares) at a cost equal to the fair market value at the time of the exchange of such preferred shares.

Molson is of the view that the fair market value of a Class A preferred share of Molson Coors Exchangeco will be equal to the fair market value of a share of Molson Coors Class A common stock and that the aggregate fair market value of a Class B1 preferred share and Class B2 preferred share of Molson Coors Exchangeco will be equal to the fair market value of a share of Molson Coors Class B common stock. So long as this view with respect to the value of the preferred shares of Molson Coors Exchangeco and the shares of Molson Coors common stock is correct, a holder of preferred shares will not realize a capital gain (or capital loss) on the exchange of preferred shares for shares of the corresponding class of Molson Coors common stock. This determination of value is not binding on the CRA and it is possible that the CRA could take a contrary view.

*Receipt of Cash for Fractional Shares*

The arrangement provides that share certificates for fractional exchangeable shares of Molson Coors Exchangeco and fractional shares of the common stock of Molson Coors will not be issued to Molson shareholders in connection with the arrangement. Under the arrangement, a Molson shareholder entitled to a fraction of an exchangeable share of Molson Coors Exchangeco will receive a

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cash payment from the depositary on the sale of such fractional share and a Molson shareholder entitled to a fraction of a share of Molson Coors common stock will receive a cash payment from the depositary from the sale of such fractional share.

A Molson shareholder will be considered to have received proceeds of disposition equal to the amount of cash received from the depositary for any fractional exchangeable share of Molson Coors Exchangeco and for any fractional shares of the common stock of Molson Coors. To the extent such proceeds of disposition of such fractional share exceed (or are less than) the adjusted cost base to such shareholder of the fractional exchangeable share or fractional share of Molson Coors common stock, as the case may be, immediately before the disposition, a capital gain (or a capital loss) will result. For a description of the tax treatment of capital gains and losses, see "Taxation of Capital Gain or Capital Loss" below.

### *Dividends on Molson Coors Exchangeco Exchangeable Shares*

*Individuals.* In the case of a holder of exchangeable shares who is an individual (including most trusts), dividends received or deemed to be received on exchangeable shares by the shareholder are required to be included in computing the individual's income for the taxation year in which such dividends are received and are subject to the gross-up and dividend tax credit rules generally applicable to taxable dividends received from taxable Canadian corporations.

*Corporations.* In the case of a holder of exchangeable shares that is a corporation, dividends received or deemed to be received on the exchangeable shares are required to be included in computing the corporation's income for the taxation year in which such dividends are received and, subject to the special rules and limitations described below, such dividends will normally be deductible in computing the corporation's taxable income.

In the case of a holder of exchangeable shares that is a "private corporation" (as defined in the Canadian Tax Act) or any other corporation controlled or deemed to be controlled by or for the benefit of an individual (other than a trust) or a related group of individuals (other than trusts), such shareholder will generally be liable to pay a refundable tax under Part IV of the Canadian Tax Act of  $33\frac{1}{3}\%$  on dividends received (or deemed to be received) on the exchangeable shares, to the extent such dividends are deductible in computing such shareholder's taxable income. A "Canadian-controlled private corporation" may be liable to pay an additional refundable tax of  $6\frac{2}{3}\%$  on dividends received or deemed to be received on the exchangeable shares if such dividends are not deductible in computing taxable income.

In the case of a corporate holder of Class A exchangeable shares or Class B exchangeable shares, as the case may be, that is a "specified financial institution," dividends on such shares will not be deductible in computing the shareholder's taxable income unless either: (i) such shareholder did not acquire the exchangeable shares in the ordinary course of the business carried on by it; or (ii) at the time the dividend is received or deemed to be received, the exchangeable shares of such class are listed on a prescribed stock exchange in Canada (which currently includes the Toronto Stock Exchange) and such shareholder, either alone or together with persons with whom such shareholder does not deal at arm's length and, in certain cases, either directly or through a trust or partnership of which such shareholder or other person is a beneficiary or member, respectively, does not receive (and is not deemed to receive) dividends in respect of more than 10% of the issued and outstanding shares of that class.

A corporation will, in general, be a "specified financial institution" for purposes of the Canadian Tax Act if it is a bank, a trust company, a credit union, an insurance corporation, a corporation whose principal business is the lending of money to persons with whom the corporation is dealing at arm's length or the purchasing of debt obligations issued by such persons or a combination thereof, a prescribed corporation, or a corporation controlled by or related to such entities. If Molson Coors,

Callco or any other person with whom Molson Coors does not deal at arm's length is a specified financial institution at the time that a dividend is paid on an exchangeable share, subject to the exception described below, dividends received or deemed to be received by a holder of exchangeable shares that is a corporation will not be deductible in computing such holder's taxable income but will be fully includable in taxable income under Part I of the Canadian Tax Act. Coors has represented in the combination agreement that it will not be a specified financial institution immediately prior to the effective time of the arrangement provided Molson is not a specified financial institution at that time. In addition, Coors has covenanted (subject to certain limitations) to take all steps within its control that are necessary to ensure that it will not become a "specified financial institution" so long as, generally, any person who received more than 10% of any class of exchangeable shares under the arrangement continues to own such shares. In any event, this denial of the dividend deduction for a shareholder of Molson Coors Exchangeco that is a corporation will not apply if, at the time a dividend is received or deemed to be received, the class of exchangeable shares held by the corporation are listed on a "prescribed stock exchange" (which currently includes the Toronto Stock Exchange), Molson Coors and Callco are related to Molson Coors Exchangeco for the purposes of the Canadian Tax Act, and the recipient, either alone or together with persons with whom the recipient does not deal at arm's length or any partnership or trust of which the recipient or such person is a member or beneficiary, respectively, does not receive (and is not deemed to receive) dividends in respect of more than 10% of the issued and outstanding shares of that class.

The exchangeable shares are "taxable preferred shares" and "short-term preferred shares" for the purpose of the Canadian Tax Act. A holder of exchangeable shares who receives or is deemed to receive dividends on such shares will not be subject to the 10% tax under Part IV.1 of the Canadian Tax Act.

*Dividends on Shares of Molson Coors Class A Common Stock and Shares of Molson Coors Class B Common Stock*

*Individuals.* In the case of a holder of shares of Molson Coors Class A common stock and/or shares of Molson Coors Class B common stock who is an individual, dividends received or deemed to be received by the shareholder on such shares will be required to be included in computing the shareholder's income for the taxation year in which such dividends are received and will not be subject to the gross-up and dividend tax credit rules in the Canadian Tax Act.

*Corporations.* In the case of a holder of shares of Molson Coors Class A common stock and/or shares of Molson Coors Class B common stock that is a corporation, dividends received or deemed to be received by the shareholder on such shares will be required to be included in computing the shareholder's income for the taxation year in which such dividends are received and generally will not be deductible in computing the shareholder's taxable income. A shareholder that is a Canadian-controlled private corporation may be liable to pay an additional refundable tax of  $6\frac{2}{3}\%$  on such dividends.

Any United-States non-resident withholding tax on such dividends generally will be eligible to be credited against the holder's income tax or deducted from income subject to certain limitations under the Canadian Tax Act.

*Redemption, Exchange and Disposition of Molson Coors Exchangeco Exchangeable Shares*

A shareholder will be considered to have disposed of exchangeable shares (i) on a redemption (including pursuant to a retraction request) of such exchangeable shares by Molson Coors Exchangeco and (ii) on an acquisition of such exchangeable shares by Callco or Molson Coors. However, the Canadian federal income tax consequences of the disposition for the holder will be quite different depending on whether the event giving rise to the disposition is a redemption or an acquisition. **A**

**shareholder who exercises the right to require redemption of an exchangeable share by giving a retraction request cannot control whether the exchangeable share will be acquired by Callco under the retraction call right or redeemed by Molson Coors Exchangeco; however, the shareholder will be notified if Callco will not exercise the retraction call right, in which case the shareholder may cancel the retraction request and retain the exchangeable share.**

*Redemption or Retraction by Molson Coors Exchangeco.* On a redemption (including pursuant to a retraction request) of an exchangeable share by Molson Coors Exchangeco, a shareholder will generally be deemed to receive a dividend equal to the amount by which the redemption proceeds exceed the paid-up capital (for purposes of the Canadian Tax Act) of the exchangeable share so redeemed. On the redemption, the holder of an exchangeable share will be considered to have disposed of the exchangeable share for proceeds of disposition equal to the redemption proceeds less the amount of the deemed dividend. A holder will realize a capital loss (or a capital gain) equal to the amount by which the sum of (i) the adjusted cost base to the holder of the exchangeable share, and (ii) any reasonable costs of disposition, exceeds (or is less than) the proceeds of disposition. For this purpose, the "redemption proceeds" of an exchangeable share will be equal to the sum of (i) the fair market value at the time of the redemption of the share of the corresponding class of Molson Coors common stock received by the shareholder, and (ii) the amount of all declared but unpaid dividends, if any, on the exchangeable share.

The deemed dividend will be subject to the tax treatment described above under the heading "Dividends on Molson Coors Exchangeco Exchangeable Shares." For a description of the tax treatment of capital gains and losses, see "Taxation of Capital Gain or Capital Loss" below.

In the case of a shareholder that is a corporation, it is possible that in some circumstances all or part of the deemed dividend may be treated as proceeds of disposition and not as a dividend.

*Purchase by Callco, Molson Coors or Other Disposition.* On the acquisition of an exchangeable share by Callco or Molson Coors for a share of the corresponding class of Molson Coors common stock or on any other disposition or deemed disposition of an exchangeable share by a shareholder, other than a redemption (including pursuant to a retraction request), a shareholder will generally be considered to realize a capital gain (or a capital loss) equal to the amount by which the proceeds of disposition exceed (or are less than) the total of (i) the adjusted cost base of the exchangeable share to the shareholder and (ii) any reasonable costs of disposition. For this purpose, the proceeds of disposition in respect of an acquisition of an exchangeable share by Callco or Molson Coors will be equal to the sum of (i) the fair market value at the time of the exchange of the share of the corresponding class of Molson Coors common stock, and (ii) the amount of all declared but unpaid dividends on the exchangeable share. The acquisition of an exchangeable share by Callco or Molson Coors will not result in a deemed dividend. For a description of the tax treatment of capital gains and losses, see "Taxation of Capital Gain or Capital Loss" below.

The cost of a share of Molson Coors common stock received by a holder of exchangeable shares on the redemption or retraction of an exchangeable share by Molson Coors Exchangeco or on the acquisition of an exchangeable share by Callco or Molson Coors will be equal to the fair market value of such exchangeable share at the time of such event.

On October 18, 2000, the Minister of Finance announced that the Department of Finance would consider future amendments to the Canadian Tax Act to allow holders of shares of a Canadian corporation to exchange such shares for shares of a non-Canadian corporation on a tax-deferred basis. It is possible that, in certain circumstances, these contemplated amendments, if enacted into law, could in the future allow a holder of exchangeable shares to exchange such shares for shares of Molson Coors common stock on a tax-deferred basis. **No specifics have been announced regarding these contemplated amendments and in particular with respect to the various requirements that would have**



**to be satisfied in order to permit a holder of exchangeable shares to exchange such shares on a tax-deferred basis or whether these requirements could be satisfied in the circumstances.**

*Disposition of shares of Molson Coors Class A Common Stock and/or shares of Molson Coors Class B Common Stock*

The disposition or deemed disposition of shares of Molson Coors Class A common stock or shares of Molson Coors Class B common stock will generally be a taxable event to a shareholder. On such disposition, such shareholder will be considered to realize a capital gain (or capital loss) to the extent that the proceeds of disposition of such shares exceed (or are less than) the sum of (i) the adjusted cost base to such shareholder of the shares of Molson Coors Class A common stock or shares of Molson Coors Class B common stock, as the case may be, immediately prior to the disposition and (ii) any reasonable costs of disposition. For a description of the tax treatment of capital gains and losses, see "Taxation of Capital Gain or Capital Loss" below.

*Taxation of Capital Gain or Capital Loss*

Generally, a shareholder is required to include in computing its income for a taxation year 50% of the amount of any capital gain (the "taxable capital gain"). A shareholder may deduct 50% of the amount of any capital loss (the "allowable capital loss") realized in a taxation year from taxable capital gains realized by the shareholder in such year, subject to and in accordance with rules contained in the Canadian Tax Act. Any allowable capital losses in excess of taxable capital gains for the year of disposition generally may be carried back up to three taxation years or carried forward indefinitely and deducted against taxable capital gains in such other years to the extent and under the circumstances described in the Canadian Tax Act.

Capital gains realized by a shareholder who is an individual or trust, other than certain specified trusts, may give rise to alternative minimum tax under the Canadian Tax Act.

A shareholder that is a "Canadian-controlled private corporation," as defined in the Canadian Tax Act, may be liable to pay an additional refundable tax of 6<sup>2</sup>/<sub>3</sub>% on its "aggregate investment income" for the year which will include an amount in respect of taxable capital gains.

If the holder of an exchangeable share of Molson Coors Exchangeco or a share of Molson is a corporation, the amount of any capital loss realized on a disposition or deemed disposition of such share may be reduced by the amount of dividends received or deemed to have been received by it on such share to the extent and under circumstances prescribed by the Canadian Tax Act. Similar rules may apply where a corporation is a member of a partnership or a beneficiary of a trust that owns such shares or where a trust or partnership of which a corporation is a beneficiary or a member is a member of a partnership or a beneficiary of a trust that owns any such shares. Shareholders to whom these rules may be relevant should consult their own tax advisors.

*Foreign Investment Entity Draft Legislation*

Draft legislation regarding the taxation of investments in "foreign investment entities" was released on October 30, 2003. In general, where the draft legislation applies, a holder of an interest in a foreign investment entity will be required to either (i) include in (or deduct from) income on an annual basis any increase (or decrease) in the value of that interest or (ii) include in income annually, an imputed return at the prescribed rate on the "designated cost" of such interest. A corporation is not a foreign investment entity if the "carrying value" of all of its "investment property" is not greater than one-half of the "carrying value" of all of its property or if its principal business is not an "investment business" within the meaning of those terms in the draft legislation. Coors has covenanted (subject to certain limitations) that it will take all steps within its control that are necessary to ensure that it will not become a "foreign investment entity" so long as, generally, more than 10% of the shares of any class of

exchangeable shares or more than 10% of the shares of any class of Molson Coors common stock are held by any person who received under the arrangement more than 10% of the shares of any such class. In any event, in general, the proposed rules will not apply to shares of Molson Coors common stock so long as such shares qualify as an "arm's length interest" under the Canadian Tax Act and it is reasonable to conclude that the holder has no tax avoidance motive in respect of such shares. **No assurance can be given that the shares of Molson Coors common stock or exchangeable shares will qualify as arm's length interests and shareholders should consult their own tax advisors in this respect.**

*Foreign Property Information Reporting*

In general, a "specified Canadian entity," as defined in the Canadian Tax Act, for a taxation year or fiscal period whose total cost amount of "specified foreign property", as defined in the Canadian Tax Act, at any time in the year or fiscal period exceeds \$100,000, is required to file an information return for the year or period disclosing prescribed information, including the cost amount, any dividends received in the year, and any gains or losses realized in the year, in respect of such property. With some exceptions, a taxpayer resident in Canada in the year will be a specified Canadian entity. Exchangeable shares and preferred shares of Molson Coors Exchangeco, ancillary rights, shares of Molson Coors common stock and options to acquire shares of Class B common stock of Molson Coors will constitute specified foreign property to a shareholder. **Accordingly, holders of exchangeable shares, shares of Molson Coors common stock and such options should consult their own advisors regarding compliance with these rules.**

*Dissenting Molson Shareholders*

A dissenting Molson shareholder will be subject to tax on the special dividend as described above under the heading "Receipt of the Special Dividend."

In addition, a dissenting Molson shareholder is entitled, if the arrangement becomes effective, to be paid by Molson or Molson Coors Exchangeco the fair value of Molson shares held by the dissenting shareholder. For a description of the dissent rights of a Molson shareholder, see "Description of Merger Transaction Dissenting Shareholder's Rights" above. The Canadian federal income tax consequences to a dissenting Molson shareholder are different depending on whether the payment is made by Molson or by Molson Coors Exchangeco. Such a dissenting Molson shareholder cannot control whether the payment will be made by Molson or by Molson Coors Exchangeco.

*Payment made by Molson.* Upon the receipt of a payment by Molson, a dissenting shareholder will be deemed to receive a taxable dividend equal to the amount by which the amount paid by Molson (other than in respect of interest awarded by the court) exceeds the paid-up capital (for purposes of the Canadian Tax Act) of such shareholder's Molson shares. Such dissenting shareholder will also be considered to have disposed of the Molson shares for proceeds of disposition equal to the amount received by such shareholder from Molson, less the amount of the deemed dividend and interest awarded by a court. As a result, such dissenting shareholder will also realize a capital loss (or a capital gain) equal to the amount by which the sum of (i) the adjusted cost base to the shareholder of the Molson shares and (ii) any reasonable costs of disposition, exceeds (or is less than) such proceeds of disposition. The deemed dividend is subject to the same tax treatment described above under the heading "Receipt of the Special Dividend," except that, in the case of a shareholder that is a corporation, it is possible that in some circumstances all or part of the deemed dividend may be treated as proceeds of disposition and not as a dividend.

*Payment made by Molson Coors Exchangeco.* Upon the receipt of a payment by Molson Coors Exchangeco, a dissenting shareholder will be considered to have disposed of the Molson shares for proceeds of disposition equal to the amount received by such shareholder from Molson Coors

Exchangeco (other than in respect of interest awarded by the court). As a result, such dissenting shareholder will realize a capital gain (or a capital loss) equal to the amount by which such proceeds of disposition exceed (or are less than) the sum of (i) the adjusted cost base to the shareholder of its Molson shares and (ii) any reasonable costs of disposition.

Any interest awarded to a dissenting shareholder by the court will be includable in such shareholder's income for purposes of the Canadian Tax Act.

For a description of the tax treatment of capital gains and losses, see "Taxation of Capital Gain or Capital Loss" above.

***Molson Shareholders Not Resident in Canada***

The following section of the summary is applicable to a holder of Molson Class A non-voting shares and/or Molson Class B common shares who, for the purposes of the Canadian Tax Act and any applicable income tax treaty, and at all relevant times, is not, and is not deemed to be, a resident of Canada and does not, and is not deemed to, use or hold Molson Class A non-voting shares, Molson Class B common shares, Class A preferred shares, Class B1 preferred shares, Class B2 preferred shares, shares of Molson Coors Class A common stock or shares of Molson Coors Class B common stock in, or in the course of, carrying on a business in Canada. Such a shareholder is hereinafter referred to as a non-resident shareholder.

*Receipt of the Special Dividend*

The special dividend will be subject to Canadian withholding tax under the Canadian Tax Act at a rate of 25%, unless the rate is reduced under the provisions of an applicable income tax treaty. For example, under the Canada United States Income Tax Convention, which we refer to in this section as the "Canada U.S. treaty," the withholding tax rate is generally reduced to 15% in respect of a dividend paid to a person who is the beneficial owner of the dividend and who is resident in the United States for purposes of the Canada U.S. treaty.

*Dispositions of Shares of Molson and Shares of Molson Coors Exchangeco*

A non-resident shareholder for whom shares of Molson or preferred shares of Molson Coors Exchangeco are not taxable Canadian property will not be subject to tax under the Canadian Tax Act on the disposition of such shares. Generally, Molson Class A non-voting shares and Molson Class B common shares will not be "taxable Canadian property" to a non-resident shareholder at a particular time provided that (i) the shares are listed on a "prescribed stock exchange" (which includes the Toronto Stock Exchange and the New York Stock Exchange) at that time, (ii) the non-resident shareholder, persons not dealing at arm's length with the non-resident shareholder and the non-resident shareholder together with such persons have not owned 25% or more of the shares of any class of shares of Molson at any time during the 60-month period ending at the particular time, and (iii) such shares are not deemed to be taxable Canadian property to the non-resident shareholder under the provisions of the Canadian Tax Act. Generally, Class A preferred shares, Class B1 preferred shares and Class B2 preferred shares will not be "taxable Canadian property" to a non-resident shareholder at a particular time provided that (i) the shares are listed on a "prescribed stock exchange" (which includes the Toronto Stock Exchange) at that time, (ii) the non-resident shareholder, persons not dealing at arm's length with the non-resident shareholder and the non-resident shareholder together with such persons have not owned 25% or more of the shares of any class of shares of Molson Coors Exchangeco at any time during the 60-month period ending at the particular time, and (iii) such shares are not deemed to be taxable Canadian property to the non-resident shareholder under the provisions of the Canadian Tax Act.

*Dissenting Molson Non-Resident Shareholders*

A dissenting non-resident shareholder of Molson will be subject to tax on the special dividend as described above under the heading "Receipt of the Special Dividend."

In addition, a dissenting non-resident shareholder of Molson is entitled, if the arrangement becomes effective, to be paid by Molson or Molson Coors Exchangeco the fair value of Molson shares held by the dissenting shareholder. For a description of the dissent rights of a Molson shareholder, see "Description of the Merger Transaction Dissenting Shareholder's Rights" above. The Canadian federal income tax consequences to a dissenting non-resident shareholder of Molson are different depending on whether the payment is made by Molson or by Molson Coors Exchangeco. Such a dissenting Molson shareholder cannot control whether the payment will be made by Molson or by Molson Coors Exchangeco.

*Payment made by Molson.* Upon the receipt of a payment by Molson, a dissenting non-resident shareholder will be deemed to receive a dividend and to realize a capital loss (or capital gain) as described above under the heading "Molson Shareholders Resident in Canada Dissenting Molson Shareholders" above. Any deemed dividends (and any interest) paid to such a non-resident shareholder will be subject to Canadian withholding tax at the rate of 25%, unless the rate is reduced under the provisions of an applicable income tax treaty. For example, under the Canada U.S. treaty, the withholding tax rate is generally reduced to 15% in respect of a dividend and to 10% in respect of interest paid to a person who is the beneficial owner of the dividend or interest, as the case may be, and who is resident in the United States for purposes of the Canada U.S. treaty.

*Payment made by Molson Coors Exchangeco.* Upon the receipt of a payment by Molson Coors Exchangeco, a dissenting shareholder will be considered to have disposed of the Molson shares for proceeds of disposition equal to the amount received from Molson Coors Exchangeco (other than in respect of interest awarded by the court). A non-resident dissenting shareholder for whom shares of Molson are not "taxable Canadian property," as described above under the heading "Dispositions of Shares of Molson and Shares of Molson Coors Exchangeco," will not be subject to tax under the Canadian Tax Act on the disposition of such shares. Any interest paid to such a non-resident shareholder will be subject to Canadian withholding tax at the rate of 25%, unless the rate is reduced under the provisions of an applicable income tax treaty.

*Eligibility for Investment in Canada*

*Qualified Investment.* The exchangeable shares and preferred shares of Molson Coors Exchangeco and the shares of Molson Coors Class A common stock and shares of Molson Coors Class B common stock will be "qualified investments" under the Canadian Tax Act for trusts governed by registered retirement savings plans (RRSPs), registered retirement income funds (RRIFs), deferred profit sharing plans (DPSPs) or registered education savings plans (RESPs), as defined in the Canadian Tax Act, provided that such shares are listed on a "prescribed stock exchange" (which includes the Toronto Stock Exchange and the New York Stock Exchange).

Ancillary rights received by holders of exchangeable shares will not be "qualified investments" for trusts governed by RRSPs, RRIFs, RESPs or DPSPs. As described above, Molson is of the view that ancillary rights have only nominal value. This determination of value is not binding on the CRA and it is possible that the CRA could take a contrary view. On the basis that the fair market value of the ancillary rights is nominal, there should be no material adverse tax consequences to trusts governed by RRSPs, RRIFs or DPSPs as a result of acquiring or holding such ancillary rights. **However, RESPs holding such ancillary rights may realize material adverse consequences and should consult their own tax advisors on this matter.**

*Foreign Property.* Trusts governed by RRSPs, RRIFs or DPSPs, registered pension plans and certain other persons subject to Part XI of the Canadian Tax Act are subject to a penalty tax on excessive holdings of foreign property.

The exchangeable shares will not be "foreign property" under the Canadian Tax Act for trusts governed by RRSPs, RRIFs or DPSPs, registered pension plans or for other persons subject to tax under Part XI of the Canadian Tax Act provided that the exchangeable shares are listed on a "prescribed stock exchange" in Canada (which includes the Toronto Stock Exchange) and Molson Coors Exchangeco maintains a "substantial Canadian presence" as defined in the Canadian Tax Act.

Ancillary rights received by holders of exchangeable shares will be "foreign property" for purposes of Part XI of the Canadian Tax Act. As described above Molson is of the view that such ancillary rights have only nominal value. This determination of value is not binding on the CRA and it is possible that the CRA could take a contrary view. On the basis that the fair market value of the ancillary rights is nominal, there should be no material adverse tax consequences to such entities from holding the ancillary rights as foreign property.

Shares of Molson Coors Class A common stock and shares of Molson Coors Class B common stock will be "foreign property."

### **Material Canadian Federal Income Tax Consequences to Molson Optionholders**

Subject to the qualifications and assumptions contained herein, the following portion of this summary is applicable to holders of options to acquire Molson Class A non-voting shares who (i) are resident or deemed to be resident in Canada for the purpose of the Canadian Tax Act, (ii) deal at arm's length with, and are not and will not be affiliated with, any of Molson, Molson Coors Exchangeco, Callco or Molson Coors, (iii) are current or former employees or directors of Molson (or any subsidiary), and (iv) received their options to acquire Molson Class A non-voting shares in respect of, in the course of, or by virtue of, such employment or in consideration for the services performed by them as directors, as the case may be, at a time when Molson was not a "Canadian-controlled private corporation" within the meaning of the Canadian Tax Act.

#### ***Exercise of Options to Acquire Molson Class A Non-Voting Shares***

Molson optionholders who exercise their options to acquire Molson Class A non-voting shares prior to the effective time of the arrangement will be subject to income tax consequences arising on such exercise which are not addressed in this summary and which may be relevant to a Molson optionholder's decision as to whether to exercise his or her options to acquire Molson Class A non-voting shares prior to such time. **Molson optionholders who are considering the exercise of their options should consult their own tax advisors to determine the tax consequences to them of such exercise.**

#### ***Exchange of Options to Acquire Molson Class A Non-Voting Shares for Options to Acquire Molson Coors Class B Common Stock***

The terms of the arrangement provide that options to acquire Molson Class A non-voting shares that are not exercised prior to the effective time of the arrangement will be exchanged for options to acquire shares of Molson Coors Class B common stock. A holder of an option to acquire Molson Class A non-voting shares who exchanges such option for an option to acquire shares of Molson Coors Class B common stock will not be considered to have disposed of the option to acquire Molson Class A non-voting shares and the option to acquire shares of Molson Coors Class B common stock will be deemed to be the same as, and a continuation of, the option to acquire Molson Class A non-voting shares, provided that the only consideration received by the holder on the exchange is an option to acquire shares of Molson Coors Class B common stock, and (i) the total value of the shares of

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Molson Coors Class B common stock that the holder is entitled to acquire under the option to acquire shares of Molson Coors Class B common stock immediately after the exchange (in excess of the total amount payable by the holder to acquire the shares of Molson Coors Class B common stock) is not greater than (ii) the total value of the Molson Class A non-voting shares that the holder was entitled to acquire under the option to acquire Molson Class A non-voting shares immediately before the exchange (in excess of the amount payable by the holder to acquire the Molson Class A non-voting shares). As the only consideration a holder of an option to acquire Molson Class A non-voting shares will receive on the exchange of such option will be an option to acquire shares of Molson Coors Class B common stock and as Molson has advised counsel that the amounts referred to in (i) and (ii) above will be equal to each other (and the option to acquire shares of Molson Coors Class B common stock will contain an adjustment provision intended to ensure that the amount referred to in (i) above will not exceed the amount referred to in (ii) above), no disposition should arise on the exchange of an option to acquire Molson Class A non-voting shares for an option to acquire shares of Molson Coors Class B common stock under the arrangement and the option to acquire shares of Molson Coors Class B common stock should be deemed to be the same as, and a continuation of, the option to acquire Molson Class A non-voting shares.

### **Material U.S. Federal Income Tax Consequences to Molson Shareholders**

The following is a summary of the material U.S. federal income tax consequences to U.S. Holders (as defined below) and Non-U.S. Holders (as defined below, and together with U.S. Holders, "Holders") who exchange Molson shares in the merger transaction.

Except where noted, this summary deals only with Holders who hold their Molson shares as capital assets, and does not represent a detailed description of the U.S. federal income tax consequences applicable to you if you are subject to special treatment under the U.S. federal income tax laws, including if you are:

a broker or dealer in securities or currencies;

a financial institution;

a regulated investment company;

a real estate investment trust;

a tax-exempt organization;

an insurance company;

a person holding the Molson shares as part of a hedging, integrated, conversion, wash or constructive sale transaction or a straddle or synthetic security;

a trader in securities that has elected the mark-to-market method of accounting for your securities;

a person liable for alternative minimum tax;

a person who acquired Molson shares in a compensatory transaction;

a Non-U.S. Holder who is or has previously been engaged in the conduct of a trade or business in the United States;

a person who is an investor in a pass-through entity;

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a person owning 10% or more of the voting stock of Molson;

a U.S. Holder whose "functional currency" is not the U.S. dollar;

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- a "controlled foreign corporation";
- a "foreign personal holding company";
- a "passive foreign investment company"; or
- a U.S. expatriate.

This summary is based upon provisions of the Internal Revenue Code of 1986, as amended (the "Code"), and regulations, rulings and judicial decisions as of the date of this document. Those authorities may be changed, perhaps retroactively, so as to result in U.S. federal income tax consequences different from those summarized below. This summary does not represent a detailed description of the U.S. federal income tax consequences to you in light of your particular circumstances.

If a partnership holds Molson shares, the tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership. If you are a partner of a partnership holding Molson shares, you are urged to consult your tax advisors.

***You are urged to consult your own tax advisors concerning the application of the U.S. federal income tax laws to your particular situation as well as any consequences to you arising under the laws of any other taxing regime or jurisdiction, including estate, gift, state and local tax consequences.***

### ***Consequences to U.S. Holders***

"U.S. Holder" means a beneficial owner of Molson shares that is for U.S. federal income tax purposes:

- an individual citizen or resident of the United States;
- a corporation (or any other entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States, any state of the United States or the District of Columbia;
- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust if it (1) is subject to the primary supervision of a court within the United States and one or more U.S. persons have the authority to control all substantial decisions of the trust or (2) was in existence on August 20, 1996 and has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

***Exchange of Molson shares for Molson Coors Exchangeco Preferred Shares.*** The exchange of Molson shares for Molson Coors Exchangeco preferred shares and any cash received in lieu of fractional shares will be a fully taxable exchange for U.S. federal income tax purposes. Consequently, upon the exchange a U.S. Holder will recognize a gain or loss equal to the difference between (i) the sum of the fair market value, as of the exchange date, of the Molson Coors Exchangeco preferred shares received in the exchange and any cash received in lieu of fractional shares and (ii) the U.S. Holder's tax basis in its Molson shares. Gain or loss on the exchange of Molson shares will generally be capital gain or loss. Capital gains of individuals derived with respect to capital assets held for more than one year are eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations. The tax basis of Molson Coors Exchangeco preferred shares received will be equal to the fair market value of those shares as of the exchange date.

A U.S. Holder that receives Canadian dollars in lieu of fractional shares and converts such Canadian dollars into U.S. dollars on the day the amount may be included in income generally will not be required to recognize gain or loss arising from exchange rate fluctuations. A U.S. Holder that





receives Canadian dollars and converts them into U.S. dollars subsequent to their receipt will generally have foreign exchange gain or loss based on any appreciation or depreciation in the value of the Canadian dollar against the U.S. dollar (subject to certain de minimis exceptions), which will generally be U.S. source ordinary gain or loss.

*Exchange of Molson Coors Exchangeco Preferred Shares for Molson Coors Common Stock.* The exchange of Molson Coors Exchangeco preferred shares for Molson Coors common stock will be a fully taxable exchange for U.S. federal income tax purposes. Consequently, upon the exchange a U.S. Holder will recognize gain or loss equal to the difference between (i) the sum of the fair market value, as of the exchange date, of the Molson Coors common stock received in the exchange and (ii) the U.S. Holder's tax basis in its Molson Coors Exchangeco preferred shares.

Molson is of the view that the fair market value of a preferred share of Molson Coors Exchangeco is equal to the fair market value of the Molson Coors common stock for which that preferred share will be exchanged. Accordingly, it is expected that a U.S. Holder will not recognize any additional gain or loss upon the exchange of Molson Coors Exchangeco preferred shares for Molson Coors common stock. The tax basis of Molson Coors common stock received will be equal to the fair market value of that stock on the exchange date. The holding period for those shares will begin on the day after the exchange date.

#### *Taxation of Special Dividend*

Molson intends to take the position that the gross amount of the special dividend paid to U.S. Holders (including amounts withheld to reflect Canadian withholding taxes) will be treated as dividend income to such U.S. Holders, to the extent paid out of current or accumulated earnings and profits, as determined under U.S. federal income tax principles. The special dividend will not be eligible for the dividends received deduction allowed to corporations under the Code. Subject to certain conditions and limitations (including minimum holding periods), the special dividend may qualify for a reduced 15 percent rate of tax applicable to individuals and certain trusts and estates under the Code.

The amount of the dividend will equal the U.S. dollar value of the Canadian dollars received calculated by reference to the exchange rate in effect on the date the special dividend is received by the U.S. Holder regardless of whether the Canadian dollars are converted into U.S. dollars. If the Canadian dollars received as a dividend are not converted into U.S. dollars on the date of receipt, a U.S. Holder will have a basis in the Canadian dollars equal to their U.S. dollar value on the date of receipt. Any gain or loss realized on a subsequent conversion or other disposition of the Canadian dollars will be treated as ordinary income or loss.

The maximum rate of withholding tax on dividends paid to a U.S. Holder pursuant to the Canada-United States Income Tax Convention is 15 percent. U.S. Holders will be required to demonstrate their entitlement to the reduced rate of withholding under the Convention. Subject to certain conditions and limitations, Canadian withholding taxes on the special dividend may be creditable against a U.S. Holder's U.S. federal income tax liability. For purposes of calculating the foreign tax credit, the special dividend will be treated as income from sources outside the United States. The rules governing the foreign tax credit are complex. Investors are urged to consult their tax advisors regarding the availability of the foreign tax credit under their particular circumstances.

To the extent that the amount of the special dividend exceeds Molson's current and accumulated earnings and profits, the distribution will first be treated as a tax-free return of capital (reducing the adjusted basis in such Molson shares with the result that the holder would have an increased gain or a reduced loss in the subsequent exchange of Molson shares for shares of Molson Coors Exchangeco.) The balance in excess of adjusted basis will be taxed as a capital gain recognized on a sale or exchange of the Molson shares. Consequently, such distribution in excess of Molson's current and accumulated earnings and profits would not give rise to foreign source income and a U.S. Holder would not be able

to use the foreign tax credit arising from any Canadian withholding tax imposed on such distribution unless such credit can be applied (subject to applicable limitations) against U.S. tax due on other foreign source income.

It is possible the Internal Revenue Service could disagree with Molson's characterization of the special dividend as a dividend-type distribution for U.S. federal income tax purposes and instead treat the special dividend as a consideration paid by Molson in exchange for a portion of a U.S. Holder's Molson shares. In such case, a U.S. Holder would recognize capital gain or loss equal to the gross amount of the special dividend received less such U.S. Holder's basis in the Molson shares deemed to have been exchanged for the special dividend. This would have the effect of reducing such U.S. Holder's basis in the Molson shares subsequently exchanged for shares of Molson Coors Exchangeco and thus increasing any gain or reducing any loss that would otherwise be recognized in such exchange. Any gain or loss recognized by a U.S. Holder generally would be treated as U.S. source gain or loss. Consequently, if the special dividend were treated as a paid in exchange for Molson shares, it is possible a U.S. holder would not be able to use the foreign tax credit arising from any Canadian withholding tax imposed on the special dividend unless such credit can be applied (subject to applicable limitations) against U.S. tax due on other foreign source income.

Moreover, because Pentland has agreed to forego participation in the special dividend, there is a risk that for U.S. federal income tax purposes the payment of the special dividend will be treated as if each Molson shareholder (including Pentland) received a pro rata distribution from Molson, following which Pentland transferred all of its distribution to the other Molson shareholders. In such event, the deemed transfer by Pentland to the other Molson shareholders could be viewed, based on all of the facts and circumstances, as an inducement payment by Pentland. Under this interpretation, the additional amount to which a Molson shareholder is entitled as a result of Pentland not participating in the special dividend *i.e.*, the amount of the special dividend actually received (Cdn.\$3.26 per share) over the amount of the distribution each shareholder would have received absent Pentland's forbearance (Cdn.\$3.00 per share) would be taxable as ordinary income. Such ordinary income would not be eligible for the special reduced rates of taxation applicable to long-term capital gains and certain dividends received by U.S. Holders who are individuals, and would be taxable to any U.S. Holder without regard to whether the U.S. Holder realized a gain on the exchange of its Molson shares. According to Rev. Rul. 73-223, 1973-1 C.B. 179, the determination of whether there has been a taxable inducement payment is based on the facts and circumstances of the transaction. Accordingly, you are encouraged to consult your tax advisor concerning the validity of the revenue ruling and its application to you.

#### ***Consequences to Non-U.S. Holders***

"Non-U.S. Holder" means a beneficial owner of Molson shares (other than a partnership) that is not a U.S. Holder.

*Dividends Received by Non-U.S. Holders on Molson Coors Common Stock.* Dividends paid to a Non-U.S. Holder of Molson Coors common stock generally will be subject to withholding of U.S. federal income tax at a 30% rate or such lower rate as may be specified by an applicable income tax treaty. Under the Canada-U.S. Income Tax Convention, dividends from U.S. sources distributed to persons that are residents of Canada for purposes of the Canada-U.S. Income Tax Convention are currently subject to a maximum withholding rate of 15%. However, dividends that are effectively connected with the conduct of a trade or business by the Non-U.S. Holder within the United States (or, where a tax treaty applies, are attributable to a U.S. permanent establishment of the Non-U.S. Holder) are not subject to the withholding tax, provided certain certification and disclosure requirements are satisfied. Instead, those dividends are subject to U.S. federal income tax on a net income basis in the same manner as if the Non-U.S. Holder were a U.S. person as defined under the Code. Any effectively connected dividends received by a foreign corporation may be subject to an

additional "branch profits tax" at a 30% rate or such lower rate as may be specified by an applicable income tax treaty. A Non-U.S. Holder will be required to satisfy certification requirements to claim treaty benefits or otherwise claim a reduction of, or exemption from, the U.S. withholding tax described above.

*Gain or Loss on Disposition of Molson Coors Common Stock.* Any gain realized on the disposition of Molson Coors common stock generally will not be subject to U.S. federal income tax unless:

the gain is effectively connected with the conduct by the Non-U.S. Holder of a trade or business in the United States or, if a tax treaty applies, is attributable to a permanent establishment of the Non-U.S. Holder in the United States;

in the case of gain recognized by an individual Non-U.S. Holder, the individual is present in the United States for 183 days or more during the taxable year of disposition and other conditions set forth in the Code are met; or

Molson Coors is or has been a "United States real property holding corporation" for U.S. federal income tax purposes.

An individual Non-U.S. Holder described in the first bullet point in the list immediately above will be subject to tax on the net gain derived from the sale under regular graduated U.S. federal income tax rates. An individual Non-U.S. Holder described in the second bullet point in the list immediately above will be subject to a flat 30% tax (or such lower rate as may be provided by an applicable income tax treaty) on the gain derived from the sale, which may be offset by U.S. source capital losses, even though the individual is not considered a resident of the United States. If a Non-U.S. Holder that is a foreign corporation falls under the first bullet point in the list immediately above, it will be subject to tax on its net gain in the same manner as if it were a U.S. person as defined under the Code and, in addition, may be subject to the branch profits tax equal to 30% of its effectively connected earnings and profits or at such lower rate as may be specified by an applicable income tax treaty.

Coors believes it is not and does not anticipate Molson Coors becoming a "United States real property holding corporation" for U.S. federal income tax purposes. If Molson Coors or Coors nevertheless constituted a United States real property holding corporation at a relevant time, a Non-U.S. Holder who at no time actually or constructively owned more than 5% of the Molson Coors or Coors common stock generally would not be subject to United States federal income or withholding tax on the relevant gain or the proceeds of sale, provided that the Molson Coors or Coors common stock was regularly traded on an established securities market within the meaning of the applicable regulations.

*United States Federal Estate Tax.* Molson Coors common stock held by an individual Non-U.S. Holder at the time of death will be included in that Holder's gross estate for U.S. federal estate tax purposes, unless an applicable estate tax treaty provides otherwise.

*Dividends Received by Non-U.S. Holders on Exchangeable Shares.* Molson Coors Exchangeco does not intend to withhold any amounts in respect of U.S. withholding tax from dividends paid with respect to exchangeable shares. However, no statutory, judicial or administrative authority exists that directly addresses the U.S. federal income tax treatment of dividends on the exchangeable shares. If dividends on the exchangeable shares were determined to constitute income from U.S. sources, Non-U.S. Holders of exchangeable shares likely would be subject to U.S. withholding tax at a rate of 30%, or such lower rate as provided by an applicable income tax treaty. Under the Canada-U.S. Income Tax Convention, dividends from U.S. sources distributed to persons that are residents of Canada for purposes of the Canada-U.S. Income Tax Convention are currently subject to a maximum withholding rate of 15%.

Molson Coors Exchangeco will pay additional amounts with respect to any dividends paid to a Canadian resident exchangeable shareholder in the event that any withholding taxes, other than the

Canadian federal or provincial taxes withheld at the source, are imposed, directly or indirectly, in respect of such dividends. Subject to specified limitations, these additional amounts will be determined such that, on an after-tax basis, the Canadian resident holder receives the same amount that it would have received if no non-Canadian withholding taxes had been imposed. Molson Coors Exchangeco will not be required to pay additional amounts in respect of withholding taxes imposed at a rate in excess of the withholding tax rate applicable to payments of dividends to individuals under the Canada-U.S. Income Tax Convention.

Holders of exchangeable shares will be required to provide proper certification to Molson Coors Exchangeco establishing eligibility for the 15% withholding rate applicable to dividends under the Canada-U.S. Income Tax Convention.

***Information Reporting and Backup Withholding***

In general, information reporting requirements may apply to the amount of dividends paid to a Holder on Molson Coors common stock or to the proceeds received by a Holder from the sale or exchange of Molson shares in the merger transaction and the special dividend, Molson Coors Exchangeco preferred shares in the merger transaction or Molson Coors common stock, unless the Holder is eligible for an exemption. Backup withholding may be imposed (currently at a 28% rate) on the above payments if a Holder (i) fails to provide a taxpayer identification number or certification of exempt status or (ii) fails to report in full dividend and interest income.

Any amounts withheld under the backup withholding rules will be allowed as a refund or a credit against a Holder's U.S. federal income tax liability provided the required information is furnished to the IRS.

### **Elections Available to Molson Securityholders**

#### **Procedures for Election and Exchange of Share Certificates and Options**

You will receive with this circular one or both of the two letters of transmittal and election forms which are being delivered to holders of Molson Class A non-voting shares and Molson Class B common shares.

If you hold Molson shares that are registered in the name of a broker, investment dealer, bank, trust company or other nominee, you should contact that nominee for instructions about how to deliver your Molson shares.

Any use of the mails to transmit a share certificate and a letter of transmittal and election form is at your risk. If you mail these documents, we recommend that registered mail, with return receipt requested, properly insured, be used.

#### ***Molson Class A Non-Voting Shareholders***

If you are a holder of Molson Class A non-voting shares, you should properly complete, sign and return the Molson Class A non-voting letter of transmittal and election form, together with your share certificate or certificates for your Molson Class A non-voting shares and all other documents identified in the letter of transmittal and election form to the depositary at an address specified on the last page of the form by no later than 5:00 p.m. (Montréal time) on \_\_\_\_\_, 2005, or, if the Molson special meeting is adjourned, 48 hours (excluding Saturdays, Sundays and holidays) before the time the adjourned Molson special meeting is to be reconvened, to enable you to elect to obtain, in respect of each such share, at your option:

0.360 of a Class B exchangeable share of Molson Coors Exchangeco (and certain ancillary rights) with a whole share being exchangeable at any time on a one-for-one basis for a share of Class B common stock of Molson Coors,

0.360 of a Class B1 preferred share and 0.360 of a Class B2 preferred share of Molson Coors Exchangeco that, as part of the arrangement, will be promptly exchanged for 0.360 of a share of Class B common stock of Molson Coors. As a result, a Molson shareholder will receive 0.360 of a share of Molson Coors Class B common stock for each Class A non-voting share of Molson, or

an equivalent combination of Class B exchangeable shares and, through the preferred share exchange, shares of Molson Coors Class B common stock, as selected by the holder.

Only holders of Molson shares that are residents of Canada for purposes of the Canadian Tax Act or partnerships any member of which is a resident of Canada for purposes of that law may elect to receive exchangeable shares. A holder may exercise this right with respect to all or any portion of the holder's Molson shares.

If no letter of transmittal is returned prior to the election deadline, an election will be made for the holder based on the address of the record holder of the shares (as shown in the Molson shareholder register). Holders with a record address in Canada will receive only exchangeable shares, and holders with a record address outside of Canada will receive only preferred shares of Molson Coors Exchangeco that, as part of the arrangement, will be promptly exchanged for shares of Molson Coors common stock.

#### ***Molson Class B Common Shareholders***

If you are a holder of Molson Class B common shares, you should properly complete, sign and return the Molson Class B common shares letter of transmittal and election form, together with your share certificate or certificates for your Molson Class B common shares and all other documents identified in the letter of transmittal and election form to the depositary at an address specified on the

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last page of the form by no later than 5:00 p.m. (Montréal time) on \_\_\_\_\_, 2005, or if the Molson special meeting is adjourned, 48 hours (excluding Saturdays, Sundays and holidays) before the time the adjourned Molson special meeting is to be reconvened, to enable you to obtain for each Molson Class B common share, at your option:

both:

0.126 of a Class A exchangeable share of Molson Coors Exchangeco (and certain ancillary rights) with a whole share being exchangeable at any time on a one-for-one basis for a share of Molson Coors Class A common stock; and

0.234 of a Class B exchangeable share of Molson Coors Exchangeco (and certain ancillary rights) with a whole share being exchangeable at any time on a one-for-one basis for a share of Molson Coors Class B common stock;

or

both:

0.126 of a Class A preferred share of Molson Coors Exchangeco that, as part of the arrangement, will be promptly exchanged for 0.126 of a share of Class A common stock of Molson Coors, and

0.234 of a Class B1 preferred share and 0.234 of a Class B2 preferred share of Molson Coors Exchangeco that, as part of the arrangement, will be promptly exchanged for 0.234 of a share of Class B common stock of Molson Coors;

or

an equivalent combination of exchangeable shares and, through the preferred share exchange, shares of Molson Coors common stock, as selected by the holder.

Only holders of Molson shares that are residents of Canada for purposes of the Canadian Tax Act or partnerships any member of which is a resident of Canada for purposes of that law may elect to receive exchangeable shares. A holder may exercise this right with respect to all or any portion of the holder's Molson shares.

If no letter of transmittal is returned prior to the election deadline, an election will be made for the holder based on the address of the record holder of the shares (as shown in the Molson shareholder register). Holders with a record address in Canada will receive only exchangeable shares, and holders with a record address outside of Canada will receive only preferred shares of Molson Coors Exchangeco that, as part of the arrangement, will be promptly exchanged for shares of Molson Coors common stock.

### ***Molson Optionholders***

If you hold options to purchase Molson Class A non-voting shares, you are entitled under the arrangement to receive in exchange for your options, options to purchase a number of shares of Molson Coors Class B common stock as described under "Description of the Merger Transaction Treatment of Stock Options" beginning on page 107. You are under no obligation to exercise your Molson options before the effective time. Molson options that have not been exercised prior to the effective time will be exchanged under the arrangement for replacement options to acquire shares of Molson Coors Class B common stock.

### ***Share Certificates***

At or promptly after the effective time of the arrangement, Molson Coors Exchangeco will deposit with the depository, for the benefit of holders of Molson shares who will receive exchangeable shares in connection with the arrangement, certificates representing the exchangeable shares issued in the plan of





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arrangement upon exchange of the shares of Molson. Upon surrender to the depositary of a certificate which, immediately prior to the effective time of the arrangement, represented one or more shares of Molson together with other required documents, you will receive a certificate representing that number of the appropriate class of exchangeable shares which you are entitled to receive under the arrangement.

At or promptly after the effective time of the arrangement, Molson Coors Exchangeco will deposit with Molson's transfer agent, for the benefit of holders of Molson shares who have elected or are deemed to have elected to receive preferred shares of Molson Coors Exchangeco, three global certificates representing the Class A, Class B1 and Class B2 preferred shares issued under the plan of arrangement upon exchange of the shares of Molson. The depositary will deliver the global certificates on behalf of the holders of preferred shares to Calco and then cancel the global certificates upon the deposit with the depositary by Calco of certificates representing that number of shares of the corresponding class of Molson Coors common stock evidenced by each global certificate. Upon surrender to the depositary of a certificate which, immediately prior to the effective time of the arrangement, represented one or more shares of Molson together with other required documents, you will receive a certificate representing that number of the appropriate class of Molson Coors common stock which you are entitled to receive under the arrangement.

No certificates representing preferred shares of Molson Coors Exchangeco (other than the global certificates described above) will be issued to holders of Molson shares.

If your certificate for shares of Molson has been destroyed, lost or mislaid, you should contact Molson's transfer agent at (416) 643-5500, or toll free at 1-800-387-0825, regarding the issuance of a replacement certificate upon your satisfying any requirements imposed by Molson in connection with the issuance of the replacement certificate.

### **Holding Company Alternative**

If you hold Molson shares directly or indirectly through one or more federal Canadian holding companies incorporated after August 15, 2004, you will have the option of completing a corporate reorganization with Molson after the Molson special meeting but prior to the effective time of the arrangement. Under this "holding company alternative," Molson will purchase all of the issued and outstanding shares of your Canadian holding company in exchange for the issuance by Molson of the same number of Molson Class A non-voting shares or Molson Class B common shares, as the case may be, as are held by your holding company at the time of the purchase and sale. If you participate in the holding company alternative, you will receive, directly or indirectly, the same consideration under the arrangement that would otherwise have been received by your holding company. Your holding company will become a wholly-owned subsidiary of Molson under the holding company alternative. Molson intends voluntarily to dissolve or liquidate or amalgamate with all those holding companies under the CBCA prior to the effective time of the arrangement.

Choosing the holding company alternative will require you to implement a complex corporate structure through which to hold Molson shares. The holding company alternative may have favorable Canadian federal income tax consequences for you that are not described in this document. If you wish to avail yourself of the holding company alternative, you should consult your own financial, tax and legal advisors.

You will be permitted to participate in the holding company alternative provided that all of the following terms and conditions are satisfied:

you advise Molson c/o Molson's Secretary at 1555 Notre Dame Street East, 4<sup>th</sup> Floor, Montréal, Québec H2L 2R5, not later than 5:00 p.m. (Montréal time) on \_\_\_\_\_, 2005, or, if the Molson special meeting is adjourned, 48 hours (excluding Saturdays, Sundays and holidays) before the

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time that the adjourned Molson special meeting is to be reconvened, in writing, that you wish to participate in the holding company alternative;

you hold or will hold Molson shares indirectly through a holding company that was incorporated under the CBCA after August 15, 2004 and was used solely in relation to the holding company alternative, has at all times since its incorporation been validly in existence and in good

standing under the CBCA, and is a resident of Canada and a "taxable Canadian corporation" for the purposes of the Canadian Tax Act;

you and your holding company enter into a holding company participation agreement, as described below, with, among others, Molson, substantially in the form of agreement attached as Appendix I to the combination agreement;

you provide Coors and Molson with security satisfactory to Coors and Molson in respect of your obligations under the holding company participation agreement;

your holding company does not declare or pay dividends (except as agreed to by Coors and Molson) or effect other distributions or redemptions, except that in the event that the holding company receives a dividend from Molson, the holding company will declare and pay a dividend and/or redeem shares in the same amount and form immediately following the receipt of the dividend by the holding company and prior to the completion of the holding company alternative;

the holding company participation agreement, together with any accompanying required documentation is completed, executed and returned to Molson's Secretary at 1555 Notre Dame Street East, 4<sup>th</sup> Floor, Montréal, Québec H2L 2R5 not later than 5:00 p.m. (Montréal time) on \_\_\_\_\_, 2005 or, if the Molson special meeting is adjourned, 48 hours (excluding Saturdays, Sundays and holidays) after the time that the adjourned Molson special meeting is to be reconvened;

if you are not a resident of Canada within the meaning of the Canadian Tax Act, you provide to Molson, at the time the holding company alternative is completed, a certificate under section 116 of the Canadian Tax Act and any equivalent provision of provincial legislation, in form and substance satisfactory to Coors and Molson, acting reasonably, or you enter into arrangements satisfactory to Coors and Molson, acting reasonably, if a section 116 certificate (or any equivalent provincial certificate) is not available at that time;

any exemptions requested from any applicable Canadian securities regulatory authority and the court in the interim order are obtained; and

all other terms and conditions of the holding company alternative are satisfactory to Coors and Molson, acting reasonably.

Molson will apply for orders from the applicable Canadian securities regulatory authorities exempting Molson from the issuer bid and any prospectus and dealer registration requirements of the Canadian provincial securities legislation in connection with the holding company alternative.

You must prepare, at your expense, all tax returns of the holding company in respect of all periods ending on or prior to the completion of the holding company alternative, and must not file the returns without the prior approval of Coors and Molson of all the returns as to form and substance.

The form of the holding company participation agreement referred to above contains representations and warranties, covenants and conditions that are customary for transactions of this nature, including representations and warranties that you must make in respect of your holding company to the effect that:

the holding company is a corporation duly incorporated and validly existing and in good standing under the CBCA;



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all of the issued and outstanding shares of the holding company are held directly or indirectly by you;

upon completion of the holding company alternative, Molson will acquire the sole legal and beneficial ownership of all of the issued and outstanding shares of the holding company;

the holding company has no material assets other than the Molson shares and has no liabilities whatsoever except as set out in the holding company participation agreement;

since incorporation, the sole activities of the holding company have been the acquisition and ownership of the Molson shares and other matters expressly contemplated by the holding company participation agreement;

the holding company is not a party to nor bound or affected by any agreements, commitments or undertakings of any nature whatsoever other than the holding company participation agreement and except as agreed to by Molson and Coors;

in respect of tax matters, among other things, concerning the holding company:

has duly and timely paid all taxes which are or have been due and payable by it;

has duly and timely filed with the appropriate taxing or other governmental authority all tax returns required to be filed by it;

is a "taxable Canadian corporation" for purposes of the Canadian Tax Act; and

there are no suits, actions, litigation, or other proceedings in progress, pending or threatened against or relating to the holding company.

The form of holding company participation agreement also provides for:

the payment by you of all costs and expenses incurred in connection with any transaction entered into under the holding company participation agreement;

an indemnity in favor of Coors, Molson, Molson Coors Exchangeco, Callco and the holding company (and their respective directors and officers, employees, advisors and agents) from all actions, claims, demands, processes, proceedings, losses, damages, liabilities, deficiencies, taxes, costs and expenses suffered or incurred by Coors, Molson, Molson Coors Exchangeco and Callco and the holding company (and their respective directors and officers, employees, advisors and agents), in connection with the holding company alternative as a result of:

any breach by you or the vendors of any representation, warranty, obligation or covenant of you or the vendors to Molson;

any liability sustained, incurred, assumed or acquired by the holding company on or before the completion of the holding company alternative; or

any liability that would not have been sustained, suffered or incurred by Coors, Molson, Molson Coors Exchangeco or Callco and the holding company (and their respective directors and officers, employees, advisors and agents) but for the completion of the holding company alternative and the transactions contemplated in the holding company participation agreement; and

a release of Coors, Molson, Molson Coors Exchangeco or Calco (and their respective successors, assigns, parent companies, subsidiaries, affiliated companies, and all of the present and former directors, officers, employees, advisors and agents of these entities) from all liabilities suffered or incurred as a result of certain information provided by any of them to you in connection with the holding company alternative.

### Information Concerning Molson

*Unless otherwise indicated, all dollar amounts used under this "Information Concerning Molson" are expressed in Canadian dollars.*

#### Business of Molson

Molson is Canada's largest brewer and one of the world's leading brewers of quality beer, ranking fourteenth in the world as measured by volume in fiscal 2004, with operations in Canada, Brazil and the United States. A global brewer with \$3.5 billion in gross annual sales, Molson traces its roots back to 1786, making it North America's oldest beer company. Committed to brewing excellence, Molson combines the finest ingredients with the highest standards of quality to produce an award-winning portfolio of beers including Molson Canadian®, Molson Export , Molson Dry®, Rickard's , A Marca Bavaria , Kaiser® and Bavaria®. Molson brews, distributes and sells the Coors Light® brand in Canada under agreements with Coors.

#### Molson Corporate Group

Molson and its wholly-owned subsidiary, Carling O'Keefe Breweries of Canada Limited, collectively have a 100% interest in Molson Canada and a 49.9% interest in Coors Canada both of which are Ontario general partnerships. In addition, Molson indirectly owns an 80% interest in Cervejarias Kaiser Brasil S.A., which is incorporated under the laws of Brazil, and a 50.1% interest in Molson USA, LLC, which is incorporated in Delaware in the United States.

#### *Molson Canada*

Molson's brewing operations are carried on in Canada through Molson Canada, an Ontario general partnership that is owned by Molson and Carling O'Keefe Breweries of Canada Limited, a wholly-owned subsidiary.

Molson Canada also has an exclusive license to brew Foster's Lager® in Canada for sale in Canada and the United States, and to brew Foster's Special Bitter® in Canada for sale in the United States. Molson Canada has the right to produce Asahi® for the United States market and also brews Molson's trademark products in Canada for sale in the United States.

On April 14, 2004, Molson announced a reorganizational change at Molson Canada, giving priority to strengthening the national core brands and adding emphasis to the development of key markets across the country. The new organization is headed by Kevin Boyce, the newly appointed president and chief operating officer of Molson North America, Les Hine, chief marketing officer, and David Perkins, president market development North America.

#### *Coors Canada*

Coors Canada, an Ontario partnership, is owned 50.1% by Molson Coors Exchangeco and 49.9% by Molson. Coors Canada is responsible for the management of the Coors brands in Canada. Under agreements between Molson and Coors, Molson is authorized to brew, distribute and sell Coors brands in Canada and currently brews, distributes and sells the Coors Light® brand. In fiscal 2001, 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. These agreements enabled Molson to test and, if successful, to launch light beers in Canada. During fiscal 2004, sales volumes of Coors Light® and Coors Canada earnings achieved strong growth despite an aggressive competitive environment.

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### *Cervejarias Kaiser Brasil S.A.*

On December 21, 2000, Molson entered the South American beer market with the purchase of 100% of the shares of Bavaria S.A., a Brazilian company, with assets that included the Bavaria brand and brewing facilities from Companhia de Bebidas das Américas ("AmBev").

On March 18, 2002, Molson purchased 100% of the shares of Cervejarias Kaiser Brasil S.A., the second largest brewer in Brazil, for U.S.\$765 million which includes transaction costs and is net of cash acquired. The acquisition included the Kaiser brands and eight brewing facilities in Brazil. The acquisition was financed with U.S.\$182 million in cash, U.S.\$150 million in Molson Class A non voting shares (or 7,785,878 of these shares) and debt of approximately U.S.\$395 million. As part of the transaction, Kaiser continues to have access to the Coca-Cola distribution system in Brazil. Responsibility for the distribution of the Bavaria brand, which was assumed by AmBev, was transferred to Kaiser. Following the Kaiser acquisition, Molson combined the Kaiser and Bavaria operations.

On April 17, 2002, Heineken N.V. acquired 20% of Molson's total operations in Brazil, including Bavaria, for a purchase price of U.S.\$218.3 million. As part of the transaction, Molson and Heineken signed a new licensing agreement for the Heineken brands in Brazil and extended the Canadian distribution agreement of Heineken products for 10 years to 2012.

Molson's market share in Brazil increased from approximately 3.1% prior to the acquisition to approximately 14.6% as at March 31, 2003 with the Kaiser acquisition. Following significant investment in marketing and advertising by one of its competitors during fiscal 2004, Molson's market share in Brazil decreased to 12.4% as at March 31, 2004, making it the third largest brewer in Brazil.

At the end of the first quarter of fiscal 2004, following poor volume performance, Kaiser, in conjunction with the related Coca-Cola bottlers, undertook to implement a strategy to establish a beer-dedicated sales force in six regions in Brazil. The main purpose of this strategy was to improve sales execution while taking full advantage of the Coca-Cola distribution system. The six selling regions were established and all sales centers were fully operational at year-end of fiscal 2004, with more than 1,200 sales employees covering approximately 30% of Kaiser's total volume. In addition, as a result of a detailed review of consumer preferences and in response to competitors' activities, the Kaiser brand was re-launched in the fourth quarter of fiscal 2004 with a new beer recipe, new advertising and new packaging.

On June 15, 2004, Kaiser announced the appointment of Fernando Tigre as president and chief executive officer effective July 1, 2004. Robert Coallier, who held that position for the two prior years, took on the new position of executive vice president corporate strategy and international operations of Molson. Mr. Tigre has vast experience in turning around, growing and improving the results of companies he has managed. He joins Kaiser at a time when the competitive environment is intense and sales and market share growth are one of the biggest challenges facing the brewer. Kaiser looks to make gains in expanded numeric distribution and continue the revitalization of the key brands.

### *Molson USA*

Molson USA is the dedicated business unit with responsibility for Molson brands in the United States and is established in Golden, Colorado. Molson USA markets and distributes Molson owned brands which include Canadian®, Canadian Light®, Molson Ice and Golden® in the United States. Under the partnership agreement, Coors provides certain sales, distribution and administrative services required by this organization.

While Molson trademark products are available throughout the United States, including Alaska and Hawaii, the majority of sales are concentrated in the eastern region of the United States. During fiscal 2004, Molson USA's first priority was to increase momentum on the Canadian® trademark while reducing the decline of the Golden® and Molson Ice brands. Molson USA also introduced Molson

XXX in fiscal 2004 at super premium pricing in select Northeast and Midwest markets. The Canadian® trademark grew its volume by 26% in fiscal 2004. Molson USA improved the alignment of its distributor network with Coors. It has approximately 545 distributors of which, as of June 2004, 451 were Coors distributors compared to 422 last year. Approximately 89% of Molson USA's current volume is now covered by its own dedicated sales force.

### **Trends**

A trend toward consolidation has been taking place in the global brewing industry in recent years in the international beer markets. This trend accelerated in fiscal 2004. The top 10 brewers, as of June 2004, have an estimated combined 62% share of global consumption versus 52% in March of 2003 and 43% in 1999. As consolidation continues, the top 10 brewers are likely to capture a greater share of the overall market.

We estimate that Molson currently ranks fourteenth in the global brewing industry (measured by volume) and Molson Coors will rank fifth when the merger transaction is completed, permitting it to compete more effectively in the international beer markets.

In the Canadian beer market, volumes have been gradually migrating from premium brands to super premium brands and value brands since fiscal 2001. In fiscal 2004, Molson also saw a growing price gap between premium brands and the value segment, especially in the provinces of Ontario and Alberta.

### **Description of the Business**

Molson, with five breweries in Canada and nine breweries in Brazil, brews, bottles, packages, markets and distributes over 75 owned or licensed brands of beer in Canada, Brazil and the United States, and exports to the United Kingdom, Australia and New Zealand.

#### ***Canada***

The Canadian brewing industry is a mature market. It is characterized by aggressive competition for volume and market share from regional brewers, microbrewers and certain foreign brewers, as well as Molson's main domestic competitor. These competitive pressures require significant annual investment in marketing and selling activities.

There are three major beer segments based on price: super premium, which includes imports and represents 16% of total sales of the industry and 13% of total sales of Molson; premium, which includes the majority of domestic brands and the light subsegment and represents 65% of total sales of the industry and 68% of total sales of Molson; and the discount segment which represents 19% of total sales of the industry and 19% of total sales of Molson.

Total industry volume in Canada is sensitive to factors such as weather, changes in demographics and consumer preferences. Consumption of beer in Canada is also seasonal with approximately 40% of industry sales volume occurring during the four months from May to August. For the year ended March 31, 2004, estimated industry sales volume in Canada, including sales of imported beers, increased by approximately 2% to approximately 21.5 million hectoliters.

Imported beer volume in Canada increased by 42% over the past five years, achieving approximately 9% share of total industry volume during the year ended March 31, 2004. During this same timeframe, domestically produced volume remained fairly stable.

The domestic brewing industry is comprised principally of two major brewers whose combined market share is approximately 86% of beer sold in Canada. In comparison, the top three brewers in the United States represent approximately 79% of that market.



Foreign brands licensed for brewing and sale in Canada play a larger role domestically than direct imports. The three major U.S. brewers are among the foreign producers which license Canadian brewers, including Molson, to brew, market and distribute their brands in Canada.

The Ontario and Québec markets account for approximately 63% of the total beer market in Canada. The top ten brands in Canada account for approximately 56% of the packaged market in Canada in fiscal 2004, including Canadian® which remains a leading brand in English Canada with a market share of approximately 11%.

In order to eliminate excess capacity, Molson has closed a number of breweries since 1989, including the Barrie brewery which closed in September 2000, and the Regina brewery, which closed in July 2002. In Ontario, the distribution and retail system operated by Brewers Retail Inc. (of which Molson is a shareholder) is pursuing opportunities to modernize the retail business to enhance industry sales, while seeking increased efficiencies in the wholesale operation.

As part of Molson's efforts to increase efficiencies, two significant cost savings initiatives have been launched in Canada since fiscal 2000.

The first was announced in September 1999, following a comprehensive benchmarking assessment of Molson's financial and administrative processes against 85 other companies. The objective of this \$100 million cost savings program, increased to \$150 million in March 2002, involved the areas of capacity utilization, procurement, distribution, organization and marketing. This three-year program was completed by the end of fiscal 2003 and exceeded its target by delivering \$152 million in savings.

The second cost savings program, with \$100 million in additional savings expected over the fiscal 2004 to 2006 timeframe, was announced in March 2002 and increased to \$125 million in March, 2003. This further initiative is expected to deliver cost savings benchmarked against major breweries in four areas: production, procurement, distribution and organizational effectiveness.

The production module, with approximately \$38 million in expected savings during the period of fiscal 2004 to fiscal 2006, covers brewing, packaging, shrinkage, warehousing, maintenance practices and utilities. In order to achieve these efficiencies, this module has undertaken a project designated as a "Renaissance in Brewing" to modernize Molson's production equipment and processes. In fiscal 2003, Molson modernized its Vancouver can line which is now operating at its targeted levels. A new packing line in Toronto was also completed and put into operation in the fourth quarter of fiscal 2003. During fiscal 2005, the bottling line in Edmonton is planned to be modernized followed by an additional line in Toronto in fiscal 2006. In Montréal and St. John's, upgrades were completed in brewing and utilities in collaboration with the union.

The procurement module, with approximately \$35 million in expected savings, builds on the strategies and initiatives begun in the original cost savings project and continues to move Molson towards strategic sourcing of materials and services. Molson also expects to capitalize on its growing global profile through synergies between its Canadian and Brazilian operations. Supply agreements with global partners will benefit from Molson's North-American and South-American businesses' affecting high and low seasons by maximizing the total supply chain's capacity utilization.

The distribution module, with approximately \$40 million in expected savings, covers Molson's warehouse and distribution network across Canada. As part of this module, Molson announced, on March 24, 2003, the opening of a new major distribution center in Montréal and the commensurate downsizing of its regional warehouse network in the Province of Québec.

The organizational effectiveness module covers the implementation of the SAP system which will allow Molson to improve its business processes and significantly reduce its costs of business. The SAP system implementation was announced in April 2001 and when fully implemented, will provide immediate integrated data regarding company activities, allowing for more informed decision-making.

Phase 1 of the implementation, completed in April 2002, addressed financial processes and gave employees access to a new Business Data Warehouse. Phase 2 addresses the following functional areas: supply chain, planning module and sales and distribution business processes. Phase 2 was implemented in the Montréal and St. John's plants in fiscal 2004 and will be implemented in the Edmonton, Vancouver and Toronto plants in a sequential roll-out during fiscal 2005.

Additional cost-saving opportunities are generated by a team of senior executives responsible for the identification and development of new savings initiatives.

Molson and the majority of Canadian brewers make use of a common returnable bottle in Canada, which Molson believes is financially advantageous to all brewers, resulting in environmental benefits and significantly lower distribution, warehousing and sorting costs.

### ***Brazil***

Brazil with its approximate consumption of 82.2 million hectoliters of beer annually is the world's fourth largest beer market, about four times the size of the Canadian market. The Brazilian beer market is highly concentrated with one major competitor holding over 66% of the market and features a growing young adult market. The per capita consumption of beer in Brazil was approximately 47 liters in 2003. With a volume of approximately 10 million hectoliters of annual beer production in fiscal 2004, Molson is the third largest brewer in Brazil. Approximately 60% of Kaiser's sales are concentrated in Brazil's southern region and in its south-eastern region (São Paulo).

Kaiser and the majority of Brazilian brewers make use of a common returnable bottle in Brazil, which Molson believes is financially advantageous to all brewers, resulting in environmental benefits and significantly lower distribution, warehousing and sorting costs.

### ***United States***

In the United States, Molson markets its brands in the import segment which represents over 11% of the total U.S. beer market. The import segment in the United States grew approximately 2% in 2003 and is the largest import market in the world. Distributors play an important role in the growth of the Molson brands in individual regions. As a result, in fiscal 2004, Molson continued to align itself selectively with local market distributors committed to and focused on the growth of the Molson brands.

### **Brands**

Molson markets a wide range of brands in its different markets designed to appeal to a variety of consumer preferences.

### ***Canada***

#### ***Molson Owned Brands***

Molson's major owned brands in Canada are Canadian®, Export , Molson Dry®, Rickard's , Molson Ultra and Carling Black Label. Molson took a number of initiatives over the last four years with respect to these brands, including advertising campaigns for both Canadian® and Export and a re-launch of Rickard's Red together with the line extensions, Rickard's Honey Brown and Rickard's India Pale Ale and the launch in March 2003 of A Marca Bavaria , a Brazilian import.

Canadian® is a classic lager which is slowly fermented to produce a clear, crisp and refreshing beer with a genuine taste. It has long been a leading brand in English Canada. In fiscal 2004, the brand continued to be supported by advertising which emphasized the quality of the brand and built on the

Canadian pride theme. Canadian Cold Shots®, a 6.0% alcohol line extension in an innovative 250 milliliter slim can was launched in April 2004 throughout English Canada.

Canadian Light® is the light extension of Canadian®. The brand was launched in the late 80s with little support until fiscal 2003. A Canadian Light® test market was successfully completed in Ottawa and Kingston in fiscal 2004. The brand met the test market hurdles and will be rolled out to Alberta and Ontario in fiscal 2005, as well as in the Maritimes for the first time. The rollout includes new packaging and advertising with a positioning of "light beer with flavour" based on the fact that it is brewed with more flavor, body and color than most light beers. Canadian Light® is also the brand of the Canadian Football League in Alberta and Ontario, and has programming to leverage on the Canadian Football League's Grey Cup in Ottawa in November 2004.

Export , an ale, has been produced by Molson since 1903. It is a leading brand in Québec and the best selling ale in Canada. In fiscal 2001, it won a gold medal at the Monde Selection Beer Festival. It has benefited from a long association with hockey as well as other sports. Export is a classic ale with more flavor than many other premium beers. In Québec, where Export has the highest share of the ale market, the brand has enjoyed a rejuvenation among younger male drinkers as a result of the "YOUNG SINCE 1903" marketing campaign which began over seven years ago. Launched in March 2003 at the time of Export brand's 100<sup>th</sup> anniversary, the new Ex Light® has recently won a silver medal at the Brewing Industry International Awards (BIAs) in fiscal 2004. Ex Light® has added to Molson's lead position in the growing light beer segment.

Molson Dry® is the largest selling brand in Québec grocery stores and has been the number one Molson brand in Québec for seven years. Molson Dry® is an award-winning lager at 5.5% alcohol and earned the North American Specialty Lager gold medal at the 2002 World Beer Cup and the American Style Lager Gold Medal at the 2004 Canadian Brewing Awards. Molson Dry Cold Shots®, sold in an innovative 250 milliliter slim can with 6.5% alcohol, was launched in April 2004.

Rickard's is a super premium beer for drinkers seeking exceptional flavor. The Rickard's family is composed of Rickard's Red , Rickard's Honey Brown and Rickard's India Pale Ale . During fiscal 2004, Molson continued its efforts in the super premium segment, the fastest growing in the beer category.

Molson Ultra is Canada's only regular strength beer that is reduced in carbohydrates. Brewed with the finest ingredients, Molson Ultra , launched in fiscal 2004, features 2.5 grams of carbohydrates and 97 calories and 4.5% alcohol. Molson Ultra is available in bottles as well as an innovative 250 milliliter slim can format.

A Marca Bavaria is a refreshing lager packaged in a distinctive clear bottle which is produced at Molson's facilities in Brazil. Targeted at consumers seeking a high-quality super premium beer, A Marca Bavaria was launched in Canada in March 2003 with packaging developed specifically for Molson to better participate in the 17% annual growth registered by import beers in the super premium segment. In fiscal 2004, the brand clearly established itself as a leading super premium brand with an integrated advertising sampling.

Molson owns a number of significant regional brands, including Golden®, Pilsner , O'Keefe®, Laurentide®, Carling Black Label®, Old Vienna®, Black Horse® and the Carling® family of discount price brands. Following the strategic re-launch of Carling Black Label® in Québec in fiscal 2003, Molson has continued to see, in fiscal 2004, a volume growth of 10% for Carling Black Label®, ending the year with a 3.7% market share. Including line extensions, the brand, in total, reached a 5.3% share, up 0.5 share points versus fiscal 2003. Efforts continue to reduce the dependency on non-core brands to improve efficiencies throughout the organization. Molson also owns Tornado®, its line of flavored malt-based beverages, which is among the leaders in the Québec market in that segment.

*Molson Licensed Brands*

Molson distributes licensed brands such as Coors Light®, Corona®, Heineken®, Miller® and Foster's Lager®.

Coors Light® is brewed by Molson under license from Coors and is the leading light beer and the fourth-largest selling brand in Canada. The light beer segment is growing at a faster rate than the overall Canadian beer market of which it represents approximately 13%.

Corona® Molson distributes Corona Extra® in Ontario, Québec and the Atlantic provinces under a five-year agreement with Cerveceria Modelo S.A. de C.V ending December 31, 2006. It is the number one super premium import in Canada.

Heineken® Molson has agreements with Heineken N.V. (Netherlands) which grant it the right to import and sell Heineken® Lager, Murphy's Irish Stout®, Murphy's Irish Amber® and Amstel Light® throughout Canada. Heineken® Lager is the number two super premium import in Canada. In fiscal 2002, Molson extended its Heineken distribution agreement in Canada for a period of 10 years to 2012.

Miller® Molson amended its license agreement with Miller in December 2000 to brew and sell several Miller brands, including Miller High Life®, Miller Lite®, Miller Genuine Draft®, Miller Genuine Draft Light®, Milwaukee's Best Dry and Milwaukee's Best®, the largest selling trademark in the discount segment in the Province of Québec. Molson has also been importing Miller Genuine Draft® in a clear bottle since January 2000.

Foster's® In January 2001, Molson amended and restated its license agreement with Carlton and United Breweries Limited, a subsidiary of Foster's Brewing Group Limited, to brew Foster's Lager® in Canada for sale in Canada and the United States, and to brew Foster's Special Bitter in Canada for sale in the United States.

**Brazil**

*Molson Owned Brands*

Molson's main owned brands in Brazil are Kaiser Pilsen® and Bavaria®. Kaiser Pilsen® represents 75% of Kaiser total sales. Kaiser's other brands include Santa Cerva®, Kaiser Summer Draft® and Kaiser Bock®.

Kaiser Pilsen® has been through a repositioning process since October 2001 to renew and upgrade the brand. In fiscal 2004, the new marketing campaign "Kaiser Novo Sabor" "The beer made by Brazilians" has contributed to the new positioning of Kaiser Pilsen® as the beer that promotes camaraderie, as part of the re-launching of the flagship brand in February 2004.

Bavaria® maintained its marketing strategy in fiscal 2004 as being the "friendship beer" by changing its slogan to "Good Like Friendship."

*Molson Licensed Brands*

Heineken® Cervejarias Kaiser Brasil S.A. signed a five-year licensing agreement on April 1, 2002 with Heineken Brouwerijen B.V. in which it has been granted the right to brew and distribute Heineken® Lager in Brazil.

Xingu® Cervejarias Kaiser Brasil S.A. also brews and distributes Xingu®, a dark beer, under license.

Sol® Cervejarias Kaiser Brasil S.A. signed a five-year licensing agreement on December 15, 2003 with Cerveceria Cuauhtémoc Moctezuma, S.A. DE C.V. in which it has been granted the right to brew Sol® in Brazil. It also sells Sol® in the São Paulo area.

*United States*

*Molson Owned Brands*

Molson's most significant brand in the United States is Canadian®, which remained the fastest-growing import in the grocery channel among the 25 import brands, as reported by ACNielsen, with a volume growth of 25% in fiscal 2004. Molson USA continued to reduce the marketing activities for Molson Ice and Golden® and introduced Molson XXX at super premium pricing in select Northeast and Midwest U.S. markets.

**International**

*Molson Owned Brands*

Molson is in the process of launching the A Marca Bravara brand in the United Kingdom, Australia and New Zealand. A Marca Bravara will be launched in these countries using the same concept as A Marca Bavaria in Canada. This Brazilian lager is brewed at Molson's facilities in Brazil.

**Marketing**

Competing in the beer market involves a wide range of marketing and sales activities. Molson sustains its competitive leadership by striving to clearly position and promote its core brands in the marketplace.

*Canada*

A key element of Molson's marketing strategy in Canada is to increase the effectiveness of its marketing initiatives by tailoring them to reach key consumers. Molson looks to empirical research and consumer insight to ensure it allocates spending to those mechanisms that influence brand adoption and drive sales. Rigorous testing of advertisements with consumers is done both qualitatively and quantitatively during the development stage. Molson believes that the long-term success of core brands depends on advertising and promotions that present the brands in ways that are relevant and meaningful to targeted consumers through unique brand positioning.

The marketing team in Canada is responsible for strategic consumer marketing, including overall strategy, creative development and promotions. The team works closely with regional sales personnel to execute the strategy effectively towards leveraging local knowledge and relationships with local licensees, retailers and other marketing channels. Molson's strategic marketing efforts in Canada are focused on a core brand portfolio comprising Canadian®, Canadian Light®, Molson Dry®, Export, Ex Light®, Rickard's, Carling Black Label®, Molson Ultra, A Marca Bavaria, Coors Light®, Corona®, Miller Genuine Draft®, Heineken® and certain regional brands.

*Brazil*

Molson's strategic marketing efforts in Brazil are focused on a core brand portfolio comprising the Kaiser Pilsen® and Bavaria® brands. In fiscal 2004, Molson re-launched the flagship brand Kaiser Pilsen® and concentrated on reconfirming the Kaiser Pilsen® leadership position in regions where it is a primary brand and on accelerating its development in the on-premise market. A project has also been launched to focus the Bavaria® brand where Kaiser has a low penetration, such as in the State of Rio de Janeiro.

*United States*

Marketing activity is generally local in nature and focused on core markets in the Northeast and Midwest. The on-premise trade receives particular attention as it is an important channel for creating

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consumer trials for Molson's brands. Increased marketing efforts in California and Florida, initiated in two key import markets, continued in fiscal 2004.

### **Market Share**

#### *Canada*

Molson has the highest market share in each of Newfoundland, Québec, Ontario, Saskatchewan and Alberta. In fiscal 2004, Molson had an estimated average market share of 43.8% of all beer sold in Canada, including imported beer, compared with an average market share of 44.4% in fiscal 2003. This decrease was due mainly to the continued weakening of the premium segment.

#### *Brazil*

In fiscal 2004, Molson lost 2.2 share points of its market share in Brazil from 14.6% to 12.4%, mostly in the on-premise market, which is the most profitable channel, as a result of changes in personnel and transitional issues following the acquisition of Kaiser, execution problems with a number of distributors, a loss in brand equity of the flagship brand, Kaiser Pilsen, as well as massive investment in marketing and advertising by one of its competitors. Following this poor volume performance, Kaiser, in conjunction with some Coca-Cola bottlers, undertook to establish a dedicated sales force in six regions in Brazil. Kaiser hired more than 1,200 sales employees that it manages in these six regions.

### **Marketing Assets**

Molson's association with highly visible sports and music events is used to leverage its brands.

#### *Sports*

Molson's research indicates that hockey is highly important to Canadian consumers, which is why Molson continues to be extensively involved in Canadian hockey, both at the national and grass-roots levels. As the exclusive brewing sponsor of all six Canadian National Hockey League ("NHL") teams, Molson maintains its strong relationship with professional hockey. Molson also remains the title beer sponsor of the French language national broadcasts of NHL games.

In addition to its commitment to professional hockey in Canada, Molson continues to strengthen its relationship with junior hockey, including an alliance with the Canadian Hockey Association, which includes men's, women's and junior national teams. This year, Molson also sponsored the World Cup of Hockey which was held in various Canadian, U.S. and European cities in late summer.

Molson also has exclusive promotional agreements in basketball with league sponsorship of the National Basketball Association ("NBA") in Canada.

Export continues to enjoy the benefits of a multi-year title sponsorship with the Montréal Alouettes franchise of the Canadian Football League ("CFL") playing in Molson Stadium. This sponsorship in Montréal complements well-established CFL partnerships with the Ottawa Renegades, Calgary Stampeders, Edmonton Eskimos and Saskatchewan Roughriders.

In fiscal 2004, Molson has renewed its commitment to amateur sports in Canada. Molson is a sponsor of the See You In Athens Fund, which provided funding to elite amateur Canadian athletes. In addition, Molson is an official supporter of the Canadian Olympic Team in Athens through its sponsorship agreement with the Canadian Olympic Committee.

*Music*

*Canada*

Molson has made a long-term investment in entertainment properties, including event production and venue ownership. One example is House of Blues Concerts Canada, an equal partnership between Molson Canada and HOB Concerts Canada Ltd., devoted to the staging, production and marketing of live entertainment across Canada. Entertainment marketing teams in each region work closely with House of Blues Concerts Canada to develop national and regional music events that appeal to local fans and draw those fans to local Molson venues. Molson also announced a co-operative marketing relationship with Napster, a legal music downloading service, effective in fiscal 2005.

*Brazil*

Kaiser sponsors the "Parintins Festival", the biggest folk festival in the world, in an isolated island in the Amazon State, which takes place in the last week of June. This initiative supports the strategy of having a higher penetration in northern Brazil, where this festival is the pride of northern Brazilians.

Furthermore, Kaiser sponsored activities related to the Carnaval of the State of São Paulo, to bring the brand closer to the consumers of the largest beer market in Brazil.

**Molson Sports and Entertainment**

Molson Sports and Entertainment is an operating division of Molson Canada, whose activities are fully-integrated with the national marketing team. Molson Sports and Entertainment is also involved in the development and production of sports and entertainment programming for television and video-cassettes, as well as production of live promotional events. In fiscal 2002, Molson Sports and Entertainment integration with the brewery grew to add greater value to the Molson brand portfolio. Molson Sports and Entertainment produced over 700 hours of television programming, including approximately 140 NHL games in fiscal 2004.

In 2004, Molson Sports & Entertainment Inc., a subsidiary of Molson Canada, organized and ran two major motor sports events in Canada: the Molson Indy Toronto and the Molson Indy Vancouver, and is the rights holder, co-promoter and sponsor of the Molson Indy event in Montréal. The three races, part of the Champ Car World Series, were broadcast in more than 180 countries.

In July 2003, Molson Sports & Entertainment Inc. organized the successful Molson Canadian Rocks for Toronto Concert, featuring the Rolling Stones, in support of health care and hospitality workers affected by the SARS crisis.

This year, Molson Sports & Entertainment Inc. has partnered with Network Entertainment Inc. in the organization and production of a national series of hockey try-out events and an associated television program which currently airs nationally in Canada.

**Suppliers**

Molson's goal is to use world class procurement practices, methods and technology to result in strategic procurement of quality materials and services at the lowest prices possible. Molson also consolidates purchases within domestic and international operations and works with the supplier community to select global partner materials and services which best meet this goal.

Molson operates under a commodity hedging policy. The policy allows for the use of low risk hedging instruments to protect Molson from pricing volatility in the commodities market. The policy covers all of Molson's commodity requirements on a global basis and became effective in fiscal 2003, replacing the previous policy.

*Canada*

In Canada, Molson currently single sources cans, glass bottles, crowns and labels. Availability of these products has not been an issue and Molson does not expect any difficulties in accessing any of these products. However, the risk of glass bottle supply disruptions has increased with the reduction of local supply alternatives due to the consolidation of the glass bottle industry in North America.

*Brazil*

In Brazil, Molson has both local and global suppliers, driven by market conditions and the competitive environment. It single sources all materials, with the exception of cans and crowns, which are procured through a buying consortium with the Brazilian Coca-Cola bottlers. Molson does not expect any difficulties in accessing materials.

**Trademarks**

Molson places high value on its trademarks and other intellectual property. Its policy is to pursue registration of its trademarks whenever appropriate and to vigorously oppose any infringement of its intellectual property rights. It has sought formal protection for its various trademarks in over 125 countries around the world.

**Government Regulation**

*General*

In Canada, provincial governments regulate the production, marketing, distribution, sale and pricing of beer and impose commodity taxes and license fees in relation to the production and sale of beer. In addition, the federal government regulates the advertising, labeling, quality control, and international trade of beer, and also imposes commodity taxes, consumption taxes, excise taxes and in certain instances, custom duties on imported beer. As well, certain bilateral and multilateral treaties entered into by the federal government, provincial governments and certain foreign governments, especially the government of the United States, affect the Canadian beer industry. While the beer industry in many countries, including the United States, is subject to government regulation, Canadian brewers have historically been subject to comparatively more regulation.

Brazil does not heavily regulate the production and marketing of alcoholic beverages. There are no significant regulations, other than compliance with standards imposed by food and health regulatory agencies. In addition, there are no licensing requirements for points of sale to offer beer. The federal government imposes excise taxes and custom duties on imported beer and state governments regulate taxes on the distribution of goods and services.

*Trade Issues*

Traditionally, in Canada, provincial regulations generally required Canadian brewers to operate a brewery in a particular province in order to obtain favorable pricing and distribution access in that province and this requirement severely limited the ability of brewers to distribute their products inter-provincially. The Ontario Liquor Control Act was amended in 1992 to authorize Canadian brewers outside Ontario to sell beer in Ontario to the Liquor Control Board for sale through Brewers Retail if the jurisdiction where the beer is brewed contains a similar provision in favor of Ontario. In July of 1994, the federal and provincial governments signed a comprehensive agreement to reduce barriers to the inter-provincial trade of goods and services. This agreement became effective on July 1, 1995 in most provinces with the exception of certain eastern provinces. This agreement removes the requirement for a brewer to brew its beer in the province in order to obtain access to the local distribution network.



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International trade affects Canadian brewers in relation to the export of their products into foreign jurisdictions as well as in relation to competition from foreign brewers, especially U.S. brewers, selling beer in Canada. A memorandum of understanding between the Canadian and U.S. federal governments dated August 5, 1993 (the "MOU") provides that beer imported into the Province of Ontario will have access to the Brewers Retail distribution system on the same basis as Canadian brewers. In addition, the MOU provides for a minimum retail price for beer in Ontario based on alcohol levels, exclusive of an environmental levy and the applicable container bottle deposit, which minimum price may be adjusted on an annual basis to the Ontario Consumer Price Index. Amendments to the MOU made in April 1994 defined the terms for access by U.S. brewers to the Québec market.

### **Distribution**

#### *Canada*

In Canada, provincial governments have historically had a high degree of involvement in the regulation of the beer industry, particularly the regulation of the pricing, sale and distribution of beer and, in some provinces, its advertising.

In each of the provinces of Canada, other than Newfoundland, Québec and Alberta, brewers primarily distribute their products through government-operated outlets or independent licensed retail outlets. In Newfoundland, Québec and Alberta, brewers must create their own distribution networks.

The distribution systems in each province generally provide the collection network for returnable bottles and cans. The standard container for beer brewed in Canada is the returnable bottle, which represents approximately 67% of domestic sales in Canada in fiscal 2004, with cans accounting for 23% and draught for 10%.

#### *Ontario*

Consumers in Ontario can purchase beer only at retail outlets operated by Brewers Retail, at government-owned retail outlets operated by the Liquor Control Board of Ontario, approved agents of the Liquor Control Board of Ontario or at any bar, restaurant or tavern licensed by the Liquor Control Board of Ontario to sell liquor for on premise consumption. All brewers pay a service fee, based on their sales volume, through Brewers Retail. Molson, together with certain other brewers, participates in the ownership of the Brewers Retail in proportion to its market share relative to other brewers. Ontario brewers may deliver directly to Brewers Retail's outlets or may choose to use Brewers Retail's distribution centers to access retail in Ontario, the Liquor Control Board of Ontario system and licensed establishments.

#### *Québec*

In Québec, beer is distributed directly by each brewer or through independent agents. Molson Canada is the agent for the licensed brands it distributes. The brewer or agent distributes the products to permit holders for retail sales for on-premise consumption. Québec retail sales for home consumption are made through grocery and convenience stores as well as government operated stores.

#### *British Columbia*

In British Columbia, the government's Liquor Distribution Branch currently controls the distribution of all alcohol products in the province. Consumers can purchase beer at any Liquor Distribution Branch retail outlet, at any independently owned and licensed wine or beer retail store or at any licensed establishment for on-premise consumption. Liquor-primary licensed establishments for on-premise consumption may also be licensed for off-premise consumption. Brewers Distributor Ltd., which Molson co-owns with a competitor, manages the distribution of Molson's products throughout

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British Columbia. The British Columbia government announced in 2002 that the Liquor Distribution Branch would shift its role from managing distribution and retail operation to regulating these areas. A further announcement postponed this initiative indefinitely.

### *Alberta*

In Alberta, the distribution of beer is managed by independent private warehousing and shipping companies or by a government sponsored system in the case of U.S. sourced products. All sales of liquor in Alberta are made through retail outlets licensed by the Alberta Gaming and Liquor Commission or licensees, such as bars, hotels and restaurants. Brewers Distributor Ltd. manages the distribution of Molson's products in Alberta.

### *Other Provinces*

Molson's products are distributed in the provinces of Manitoba and Saskatchewan through local liquor boards. Brewers Distributor Ltd. manages the distribution of Molson's products in Manitoba and Saskatchewan. In the Maritime Provinces (other than Newfoundland), local liquor boards distribute and retail Molson's products.

### *Brazil*

As a result of the Kaiser acquisition, Molson's products are distributed by Coca-Cola bottlers which provide joint distribution of soft drink beverages and beer to small and medium sized retailers. Molson tends to distribute directly to the larger retailers. The Brazilian beer market is characterized by diverse regional consumption patterns and a high proportion of on-premise consumption (restaurants and bars) relative to home consumption. The distribution systems in each state generally provide the collection network for returnable cans and bottles. The standard container for beer brewed in Brazil is the 600 milliliter returnable bottle, shipped in returnable plastic crates, which represented approximately 52% of Molson's domestic sales in Brazil in fiscal 2004, with cans accounting for approximately 40%, non-returnable bottles for 5% and draught for 3%.

### *United States*

In the United States, by federal law, beer must be distributed through a three-tiered system consisting of manufacturers, distributors and retailers. In fiscal 2004, Molson continued to align itself more closely to the Coors distribution network in key markets. Currently Molson products in the United States are distributed by 544 distributors of which 451 are Coors distributors.

## **Advertising**

### *Canada*

In Canada, Advertising Standards Canada handles pre-clearance approvals for broadcast advertising of alcoholic beverages at the federal level. The Canadian Radio Television and Telecommunications Commission requires, however, that all broadcast advertising of alcoholic beverages comply with the Advertising Standards Canada's Code for Broadcast Advertising. Without approval numbers, broadcasters will not air an advertisement. Costs incurred by the Advertising Standards Canada for pre-clearance are borne by the brewers.

The provincial regulatory bodies also regulate advertising. It is incumbent upon manufacturers to ensure compliance with provincial regulation in a "self regulatory" environment. Saskatchewan is the only province that still requires formal pre-approval clearance on advertising.

*Brazil*

In Brazil, the advertising of beer is regulated by Self Regulation Rules, including warnings on the labels, merchandising material and television and radio commercials, about consequences of over consumption. A federal law also prohibits retailers from selling to customers of less than 18 years of age. Several bills proposing to regulate the advertising policies for alcoholic beverages have been presented before the National Congress. None of the bills has been voted on.

**Pricing**

*Canada*

In Canada, the pricing of beer is affected by the imposition of provincial and federal taxes. Commodity and sales taxes make up approximately 51% of the average retail price of beer in Canada (based on a case of 24 bottles). In a number of provinces, beer produced by small brewers is subject to a lower rate of provincial commodity tax. Pricing of beer in Canada is usually done by reference to what is known in the trade as "mainstream" or "premium" brands. Domestic super premium brands are usually sold at a level 10% to 20%, and imports at 20% to 30%, higher than premium beers, while discount beers are sold at prices approximately 10% to 30% below premium brands.

Provincial legislation governing the sale and distribution of alcoholic beverages provides, directly or indirectly, that provincial authorities may control the pricing of beer. Some government authorities require retail prices to be uniform throughout a province, and the method of determining prices differs among provinces. In a number of provinces, social-reference pricing has been established, setting the minimum price at which beer can be sold.

Small brewers' ability to establish the growing price gap between premium brands and their value brands is partially the result of government tax policies in some markets that favor small brewers, as well as the increasing prices for premium beers. This development is having a significant impact on Molson's share performance.

*Brazil*

In Brazil, wholesale and retail prices of beer have not been regulated since July 1990, when formal governmental price controls were lifted. Pricing of beer in Brazil is affected by federal and state taxes, market competition and consumers' disposable income.

**Employees**

Molson had approximately 3,100 full-time employees in Canada, 11 in the United States and approximately 3,200 in Brazil for a total of approximately 6,300 full-time employees on September 30, 2004 and hires seasonal part-time employees as required. Further, in the United States, Coors provides an additional 60 dedicated sales and distribution employees as well as administrative services to Molson USA.

*Canada*

In Canada, workplace change initiatives are continuing. As a result, joint union and management steering committees established in most breweries are focusing on customer service, quality, continuous improvement, employee training and a growing degree of employee involvement in all areas of brewery operations.

This resulted in continuous improvements in packaging line performance and productivity both in smaller facilities, as well as in larger breweries in Ontario and Québec. The unions are engaged and aligned with the Molson production strategy goals and are working jointly to deliver these targets.

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The chart below summarizes the current major collective bargaining agreements and their terms.

Location	Contract	Agreement Expiry
St. John's (Newfoundland)	Six-year agreement	March 31, 2006
Montréal (Québec)	Seven-year agreement	December 21, 2010(1)
Toronto (Ontario)	Four-year agreement	December 31, 2009(2)
Edmonton (Alberta)	Three-year agreement	March 31, 2007
Vancouver (British Columbia)	Five-year agreement	April 20, 2006

(1) Includes the collective bargaining agreement governing the distribution employees of Molson.

(2) This collective bargaining agreement, which has already been negotiated, will take effect on January 1, 2006 following the expiry of the current collective bargaining agreement.

### *Brazil*

In Brazil, a collective bargaining agreement is signed between Kaiser and the employees' trade union for one-year periods in each of the plants. Collective agreements in place exceed the requirements established by law.

### Properties

Molson's five breweries in Canada and eight breweries in Brazil are strategically located throughout the two countries with total capacities of 13.5 and 20.0 million hectoliters, respectively, as detailed in the chart below.

Breweries	Hectoliters (millions)(1)
<i>Canada</i>	
St. John's (Newfoundland)	0.3
Montréal (Québec)	5.0
Toronto (Ontario)	5.0
Edmonton (Alberta)	1.2
Vancouver (British Columbia)	2.0
<b>Total in Canada</b>	<b>13.5</b>
<i>Brazil</i>	
Pacatuba (Ceará)	1.5
Feira de Santana (Bahia)	2.2
Jacarei (São Paulo)	8.0
Araraquara (São Paulo)	2.8
Ponta Grossa (Paraná)	3.1
Gravatá (Rio Grande do Sul)	1.8
Manaus (Amazonas)	0.4
Cuiabá (Mato Grosso)	0.4
<b>Total in Brazil</b>	<b>20.0</b>
<b>Total Molson capacity</b>	<b>33.5</b>

**Breweries**

**Hectoliters (millions)(1)**

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(1)

Capacity may vary year on year due to variations in mix and equipment changes.

All these locations are owned and are free of any major encumbrances except for certain breweries in Brazil which are subject to charges in favor of the Brazilian National Development Bank and its agency FINAME to secure loans. Molson also leases certain of its business offices.

## Environment

Molson's Canadian brewing operations are subject to provincial environmental regulations and local permit requirements and Molson's Brazilian brewing operations are subject to federal, state and municipal environmental regulations regarding, among other things, air emissions, water discharges and waste handling and disposal. Each of Molson's Canadian breweries other than the St. John's brewery and each of its Brazilian breweries has water treatment facilities.

Molson has comprehensive environmental programs in Canada and Brazil with a number of components including organization, monitoring and verification, regulatory compliance, reporting, education and training, and corrective action.

Molson remains responsible for sites relating to discontinued operations of its chemical specialties business sold in 1996, which require environmental remediation programs and these programs are either under way or are planned. Most of these sites relate to properties associated with previously owned business of chemicals and Molson has established provisions for the costs of these remediation programs.

Amounts anticipated to be expended by Molson in connection with the above are not likely to materially affect the financial results of Molson. Management is unaware of any instance of non-compliance with environmental laws and regulations, which is not being responsibly addressed.

## Recent Events

On November 8, 2004, Molson announced that it will build a Cdn.\$35 million brewery in Moncton, New Brunswick by January 2007. The new brewery will feature bottling and keg lines and have the flexibility for the future installation of a canning line. Brewing capacity will be more than 6 million 12-packs annually or 250,000 hectoliters. The Province of New Brunswick is extending a forgivable loan of Cdn.\$3.5 million to assist with capital expenditures, and for the creation of 40 jobs within three years of commencing operation.

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

*This "Management's Discussion and Analysis of Financial Condition and Results of Operations" contains forward-looking statements reflecting management's current expectations regarding future operating results, economic performance, financial condition and achievements of Molson. Forward-looking statements are subject to certain risks and uncertainties and actual results may differ materially. These risks and uncertainties are detailed in Molson filings with the appropriate securities commissions and include risks related to foreign exchange, commodity prices, tax matters, foreign investment and operations as well as contingent liabilities. Molson undertakes no obligation to update or revise any forward-looking statements publicly.*

*The following comments are intended to provide a review and analysis of Molson's results of operations and financial position for (i) the three and six months ended September 30, 2004 in comparison with the three and six months ended September 30, 2003, (ii) the year ended March 31, 2004 in comparison with the year ended March 31, 2003 and (iii) the year ended March 31, 2003 in comparison with the year ended March 31, 2002. The following discussion relates to, and should be read in conjunction with, Molson's audited consolidated financial statements and the unaudited interim financial statements and accompanying notes attached as Annex R to this document. The financial statements are expressed in Canadian dollars and have been prepared in accordance with Canadian generally accepted accounting principles. These financial statements differ in certain respects from financial statements prepared in accordance with United States generally accepted accounting principles, and are not intended to provide certain disclosures which would typically be found in financial statements prepared in accordance with United States generally accepted accounting principles. Unless otherwise indicated, all amounts are expressed in Canadian dollars.*

*Three and Six Months Ended September 30, 2004 and September 30, 2003 (Unaudited)**Overview*

	Three months ended September 30		Six months ended September 30	
	2004	2003	2004	2003
(Dollars in millions, except share and per share amounts)				
<b>Sales and other revenues</b>	\$ 924.6	\$ 969.8	\$ 1,831.9	\$ 1,866.2
Brewing excise and sales taxes	250.2	254.2	482.5	488.8
<b>Net sales revenue</b>	\$ 674.4	\$ 715.6	\$ 1,349.4	\$ 1,377.4
<b>Earnings (loss) before interest and income taxes (EBIT)</b>	\$ (104.0)	\$ 165.0	\$ 22.7	\$ 276.9
Net interest expense	22.6	22.9	42.9	47.7
Income tax expense	40.7	46.2	85.7	88.6
Earnings (loss) before minority interest	(167.3)	95.9	(105.9)	140.6
Minority interest	49.4	0.6	56.3	10.6
<b>Net earnings (loss)</b>	\$ (117.9)	\$ 96.5	\$ (49.6)	\$ 151.2
Basic net earnings (loss) per share	\$ (0.92)	\$ 0.76	\$ (0.39)	\$ 1.19
Diluted net earnings (loss) per share	\$ (0.92)	\$ 0.75	\$ (0.39)	\$ 1.17
Dividends per share	\$ 0.15	\$ 0.14	\$ 0.30	\$ 0.28
Weighted average outstanding shares (millions)				
Basic	127.7	127.1	127.6	127.0
Diluted	127.7	129.2	127.6	129.1

EBIT is defined as earnings before interest and income taxes. Molson uses EBIT to evaluate the financial and operating performance of its business units and segments. Molson believes that EBIT is a useful indicator of profitability of its business segments. EBIT is not intended as an alternative measure of net earnings as determined in accordance with Canadian generally accepted accounting principles. Because EBIT may not be calculated identically by all companies, the presentation in Molson's financial statements may not be directly comparable to similarly titled measures of other companies. The reconciliation of net earnings as determined in accordance with Canadian generally accepted accounting principles to EBIT is provided in the table above.

For the quarter ended September 30, 2004, net sales revenue decreased 5.8% to \$674.4 million compared to \$715.6 million for the same period last year. The decrease reflects lower net sales in both Canada and Brazil mainly due to lower volumes. Consolidated brewing volume decreased by 8.4% to 5.13 million hectolitres versus 5.59 million hectolitres for the same period last year with volume down by 6.8% and 9.6% in Canada and Brazil respectively.

In the second quarter of fiscal 2005, as part of its continuing strategic review of its Brazilian operations, Molson recorded an impairment charge of \$168.0 million after minority interest (\$210.0 million at the EBIT level).

Also in the quarter, Molson incurred \$19.4 million (\$13.2 million net of tax and minority interest) of costs related to the proposed merger transaction and other unrelated provisions for rationalization. The merger related costs incurred to date are \$16.0 million. The provisions for rationalization of \$3.4 million consist of \$2.2 million in Canada and \$1.2 million in Brazil.

The net loss for the three months ended September 30, 2004 was \$117.9 million and net loss per share was \$0.92.





Excluding the current quarter's impairment charge, the merger related costs and provisions for rationalization, net earnings for the period were \$63.3 million or a 34.4% decrease from \$96.5 million for the same period last year. Net earnings per share decreased 34.2% to \$0.50 per share on the same basis.

The net loss for the six months ended September 30, 2004 was \$49.6 million compared to net earnings of \$151.2 million for the six months ended September 30, 2003. The prior year's earnings included a charge for the plant closure in Brazil in the amount of \$43.3 million (R\$92.2 million). In addition, Molson completed the sale, in the prior year's first quarter, of a residual property adjacent to the Barrie brewery for a pre-tax gain of \$7.0 million.

Excluding the impairment charge and merger related costs in the current quarter and the provisions for rationalization costs in both years, net earnings for the six-month period were \$131.6 million or a 27.3% decrease from \$181.1 million for the same period last year. Net earnings per share decreased 27.9% to \$1.03 per share compared to \$1.43 per share last year on the same basis.

For the three-month period ended September 30, 2004, EBIT in Canada decreased 4.9% to \$153.2 million excluding the merger related costs and provisions for rationalization of \$18.2 million, and reflects cooler and wetter summer weather and the continued strength of the value segment in certain regional markets. Canada's EBIT for the six months ended September 30, 2004 declined 1.8%, excluding the merger related costs in the current quarter and provisions for rationalization in both years. Brazil's EBIT in the quarter and year-to-date was negatively impacted by higher expenditures in both marketing and sales center costs, as well as lower volumes.

Net interest expense for the quarter was \$22.6 million which was \$0.3 million lower than the prior year reflecting an overall decrease in average debt and related interest expense in Canada for the three-month period partially offset by higher net debt and interest bearing liabilities in Brazil. For the six months ended September 30, 2004, net interest expense was \$42.9 or \$4.8 million lower than the same period last year.

The effective tax rate for the three months ended September 30, 2004 was 45.4% compared to 32.5% last year reflecting the mix of earnings and no tax recovery being recorded on the Brazil losses. The effective tax rate for the six months ended September 30, 2004 on net earnings was 43.8% compared to 32.5% last year. The effective tax rate for both the three and six-month period ending September 30, 2004 exclude the impairment charge, merger related costs and provisions for rationalization.

#### *Review of Operations*

Molson's business operations consist of the ownership of 100% of Molson Canada; 80% of Cervejarias Kaiser Brasil, S.A. ("Kaiser"); 49.9% of Coors Canada (results proportionately consolidated) and a 50.1% interest in Molson USA, which markets and distributes the Molson brands in the United States (results also proportionately consolidated).

#### **Net Sales Revenue**

Net sales revenue in the quarter decreased by 5.8% to \$674.4 million reflecting lower volumes in Canada and Brazil partially offset by favourable consumer prices in Canada. In addition, the impact of declining foreign exchange rates (Brazilian real and the U.S. dollar) relative to the Canadian dollar had a negative impact on the consolidated net sales revenue figure when measured in Canadian dollars.

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The following table details certain financial information by business unit, as reflected in Note 8 (Segment Disclosures) to Molson's unaudited consolidated financial statements for the six months ended September 30, 2004:

	Sales From External Customers				Net Sales Revenue			
	Three months ended September 30		Six months ended September 30		Three months ended September 30		Six months ended September 30	
	2004	2003	2004	2003	2004	2003	2004	2003
(Dollars in millions)								
Canada	744.1	768.8	1,477.9	1,495.7	579.0	599.5	1,159.2	1,161.9
Brazil	162.0	179.7	311.8	327.2	79.7	98.2	154.2	179.0
United States	18.5	21.3	42.2	43.3	15.7	17.9	36.0	36.5
<b>Consolidated</b>	<b>924.6</b>	<b>969.8</b>	<b>1,831.9</b>	<b>1,866.2</b>	<b>674.4</b>	<b>715.6</b>	<b>1,349.4</b>	<b>1,377.4</b>

	EBIT			
	Three months ended September 30		Six months ended September 30	
	2004	2003	2004	2003
(Dollars in millions)				
Canada	153.2	161.1	307.6	313.1
Brazil	(26.4)	5.1	(53.2)	1.9
United States	(1.4)	(1.2)	(2.3)	(1.8)
Totals before the following:	125.4	165.0	252.1	313.2
Impairment charge	(210.0)		(210.0)	
Merger related costs and provisions for rationalization	(19.4)		(19.4)	(36.3)
<b>Consolidated</b>	<b>(104.0)</b>	<b>165.0</b>	<b>22.7</b>	<b>276.9</b>

### Industry Volume and Molson Market Share

The following table sets out industry volume and Molson volume in Canada, Molson volume shipped to the United States as well as Molson's volume in Brazil during the three and six months ended September 30, 2004 and 2003:

Volume	Three months ended September 30		Six months ended September 30	
	2004	2003	2004	2003
	Estimated	Actual	Estimated	Actual
(Hectoliters in millions)				
Industry volume in Canada(i)	6.08	6.12	12.00	12.01

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	Three months ended		Six months ended	
	September 30		September 30	
Molson (Canada)	2.58	2.76	5.10	5.35
Molson production for shipment to the United States	0.42	0.47	0.92	1.00
Brazil	2.13	2.36	4.10	4.41
<b>Total Molson volume</b>	<b>5.13</b>	<b>5.59</b>	<b>10.12</b>	<b>10.76</b>

(i)

Sources: Brewers of Canada, provincial liquor authorities and industry distribution companies.

Total estimated industry sales volume in Canada decreased 0.6% from 6.12 million hectoliters to 6.08 million hectoliters for the three months ended September 30, 2004, compared to the same period last year reflecting poor weather conditions across certain significant regions in Canada. Molson's

volume in Canada decreased 6.8% to 2.58 million hectoliters during the same period with volume declines in both the Ontario/West and Québec/Atlantic regions. Molson's overall production for sale in the United States declined 12.0% and Brazil volume declined 9.6% in the quarter.

For the six months ended September 30, 2004, total estimated industry sales volume in Canada was virtually unchanged at 12.00 million hectoliters, compared to the same period in fiscal 2004. Molson's volume in Canada decreased 4.8% to 5.10 million hectoliters during the same period. Molson's production for sale in the United States declined 7.5% while volume in Brazil declined 7.1% to 4.10 million hectolitres.

### Canada

Net sales revenue decreased by 3.4% to \$579.0 million in the quarter reflecting lower volumes and partially offset by higher consumer prices when compared to last year. EBIT decreased 16.2% to \$135.0 million for the three months ended September 30, 2004. EBIT, excluding the merger related costs and provisions for rationalization in the amount of \$18.2 million, decreased 4.9% to \$153.2 million. The EBIT decline was attributed to lower volumes from industry declines and market share erosion due to the strengthening value segment in certain regional markets.

For the six months ended September 30, 2004, net sales revenue was virtually flat, declining by 0.2% to \$1,159.2 million reflecting lower volumes partially offset by increased consumer prices. EBIT, excluding the merger related costs in the current year and the provisions for rationalization in both years, decreased 1.8% to \$307.6 million. The cost reduction program continues to progress well and remains on track to deliver savings of approximately \$43 million in this fiscal year. To date, savings of \$18 million have been achieved in the six months ended September 30, 2004.

Market Share (%)	Three months ended September 30		Six months ended September 30	
	2004	2003	2004	2003
	Estimated	Actual	Estimated	Actual
<b>Including sales of imports:</b>				
Canada	42.4	45.2	42.5	44.6
Québec/Atlantic	42.3	45.7	42.8	44.4
Ontario/West	42.5	44.9	42.4	44.7

Sources: Brewers of Canada, provincial liquor authorities and industry distribution companies.

Molson's core brand share decreased 0.7 share points on a national basis during the three months ended September 30, 2004 and the six-month period was unchanged from the prior year. Average market share for all beer sold in Canada declined 2.8 share points to 42.4% from 45.2% for the three months ended September 30, 2004 compared to the same period last year. This decline was due to the continued development of a deep discount value segment in both Ontario and Alberta as well as softness in Québec when compared to strong volumes last year as a result of a competitor's labour disruption.

The Québec/Atlantic region's core brand share decreased 0.8 share points for the three months ended September 30, 2004 and increased 0.1 share point for the six months ended September 30, 2004. Total market share decreased 3.4 share points from 45.7% to 42.3% due mostly to the strong performance last year during a competitor's labour disruption. Despite the share declines, there continues to be positive results from the launch of Cold Shots®, continued growth of ExLight® and the strong performance of Coors Light®.

In Ontario/West, core brand market share decreased 0.6 share points for the three months ended September 30, 2004 and was unchanged for the six months ended September 30, 2004 when compared

to previous year levels. The overall region's market share declined 2.4 share points from 44.9% to 42.5%. The Ontario and Alberta markets continue to experience strong competitor discount activity and continues to expand supported by regional brewers and beer companies which benefit from preferential tax rates. Molson is undertaking significant actions to address this growing segment. In Ontario, Molson has introduced Bohemian to compete with deep discount brands and stem the softening of the market share due to the growth of the value segment. In addition, there continues to be strong momentum and consumer response to the launch of Canadian Cold Shots® and re-launch of Canadian Light®.

### Brazil

The following table summarizes the operating results of Molson's Brazilian business in Brazilian reais and the equivalent Canadian dollar amounts:

	Three months ended September 30				Six months ended September 30			
	Brazilian Reais		Cdn.\$		Brazilian Reais		Cdn.\$	
	2004	2003	2004	2003	2004	2003	2004	2003
	(Currency in millions)							
Sales from external customers	368.2	382.0	162.0	179.7	704.0	696.7	311.8	327.2
Net sales revenue	181.0	208.8	79.7	98.2	348.3	381.3	154.2	179.0
EBIT(i)	(60.3)	11.1	(26.4)	5.1	(120.1)	4.2	(53.2)	1.9

(i) Results for the quarter ended September 30, 2004 exclude the impairment charge of \$210.0 million and the rationalization provision of \$1.2 million, before minority interest.

Due to declining sales volumes and the loss of market share, Molson revised its long-term forecast of net cash flows from operations in Brazil. The resulting decline in the value of the investment was reflected by a \$210.0 million (\$168.0 million after minority interest) impairment charge which reduces the goodwill by \$130.0 million (\$104.0 million after minority interest) and other intangible assets by \$80.0 million (\$64.0 million after minority interest).

Total sales volume for the quarter was 2.13 million hectoliters compared to 2.36 million hectoliters last year representing a decline of 9.6%. Approximately 66% of the quarter's volume decline occurred in July, which had been a stronger month in fiscal 2004 as Kaiser price increases at that time lagged behind general market increases. While Kaiser continues to experience challenging market conditions, there are encouraging signs under the first full quarter of leadership of Fernando Tigre, CEO of Cervejarias Kaiser Brasil. The declines in monthly volumes have slowed, as evidenced by September results with a volume reduction of 2.4% when compared to the same period in last year.

Volume and market share in the geographic areas where Kaiser has implemented sales centers have generally improved, however the incremental contribution margin is not sufficient to cover the additional operating costs.

Year-to-date volume was 4.10 million hectoliters compared to 4.41 million hectoliters for the same period last year, a decline of 7.1%, which represents an improvement in trend against the 17.7% decline in the same period last year.

Total estimated Molson market share in Brazil was 10.6% for the three-month period ended September 30, 2004 compared to 13.1% for the same period last year and 10.9% for the six months ended September 30, 2004 compared to 13.0% last year, according to ACNielsen data.

Net sales revenue decreased 13.3% from R\$208.8 million to R\$181.0 million reflecting primarily the 9.6% volume decline in the quarter. Although Kaiser experienced an overall increase in gross revenue per hectoliter in reais of 5.0% for the quarter versus last year, tax increases implemented in

certain regions in the latter part of Molson's fourth quarter of fiscal 2004 were not fully passed on to the consumer and continue to negatively affect net sales revenue and margin. For the six-month period ended September 30, 2004, net sales revenue decreased 8.6% from R\$381.3 million to R\$348.3 million.

Net sales revenue, as measured in Canadian dollars, decreased 18.8% in the current quarter and 13.8% year-to-date reflecting the variance in the Brazilian real exchange rate in addition to the above-noted factors.

EBIT in the current quarter was adversely affected by the operating costs of the sales centers established in the latter part of fiscal 2004 and reflected a net variance of approximately R\$18 million to the same period last year. In addition, Kaiser incurred higher marketing costs of approximately R\$11 million when compared to the same period last year primarily related to increased television advertising during the Olympic Games. General and administrative costs increased marginally reflecting higher depreciation expense while fixed costs were flat with last year.

During the first quarter of fiscal 2004, Molson recorded a charge of \$43.3 million relating to the closure of the Ribeirão Preto plant in Brazil represented by a \$37.5 million write-down of fixed assets to net recoverable amount and employee severance and other closure costs of \$5.8 million. There is no remaining accrual.

As part of its continuing strategic review of the Brazilian operations, Molson will record a charge of approximately \$50.0 million against earnings in the coming quarters, relating to the closure of the Queimados brewery and organization right-sizing including sales centres.

On October 28, 2004, the Board of Directors of Molson approved the closure of the Queimados plant. The earnings charge relating to the plant closure, which is estimated at \$35 million, will consist mainly of a fixed asset write down.

Kaiser's competitive environment remains intense and sales and market share growth as well as profitability are the biggest challenges facing the brewer. Molson is reviewing its overall corporate debt structure as it relates to Brazilian operations to reduce net interest expense and minimize overall risk. Given recent operating losses, Molson is planning to refinance a portion of its Brazilian debt with a capital injection from Canada of \$45.0 million. Under the new management team, Kaiser looks to make gains in expanded distribution, continue the revitalization of the key brands, review the overall commercial structure, eliminate duplications with bottlers and aggressively pursue cost saving projects.

#### **United States**

Molson USA, which is owned 50.1% by Molson and 49.9% by the Coors Brewing Company ("Coors"), is a dedicated business unit in the United States focused on clear operating objectives and a well-defined brand portfolio Canadian®, Canadian Light®, Golden®, Molson Ice® as well as Molson XXX®. Molson USA is responsible for the marketing and selling of these brands in the United States with Coors providing the sales, distribution and administrative support.

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The following table summarizes the operating results of Molson's business in the United States in U.S. dollars and the equivalent Canadian dollar amounts:

### Three months ended September 30

U.S.\$		Cdn.\$		Molson 50.1% Share Cdn.\$	
2004	2003	2004	2003	2004	2003

(Dollars in millions)

Sales from external customers	28.2	30.8	37.0	42.5	18.5	21.3
Net sales revenue	23.9	25.9	31.3	35.7	15.7	17.9
EBIT	(2.2)	(1.7)	(3.0)	(2.4)	(1.4)	(1.2)

### Six months ended September 30

U.S.\$		Cdn.\$		Molson 50.1% Share Cdn.\$	
2004	2003	2004	2003	2004	2003

(Dollars in millions)

Sales from external customers	63.1	62.3	84.3	86.5	42.2	43.3
Net sales revenue	53.7	52.5	71.8	72.8	36.0	36.5
EBIT	(3.5)	(2.6)	(4.7)	(3.7)	(2.3)	(1.8)

Overall, Molson's total and Canadian® trademark volume in the United States for the three months ended September 30, 2004 were down 6.9% and 9.5%, respectively, compared to the same period last year. The reasons for the decline in volume in the quarter are primarily due to lower volume in the state of Michigan and to declines in sales of specialty packs, specifically 36 and 55 pack cans. In Michigan, volume was down 18% due to heavy focus on specialty packages in the same period last year. In total, 36 and 55 pack cans account for 54% of total volume decline in the quarter. For the six months ended September 30, 2004 Molson's total and Canadian® trademark volume was down 5.1% and 7.2%, respectively.

While total net sales revenue declined 7.7%, net sales revenue per hectoliter increased in the current quarter 6.6%, versus the same period last year as measured in U.S. dollars. This increase in revenue realization is driven by strong front line price increases and improved brand and package mix, driven primarily by the super premium pricing of Molson XXX®. During the quarter, these gains in pricing were offset by increased operational costs arising primarily from unfavorable foreign exchange.

Over the coming quarters, restoring growth on the Canadian® trademark, as well as continued focus on slowing the Molson Ice® and Golden® declining volume will remain a priority.

*Selected Consolidated Quarterly Financial Information*

	September 30,		June 30,		March 31,		December 31,	
	2004	2003	2004	2003	2004	2003	2003	2002
(Dollars in millions, except per share amounts)								
Net sales revenue	\$ 674.4	\$ 715.6	\$ 675.0	\$ 661.8	\$ 524.8	\$ 501.5	\$ 623.3	\$ 641.3
Gross profit	\$ 283.2	\$ 303.1	\$ 288.3	\$ 278.2	\$ 218.5	\$ 194.6	\$ 255.6	\$ 263.9
Net earnings before the following items, net of tax(i):	\$ 63.3	\$ 96.5	\$ 68.3	\$ 84.6	\$ 42.2	\$ 59.6	\$ 59.6	\$ 66.1
Merger related costs and provisions for rationalization	(13.4)			(38.5)				
Impairment charge	(210.0)							
Minority interest on Brazil's impairment charge and provisions for rationalization	42.2			8.6				
Tax adjustment related to changes in enacted future income tax rates							(16.0)	
Net earnings (loss)	\$ (117.9)	\$ 96.5	\$ 68.3	\$ 54.7	\$ 42.2	\$ 59.6	\$ 43.6	\$ 66.1
Net earnings (loss) per share basic	\$ (0.92)	\$ 0.76	\$ 0.54	\$ 0.43	\$ 0.33	\$ 0.47	\$ 0.34	\$ 0.52
Net earnings (loss) per share diluted	\$ (0.92)	\$ 0.75	\$ 0.53	\$ 0.42	\$ 0.33	\$ 0.46	\$ 0.34	\$ 0.51

- (i) Restated by \$0.9 million and \$1.0 million in each of the quarters ended December 31, 2002 and March 31, 2003 respectively, reflecting the previously disclosed stock option expense.

*Financial Condition and Liquidity*

Molson's consolidated balance sheet, together with comparative figures, is summarized as follows:

As at	September 30, 2004	September 30, 2003	March 31, 2004
(Dollars in millions)			
Current assets	\$ 374.2	\$ 434.9	\$ 430.2
Less current liabilities	(1,085.7)	(783.7)	(1,025.4)
Working capital	(711.5)	(348.8)	(595.2)
Investments and other assets	131.8	130.3	129.7
Property, plant and equipment, net	991.2	990.3	1,022.4
Intangible assets	2,117.0	2,375.3	2,348.3
	\$ 2,528.5	\$ 3,147.1	\$ 2,905.2
Represented by:			
Long-term debt	\$ 585.7	\$ 1,034.2	\$ 788.4
Deferred liabilities	323.6	398.7	359.1
Future income taxes	415.9	382.1	400.2
Minority interest	78.9	151.6	138.1



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As at	September 30, 2004	September 30, 2003	March 31, 2004
	<b>1,404.1</b>	1,966.6	1,685.8
Shareholders' equity	<b>1,124.4</b>	1,180.5	1,219.4
	<b>\$ 2,528.5</b>	\$ 3,147.1	\$ 2,905.2

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In fiscal 2005, working capital requirements, excluding the current portion of long-term debt, will continue to be funded through cash generated from operations and available credit facilities. Molson intends to refinance long-term debt of \$279.9 million (March 31, 2004 \$259.9 million) which has been included in current liabilities with either a new term loan or floating rate notes. The working capital deficit as at September 30, 2004, excluding the \$279.9 million (March 31, 2004 \$259.9 million) of long-term debt, was \$431.6 million (March 31, 2004 \$335.3 million) which was \$82.8 million below last year due mainly to lower accounts receivable and prepaids in addition to the increase in Brazil current debt due to continued operating losses.

### *Shareholders' Equity*

For the three and six-month period ended September 30, 2004, Molson did not repurchase any Class A non-voting or Class B common shares. In the three-month period ended September 30, 2003, Molson repurchased 60,300 Class A non-voting shares at a price of \$34.99 per share and no Class B common shares. In the six-month period ended September 30, 2003, Molson repurchased 751,000 Class A non-voting shares at prices ranging between \$32.15 and \$34.99 and no Class B common shares.

The total number of Class A non-voting and Class B common shares outstanding at September 30, 2004 were 127,733,389 (127,110,143 at September 30, 2003) consisting of 105,357,713 (104,662,423 at September 30, 2003) Class A non-voting shares and 22,375,676 (22,447,720 at September 30, 2003) Class B common shares.

### *Dividends*

Dividends declared to shareholders totalled \$19.2 million in the three-month period ended September 30, 2004, compared with \$17.8 million for the same period last year. In fiscal 2005, Molson's quarterly dividend rate was increased by \$0.01 or 7% to \$0.15 per share effective in the first quarter.

The Board of Directors declared a quarterly dividend of \$0.15 per share on the Class A non-voting shares and the Class B common shares. This dividend is payable on January 1, 2005 to shareholders of record at the close of business on December 15, 2004.

The dividends declared are consistent with the previously announced dividend policy, approved by the Board of Directors in November 2001, which targets a dividend payout range of 25% - 30% of trailing net earnings, before the impairment charge, merger related costs and provisions for rationalization.

### *Financial Instruments and Long-Term Liabilities*

Molson's consolidated long-term debt was as follows:

As at	September 30, 2004	September 30, 2003	March 31, 2004
(Dollars in millions)			
Molson Inc.			
Term loan	\$ 29.9	\$ 89.7	\$ 59.9
Debentures		150.0	150.0
Floating rate notes	250.0	200.0	250.0
Molson Canada			
Debentures	576.0	579.0	577.6
Brazil	137.0	80.9	97.9
Total consolidated debt	992.9	1,099.6	1,135.4
Less current portion	407.2	65.4	347.0
Total consolidated long-term debt	\$ 585.7	\$ 1,034.2	\$ 788.4

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The medium-term note program is an agreement under which Molson may agree to issue debt under terms and conditions that are only determined at the time of placement of the debt. As such, Molson's term loan and the \$250.0 million floating rate notes are classified as current liabilities. It is Molson's intention to refinance with either a new term loan or through the medium-term note program.

Dominion Bond Rating Service, or DBRS, current credit rating for Molson Inc. and Molson Canada's ratings is A (low) and A respectively. On July 20, 2004, DBRS announced that its long-term ratings of Molson Inc. and Molson Canada were placed under review with negative implications, pending clarification of the proposed merger transaction. DBRS stated that once the structure of the combined company is final, DBRS would be in a position to assess how the proposed merger would impact Molson's credit ratings.

On July 26, 2004 Standard and Poor's revised its outlook on Molson Inc. and Molson Canada to negative from stable. At the same time, the BBB+ long-term credit rating on Molson Inc. and Molson Canada was affirmed. Following the announcement of the special dividend on November 4, 2004, Standard & Poors announced that Molson's credit rating was placed on "watch negative."

On September 16, 2004, a third party bank exercised its right to cancel the interest rate swap which converted \$100.0 million of Molson's floating rate note maturing September 16, 2005 to a fixed rate. Molson also has an interest rate swap for \$100.0 million which converts the Molson Canada debenture due June 2, 2008 with a fixed rate of 6.0% to a variable rate.

On October 19, 2004, the one year \$50.0 million floating rate note matured and was refinanced using the term loan credit facility.

### *Changes in Cash Flows*

The increase in cash of \$4.2 million in the three and six months ended September 30, 2004, together with a comparison for the same periods in fiscal 2004, is summarized below:

	Three months ended September 30		Six months ended September 30	
	2004	2003	2004	2003
	(Dollars in millions)			
Provided from operating activities	\$ 155.4	\$ 234.7	\$ 137.5	\$ 139.3
Used for investing activities	(10.4)	(15.0)	(15.5)	(6.5)
Used for financing activities	(138.6)	(177.6)	(122.1)	(95.3)
	6.4	42.1	(0.1)	37.5
Increase (decrease) in cash from continuing operations	6.4	42.1	(0.1)	37.5
Increase (decrease) in cash from discontinued operations	(2.1)	5.5	(2.4)	0.8
Effect of exchange rate changes on cash	(0.1)	(0.8)		0.1
	\$ 4.2	\$ 46.8	\$ (2.5)	\$ 38.4
Increase (decrease) in cash	\$ 4.2	\$ 46.8	\$ (2.5)	\$ 38.4

For the three months ended September 30, 2004, cash provided from operating activities decreased 33.8% to \$155.4 million from \$234.7 million in the same period last year. The decrease reflects lower net earnings, before the non-cash impairment charge, lower working capital and increased pension funding in comparison to prior year.

Included in operating activities is cash provided from working capital of \$85.7 million in the quarter which relates to lower accounts receivable and prepaids partially offset by lower accounts payable.

During the current quarter and the previous year's quarter, cash used for investing activities consisted primarily of additions to property, plant and equipment.

Cash used for financing activities in the second quarter of fiscal 2005 included a net reduction in long-term debt of \$135.8 million and \$14.0 million from the securitization of accounts receivable offset by dividends paid of \$18.8 million. In the second quarter of fiscal 2004 cash used for financing activities included a net decrease in long-term debt of \$170.6 million, \$10.0 million from the securitization of accounts receivable offset by dividends paid of \$17.1 million.

Cash used for discontinued operations consisted of \$2.1 million in the second quarter of fiscal 2005 and \$5.5 million provided from in the second quarter of fiscal 2004 for operating activities to fund obligations previously provided for in the accounts.

*Impairment Charge*

In the second quarter of fiscal 2005, Molson recorded an impairment charge of \$210.0 million (\$168.0 million after minority interest). As at March 31, 2004, Molson estimated that the fair value of the Brazil intangible assets exceeded their book value and that strategic initiatives underway to grow volume would be successful. A review of the performance achieved during the first half of fiscal 2005 made it clear that volume growth would be more difficult to achieve and take more time than anticipated. Accordingly, in determining the value of the Brazil goodwill and intangible assets, assumptions were revised to reflect this more conservative estimate.

*Outlook*

In Canada, industry volume is expected to grow marginally over the next 12 months consistent with historical levels with the value segment continuing to grow.

Molson is focused on strengthening the Canadian® franchise and growing core brands in order to grow volume and ultimately overall share.

In Brazil, the focus remains on growing volume, increasing distribution and closing the price gap while at the same time aggressively controlling costs. The competitive environment has stiffened with the emergence of a third brewer and continued pressure on market share growth.

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Years Ended March 31, 2004, March 31, 2003 and March 31, 2002

Financial Highlights

Years ended March 31	2004	2003	2002
		(restated)(i)	
	(Dollars in millions, except per share amounts)		
<b>Sales and other revenues(ii)</b>	\$ 3,472.8	\$ 3,529.2	\$ 2,830.8
Brewing excise and sales taxes	947.3	1,014.0	728.5
<b>Net sales revenue</b>	<b>\$ 2,525.5</b>	<b>\$ 2,515.2</b>	<b>\$ 2,102.3</b>
<b>Earnings before interest and income taxes (EBIT)</b>	<b>\$ 475.9</b>	<b>\$ 512.6</b>	<b>\$ 321.8</b>
Net interest expense	91.5	95.4	65.5
Income tax expense	166.5	115.0	80.7
Earnings before minority interest	217.9	302.2	175.6
Minority interest	19.1	6.5	
<b>Earnings from continuing operations</b>	<b>237.0</b>	<b>308.7</b>	<b>175.6</b>
Earnings from discontinued operations			2.0
<b>Net earnings</b>	<b>\$ 237.0</b>	<b>\$ 308.7</b>	<b>\$ 177.6</b>
Basic net earnings per share			
Continuing operations	\$ 1.86	\$ 2.42	\$ 1.46
Discontinued operations			0.02
<b>Total</b>	<b>\$ 1.86</b>	<b>\$ 2.42</b>	<b>\$ 1.48</b>
Diluted net earnings per share			
Continuing operations	\$ 1.84	\$ 2.38	\$ 1.43
Discontinued operations			0.02
<b>Total</b>	<b>\$ 1.84</b>	<b>\$ 2.38</b>	<b>\$ 1.45</b>
Dividends per share	\$ 0.56	\$ 0.42	\$ 0.38
Weighted average outstanding shares (millions)			
Basic	127.1	127.3	120.1
Diluted	129.0	129.5	122.4

(i) Restated by \$3.7 million for the year ended March 31, 2003 reflecting the previously disclosed stock option expense.

(ii) Results for the year ended March 31, 2003 include 100% of the results of Molson's Brazilian operations and the minority interest account reflects 20% of the net earnings of the Brazilian operations from April 18, 2002 thereafter.

For the year ended March 31, 2004, net sales revenue increased 0.4% to \$2.5 billion. The increase was comprised primarily of a 3.2% revenue increase in Molson's operations in Canada offset by lower net sales in Brazil of 10.4% due to lower volumes.

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For the year ended March 31, 2003, net sales revenue increased 20% to \$2.5 billion compared to \$2.1 billion for the same period last year. The increase is comprised primarily of a 5% revenue increase in Molson's operations in Canada and the consolidation of Kaiser in fiscal 2003. Brewing volume increased by 61% to 23.07 million hectoliters due mainly to the additional volume from Kaiser offset, in part, by lower volumes in Canada.

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Net earnings for the year ended March 31, 2004 were \$237.0 million compared to \$308.7 million for the prior year. Molson's fiscal 2004 earnings included a charge for a previously announced plant closure in Brazil in the amount of \$43.3 million partially offset by a pre-tax gain of \$7.0 million, for a net rationalization provision of \$36.3 million. Fiscal 2004 also included a \$16.0 million non-cash increase in income tax expense due to higher income tax rates in Ontario. The prior year's earnings included a gain of \$64.2 million on the sale of 20% of Molson's operations in Brazil and a pre-tax charge for the previously announced plant closures and other costs relating to Bavaria in Brazil in the amount of \$63.5 million.

Net earnings for the year ended March 31, 2004, excluding the non-cash increase in future income tax liabilities of \$16.0 million, the charge for rationalization costs in both periods, net of minority interest, and the gain on sale of \$64.2 million in the prior fiscal year, were \$282.9 million or a 1.8% increase from \$278.0 million for the same period last year. Net earnings per share were \$2.23 compared to \$2.18 per share last year on the same basis.

Net earnings for the year ended March 31, 2003 were \$308.7 million compared to \$177.6 million for the prior year. Molson's fiscal 2003 earnings included a gain of \$64.2 million on the sale of 20% of Molson's operations in Brazil and a pre-tax charge for the previously announced plant closures and other costs relating to Bavaria in Brazil in the amount of \$63.5 million. The prior year included rationalization costs relating to the Regina plant closure of \$50.0 million, a non-cash \$15.0 million reduction of future tax liabilities resulting from the enactment of future tax rate reductions as well as the gain on sale of the Montréal Canadiens of the NHL and the Bell Centre in the amount of \$2.0 million.

As disclosed in the first quarter of fiscal 2004 (ended June 30, 2003), Molson started expensing the cost of stock options effective April 1, 2003 with a restatement of the prior year's results. The impact in the year ended March 31, 2004 was \$5.2 million and the previously disclosed impact of \$3.7 million for the year ended March 31, 2003 was restated in the prior year's figures.

Net interest expense for fiscal 2004 was \$91.5 million which was \$3.9 million lower than fiscal 2003 reflecting the overall decrease in average net debt in Canada partially offset by higher interest bearing liabilities in Brazil. Fiscal 2003 interest expense was \$29.9 million higher than fiscal 2002 interest expense of \$65.5 million reflecting the overall increase in average net debt including other interest bearing liabilities, resulting from the Kaiser acquisition.

Amortization of capital assets for fiscal 2004 decreased to \$63.1 million compared to \$64.9 million last year primarily due to lower depreciation expense in Brazil resulting from recent brewery closures. The increase in amortization of capital assets in fiscal 2003 when compared to fiscal 2002 amortization of \$54.6 million reflected the inclusion of Kaiser's operations in fiscal 2003, partially offset by lower depreciation expense in Canada resulting from recent brewery closures.

There was no tax recovery recorded on the fiscal 2004 first quarter provision for the plant closure or the current year operating losses in Brazil since Molson has significant unrecorded benefits of tax losses available for carry forward as well as tax deductible goodwill in Brazil. Any benefit from utilization of these losses will be recorded in the accounts when realization is more likely than not.

The effective tax rate for the year ended March 31, 2004, excluding the non-cash tax expense of \$16.0 million and the rationalization provision, was 35.2%. The provision for income taxes for the year ended March 31, 2003, excluding the tax recovery of \$21.6 million relating to the provision for rationalization and the gain on sale, was 32.8%. This increase in the tax rate in fiscal 2004 reflected the impact of higher income tax rates in Ontario and the mix of earnings between Canada and Brazil.

The provision for income taxes for the year ended March 31, 2002 included a \$15.0 million reduction of future income tax liabilities resulting from enactment of future tax rate reductions announced in various provincial budgets and a recovery of \$16.5 million relating to the provision for

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rationalization. Excluding these items, the tax rate was 36.6% in fiscal 2002. The decreased tax rate in fiscal 2003 was largely attributable to reduced statutory tax rates in Canada and the mix of earnings primarily between Canada and Brazil.

### *Review of Operations*

The following table contains a summary of Molson's financial results for fiscal 2004 with a comparison to fiscal 2003 and fiscal 2002:

Years ended March 31	2004	2003	2002
	(restated)		
	(Dollars in millions)		
<b>Sales and other revenues</b>	\$ 3,472.8	\$ 3,529.2	\$ 2,830.8
Brewing excise and sales taxes	947.3	1,014.0	728.5
<b>Net sales revenue</b>	\$ 2,525.5	\$ 2,515.2	\$ 2,102.3
<b>EBIT before the under-noted</b>	\$ 512.2	\$ 511.9	\$ 371.8
Gain on sale of 20% of operations in Brazil		(64.2)	
Provisions for rationalization	36.3	63.5	50.0
<b>EBIT</b>	\$ 475.9	\$ 512.6	\$ 321.8

The following table details certain financial information by business unit:

Years ended March 31	Sales from External Customers			Net Sales Revenue			EBIT		
	2004	2003	2002	2004	2003	2002	2004	2003	2002
	(Dollars in millions)								
Canada(i)	2,659.3	2,628.3	2,520.1	2,065.6	2,001.4	1,903.4	537.7	481.7	380.4
Brazil(ii)	737.9	816.0	224.0	396.2	442.1	127.7	(22.3)	36.5	(2.9)
United States	75.6	84.9	86.7	63.7	71.7	71.2	(3.2)	(6.3)	(5.7)
Totals before the following:	3,472.8	3,529.2	2,830.8	2,525.5	2,515.2	2,102.3	512.2	511.9	371.8
Gain on sale of 20% of operations in Brazil								64.2	
Provisions for rationalization							(36.3)	(63.5)	(50.0)
<b>Consolidated</b>	<b>3,472.8</b>	<b>3,529.2</b>	<b>2,830.8</b>	<b>2,525.5</b>	<b>2,515.2</b>	<b>2,102.3</b>	<b>475.9</b>	<b>512.6</b>	<b>321.8</b>

(i) EBIT restated by \$3.7 million for the year ended March 31, 2003 reflecting the previously disclosed stock option expense.

(ii) Results for the year ended March 31, 2003 include 100% of the results of Molson's Brazilian operations and the minority interest account reflects 20% of the net earnings of the Brazilian operations from April 18, 2002 thereafter.

### **Industry Volume and Molson Market Share**



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The following table sets out industry volume and Molson volume in Canada, Molson volume shipped to the United States as well as Molson volume in Brazil during fiscal 2004, 2003 and 2002:

Volume	2004	2003	2002
	Estimated	Actual	
	(Hectoliters in millions)		
Industry volume in Canada(i)	21.51	21.08	21.07
Molson (Canada)	9.43	9.36	9.50
Molson production for shipment to the United States	1.75	1.77	1.90
Brazil	9.85	11.94	2.96
<b>Total Molson volume</b>	<b>21.03</b>	<b>23.07</b>	<b>14.36</b>

(i) Sources: Brewers of Canada, provincial liquor authorities and industry distribution companies.

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Total estimated industry sales volume in Canada increased by 2.0% to 21.51 million hectoliters during the year ended March 31, 2004 compared to fiscal 2003. Molson's volume in Canada increased 0.7% to 9.43 million hectoliters in fiscal 2004 with increases primarily in Québec and British Columbia offset by volume declines in Alberta and Ontario.

Volume in Brazil was negatively impacted in fiscal 2004 by an overall softening of industry volume, Molson's elimination of trans-shipping in specific regions, a disappointing performance in the major market of São Paulo, which was down 33% for the year, as well as strong competitive activity. The establishment of six sales centers, including the important São Paulo region, started to address these volume declines.

Molson's production for sale in the United States was broadly flat with growth in Molson USA brands offset by lower partners' sales.

In fiscal 2003, total industry sales volume in Canada increased marginally by 0.2% to 21.08 million hectoliters when compared to fiscal 2002. Molson's volume in Canada decreased 1.4% to 9.36 million hectoliters during the same period with decreases primarily in Ontario and the western provinces. Molson's production for sale in the United States decreased 7.3% from 1.90 million hectoliters to 1.77 million hectoliters.

### Canada

In fiscal 2004, net sales revenues increased by 3.2% to \$2.1 billion in the year reflecting marginally higher volumes and increased selling prices when compared to last year. Excluding the \$7.0 million gain on sale of a residual property, EBIT increased 11.6% to \$537.7 million for the year ended March 31, 2004 reflecting improved margins resulting from favorable price increases as well as cost efficiencies in manufacturing operations, procurement and fixed overheads.

Net sales revenues in fiscal 2003 increased by 5% to \$2.0 billion reflecting increased selling prices and favorable mix when compared to fiscal 2002 offset, in part, by lower volumes. EBIT increased 27% to \$481.7 million for the year ended March 31, 2003 when compared to fiscal 2002, excluding the \$50.0 million provision for rationalization, reflecting improved margins.

#### Market Share (%)

	2004	2003	2002
	Estimated	Actual	Actual
<b>Including sales of imports:</b>			
Canada	43.8	44.4	45.1
Québec/Atlantic	43.8	43.0	42.8
Ontario/West	43.8	45.2	46.3

Sources: Brewers of Canada, provincial liquor authorities and industry distribution companies.

Molson continues to concentrate on market share growth of core strategic brands nationally and on key regional markets with strong growth opportunities.

Molson's core brand share performed well with a share increase of 0.9 share points on a national basis during the fiscal year ended March 31, 2004 while average estimated market share for all beer sold in Canada declined 0.6 share points to 43.8% from 44.4% compared to the same period last year. This strong core brand share performance included the benefits of the launch of A Marca Bavaria across Canada as well as Ex Light® in Québec, which surpassed the two main competitors and is now the second-leading light beer in Québec, and took into account the 0.8 share point decrease of Canadian@.

The Québec/Atlantic region's core brand share increased 1.4 share points in fiscal 2004 and total market share continued strong growth with an increase of 0.8 share points from 43.0% to 43.8% despite intense levels of competitive tactical marketing and trade programs in the Québec super premium and value beer segments. In Québec, core brand share increased 1.7 share points and total market share increased 0.9 share points from 48.8% to 49.7%. These share gains reflected strong trade programs as well as opportunities created by the labor disruption of a competitor in the second quarter of fiscal 2004.

The Ontario/West region's market share declined from 45.2% to 43.8% in fiscal 2004. However, core brand market share increased 0.6 share points when compared to the prior year's level. The overall market share decline reflected strong competitor discount pricing activity and Molson's slow response to the value segment, primarily in Ontario and Alberta. Molson has undertaken significant activity to address the softening of the Ontario/West share including, but not limited to, a new brand focused organization with increased market focus, a national re-launch of Canadian®, a national roll-out of Canadian Light®, the launch of Molson's lower-carb brand Molson Ultra™ and the launch of Cold Shots®.

During the fiscal year ended March 31, 2003, Molson's average estimated market share for all beer sold in Canada declined to 44.4% from 45.1% when compared to the same period the previous year, however, core brands continued to perform well with a share increase of 1.0 share points on a national basis.

The Québec/Atlantic region's market share increased 0.2 share points to 43.0% at the end of fiscal 2003 with core brand share increasing 3.0 share points, despite intense levels of competitive tactical marketing and trade programs in the Québec super premium and discount beer segments.

The Ontario/West region's fiscal 2003 market share declined from 46.3% to 45.2%, however, core brand market share was only marginally below fiscal 2002 levels. The overall decrease reflects strong competitor discount pricing activity, primarily in Ontario and Alberta, and Molson's reduced in-case promotions. The decline is also attributable to the softening of the premium segment and the related impact on the Canadian® brand as well as increased pressure from competitive value brands.

#### **Coors Canada**

The Coors Canada partnership is responsible for the management of Coors brands in Canada. Molson brews, distributes and sells the Coors Light® brand in Canada.

Coors Canada showed continued strong growth in fiscal 2004 despite an aggressive competitive environment during the year. The Coors Light® brand remained the market leader in the light beer segment and the fourth-largest brand in Canada. In fiscal 2004, Coors Light's® estimated average national market share gained 0.5 share points to 8.4% with strong growth primarily in the Québec market.

In fiscal 2003, the Coors Light® brand remained the market leader in the light beer segment and the fourth-largest brand in Canada with an estimated average national market share of 7.9%.

#### **Brazil**

On March 18, 2002, Molson acquired 100% of the outstanding shares of Kaiser, whose assets include the Kaiser brands and eight brewing facilities in Brazil, for \$1,136.3 million which included transaction costs and is net of cash acquired. In a separate transaction that closed on April 17, 2002, Molson sold 20% of its Brazilian operations to Heineken N.V. for proceeds of \$333.9 million. This resulted in a gain of \$64.2 million recorded in the three-month period ended June 30, 2002.

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Net sales revenue for the year ended March 31, 2004 declined 5.6% from R\$910.7 million to R\$859.4 million reflecting a volume decline of 17.5% which was partially offset by higher net selling prices of approximately 9%. Net sales revenue, as measured in Canadian dollars, decreased 10.4% reflecting the 5.0% decrease in the average Brazilian real exchange rate in fiscal 2004 in addition to the above-noted factors.

The following table<sup>(i)</sup> summarizes the operating results of Molson's Brazilian business in Brazilian reais and the equivalent Canadian dollar amounts:

Years ended March 31	Brazilian Reais			Cdn.\$		
	2004	2003	2002	2004	2003	2002
(Currency in millions)						
Sales from external customers	1,601.1	1,675.4	346.0	737.9	816.0	224.0
Net sales revenue	859.4	910.7	197.0	396.2	442.1	127.7
EBIT(ii)	(49.1)	83.2	(5.1)	(22.3)	36.5	(2.9)

(i) Results for the year ended March 31, 2003 include 100% of the results of Molson's Brazilian operations and the minority interest account reflects 20% of the net earnings of the Brazilian operations from April 18, 2002 thereafter.

(ii) Results for the year ended March 31, 2004 exclude the rationalization provision of \$43.3 million. Results for the year ended March 31, 2003 exclude the gain on sale of 20% of Molson's operations in Brazil of \$64.2 million and the rationalization provision of \$63.5 million.

At the end of the first quarter of fiscal 2004, following a poor volume performance, Kaiser, in conjunction with some Coca-Cola bottlers, undertook to implement a strategy to establish a dedicated sales force in six regions in Brazil. The main purpose of this strategy was to improve sales execution while taking full advantage of the Coca-Cola distribution system synergies. The planned six selling regions were established and all were fully operational at year-end. Kaiser had more than 1,200 sales employees in these six regions covering approximately 30% of Kaiser's total volume at year-end.

In addition, as a result of a detailed review of consumer preferences and in response to competitors' activities, the Kaiser brand was re-launched in the fourth quarter of fiscal 2004 with a new liquid, new advertising and new packaging. The volume decline trend improved in the fourth quarter to a decline of 7.2%, reflecting the lowest quarterly decline of the year. However, increased marketing investment from the re-launch and much higher costs relating to the establishment of the sales centers as well as the volume decline resulted in an operating loss of \$22.3 million for the twelve-month period. Total market share in fiscal 2004 was 12.4%, which was 2.2 share points below the same period last year, according to ACNielsen data. During the fourth quarter of fiscal 2004, Kaiser improved its product mix to 56% returnable container sales compared to 50% in the third quarter and will continue to focus on maintaining this trend.

In fiscal 2003, total sales volume for the year was 11.94 million hectoliters compared to 2.96 million hectoliters in fiscal 2002 reflecting the increased volume attributable to the Kaiser acquisition. Total Molson market share in Brazil was 14.6% in fiscal 2003 compared to 17.0% in fiscal 2002 including Kaiser market share, according to ACNielsen data.

In fiscal 2003, Kaiser continued with its pricing strategy to improve the positioning of its brands against its major competitor and increased prices of products in both returnable and non-returnable containers in the second and third quarters. Price increases of 5% and 4% were realized in July and December respectively for returnable products and increases of 10% and 12% were realized for non-returnable containers in July and December respectively.

In fiscal 2004, Molson continued to implement initiatives to offset the currency fluctuation in Brazil including selling price increases, accelerated operating cost reductions as well as efforts to realign product mix to optimize profitability under existing currency conditions. The average exchange rate of the U.S. dollar in the year, including the impact of Molson's hedging transactions, was R\$3.14 compared to R\$2.87 for the same period last year.

The strategy of Molson in Brazil is to continue to work with the Coca-Cola distribution network and find appropriate and tailored solutions to address each individual region.

### United States

Molson USA continued to focus on building the Canadian® brand with very positive volume growth of 26% in fiscal 2004 when compared to last year. Furthermore, Canadian®'s volume represented a more significant percentage of the total Molson USA portfolio growing to 44% in fiscal 2004 from 36% in fiscal 2003. Molson USA also introduced Molson XXX in fiscal 2004 at super premium pricing in select Northeast and Midwest markets. Overall, Molson's total volume in the United States for the year ended March 31, 2004 was up 1.4% compared to last year.

Net sales revenue grew 1.5% when measured in U.S. dollars but declined 11.1% in Canadian dollars reflecting the strengthening Canadian dollar in fiscal 2004 when measured against the U.S. dollar. The fiscal 2004 operating loss of U.S.\$4.7 million improved by U.S.\$3.4 million when compared to the same period last year due to additional volume and tight control of costs.

In fiscal 2003, Molson USA introduced new advertising campaigns and packaging initiatives to reposition its brand with American consumers. Specifically, the focus in fiscal 2003 was in building Canadian® and the results were positive. Canadian® continued to show market share gains with volume growth of 39.4% in fiscal 2003 when compared to fiscal 2002. Furthermore, during fiscal 2003, Canadian®'s volume represented a more significant percentage of the total Molson USA portfolio growing to 36% in fiscal 2003 from 26% in fiscal 2002.

Overall, Molson's total volume in the United States for the year ended March 31, 2003 increased 0.1% compared to fiscal 2002 and represented a significant trend improvement versus the decline of 12.5% for the previous year.

The following table summarizes the operating results of Molson's business in the United States in U.S. dollars and the equivalent Canadian dollar amounts:

Years ended March 31	U.S.\$			Cdn.\$			Molson 50.1% Share Cdn.\$		
	2004	2003	2002	2004	2003	2002	2004	2003	2002
	(Dollars in millions)								
Sales from external customers	111.2	109.4	109.4	150.9	169.4	173.0	75.6	84.9	86.7
Net sales revenue	93.8	92.4	90.9	127.2	143.1	142.2	63.7	71.7	71.2
EBIT	(4.7)	(8.1)	(7.2)	(6.4)	(12.6)	(11.5)	(3.2)	(6.3)	(5.7)

*Other*

### Provisions for Rationalization

In the first quarter of fiscal 2004, Molson announced additional initiatives to achieve its increased cost reduction targets in Brazil. These initiatives included the closure of the Ribeirão Preto plant as part of the capacity optimization strategy and, as a result, Molson recorded a rationalization provision relating to the closure costs and other reorganization activities of \$43.3 million (R\$92.2 million) which included primarily fixed asset write-downs of \$37.5 million as well as employee severance and other

closure costs of \$5.8 million. Molson continues to seek out new cost savings initiatives and has a group responsible for monitoring and delivering identified savings and any new initiatives.

Also in the first quarter of fiscal 2004, Molson completed the sale of a residual property adjacent to the Barrie brewery. A pre-tax gain of \$7.0 million was recorded in the provision for rationalization line in the statement of earnings which is consistent with the original Barrie plant closure provision.

In the first quarter of fiscal 2003, Molson announced certain initiatives to deliver on its commitment to deliver synergies and cost reductions over the next three years in Brazil. These initiatives included the closure of two Bavaria plants and one Kaiser plant for strategic geographic reasons. As a result, Molson recorded a rationalization provision in the first quarter of fiscal 2003 relating to the Bavaria costs of \$63.5 million which included primarily fixed asset write-downs, employee severance costs and a charge for the termination of the distribution arrangement with AmBev.

Results for fiscal 2002 included a provision for rationalization relating primarily to the closure of Molson's Regina brewery. A pre-tax provision of \$50.0 million was recorded which included primarily the write-down of fixed assets and employee costs.

### **Discontinued Operations**

On July 25, 2001, Molson completed the transaction for the sale of the business consisting of the Montréal Canadiens hockey club of the NHL and the Bell Centre and recorded a gain on disposal of \$2.0 million. Molson received \$190.0 million in cash, less closing adjustments, with the balance of payment in the form of preferred shares as well as a 19.9% interest in an entity owning both the team and the entertainment business. The preferred shares are redeemable on December 31, 2008 for \$86.5 million, subject to certain terms and conditions.

Molson has given certain undertakings to the lenders of the purchaser such that, in the event the purchaser is unable to meet its obligations, Molson would exercise control over the entity that owns the entertainment business and the Montréal Canadiens, at predetermined conditions and subject to NHL approval. The obligations of the purchaser to these lenders at March 31, 2004 were \$92.0 million.

Molson also has certain other obligations relating to its former businesses: Diversey Chemical Specialties and Beaver Lumber. The remaining provisions for discontinued operations are included in deferred liabilities.

*Selected Consolidated Financial Information*

**Annual**

Years ended March 31	2004	2003	2002
	(restated)(i)		
	(Dollars in millions, except per share amounts)		
Net sales revenue	\$ 2,525.5	\$ 2,515.2	\$ 2,102.3
Earnings from continuing operations before the following items, net of tax:	\$ 282.9	\$ 278.0	\$ 194.1
Gain on sale of 20% of operations in Brazil		64.2	
Provisions for rationalization	(38.5)	(41.9)	(33.5)
Minority interest impact on Brazil rationalization provision	8.6	8.4	
Tax adjustments related to changes in enacted future income tax rates	(16.0)		15.0
Earnings from continuing operations	237.0	308.7	175.6
Earnings from discontinued operations			2.0
Net earnings	\$ 237.0	\$ 308.7	\$ 177.6
Total assets	\$ 3,930.6	\$ 3,904.1	\$ 4,506.3
Total long-term debt	\$ 1,135.4	\$ 1,220.6	\$ 1,746.1
Less current portion	347.0	40.6	58.9
	\$ 788.4	\$ 1,180.0	\$ 1,687.2
Net earnings per share from continuing operations basic	\$ 1.86	\$ 2.42	\$ 1.46
Net earnings per share from continuing operations diluted	\$ 1.84	\$ 2.38	\$ 1.43
Net earnings per share basic	\$ 1.86	\$ 2.42	\$ 1.48
Net earnings per share diluted	\$ 1.84	\$ 2.38	\$ 1.45
Dividends per share (Class A and B)	\$ 0.56	\$ 0.42	\$ 0.38

(i) Restated by \$3.7 million reflecting the previously disclosed stock option expense. Fiscal 2002 has not been restated for the effect of stock option expense.

**Quarterly Fiscal 2004**

	March 31, 2004	Dec. 31, 2003	Sept. 30, 2003	June 30, 2003
	(Dollars in millions, except per share amounts)			
Net sales revenue	\$ 524.8	\$ 623.3	\$ 715.6	\$ 661.8
Gross profit	\$ 218.5	\$ 255.6	\$ 303.1	\$ 278.2
Earnings before the following items, net of tax:	\$ 42.2	\$ 59.6	\$ 96.5	\$ 84.6
Provisions for rationalization				(38.5)
Minority interest impact on Brazil rationalization provision				8.6
		(16.0)		

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	<u>March 31, 2004</u>	<u>Dec. 31, 2003</u>	<u>Sept. 30, 2003</u>	<u>June 30, 2003</u>
Tax adjustments related to changes in enacted future income taxes				
Net earnings	\$ 42.2	\$ 43.6	\$ 96.5	\$ 54.7
Net earnings per share basic	\$ 0.33	\$ 0.34	\$ 0.76	\$ 0.43
Net earnings per share diluted	\$ 0.33	\$ 0.34	\$ 0.75	\$ 0.42

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## Quarterly Fiscal 2003

	March 31, 2003	Dec. 31, 2002	Sept. 30, 2002	June 30, 2002
(Dollars in millions, except per share amounts)				
Net sales revenue	\$ 501.5	\$ 641.3	\$ 685.6	\$ 686.8
Gross profit	\$ 194.6	\$ 263.9	\$ 287.2	\$ 288.5
Earnings before the following items, net of tax(i)	\$ 59.6	\$ 66.1	\$ 82.3	\$ 70.0
Gain on sale of 20% of operations in Brazil				64.2
Provisions for rationalization				(41.9)
Minority interest impact on Brazil rationalization provision				8.4
Net earnings	\$ 59.6	\$ 66.1	\$ 82.3	\$ 100.7
Net earnings per share basic	\$ 0.47	\$ 0.52	\$ 0.65	\$ 0.79
Net earnings per share diluted	\$ 0.46	\$ 0.51	\$ 0.64	\$ 0.77

- (i) Restated by \$0.8 million, \$1.0 million, \$0.9 million and \$1.0 million in each of Q1, Q2, Q3 and Q4 respectively reflecting the previously disclosed stock option expense.

*Financial Condition and Liquidity*

Molson's consolidated balance sheet as at March 31, 2004, together with comparative fiscal 2003 figures, is summarized as follows:

Years ended March 31	2004	2003
(Dollars in millions)		
Current assets	\$ 430.2	\$ 424.2
Less current liabilities	(1,025.4)	(803.5)
Working capital	(595.2)	(379.3)
Investments and other assets	129.7	130.1
Property, plant and equipment	1,022.4	1,026.9
Intangible assets	2,348.3	2,322.9
	\$ 2,905.2	\$ 3,100.6
Represented by:		
Long-term debt	\$ 788.4	\$ 1,180.0
Deferred liabilities	359.1	380.5
Future income taxes	400.2	355.0
Minority interest	138.1	152.1
	1,685.8	2,067.6
Shareholders' equity	1,219.4	1,033.0
	\$ 2,905.2	\$ 3,100.6

In fiscal 2005, working capital requirements, excluding the current portion of long-term debt, will continue to be funded through cash generated from operations and available credit facilities. As of March 31, 2004, long-term debt of \$259.9 million has been included in current liabilities, however, Molson intends to refinance this debt with the term loan or the floating rate notes. The fiscal 2004 working capital deficit, excluding the \$259.9 million of long-term debt, was \$335.3 million, which was \$44.0 million below last year.



*Contractual Obligations*

The following table summarizes Molson's obligations to make future payments on long-term debt, lease obligations and other obligations as at March 31, 2004, as well as the expected timing of these payments:

	<b>Fiscal 2005</b>	<b>Fiscal 2006</b>	<b>Fiscal 2007-2009</b>	<b>Thereafter</b>	<b>Total</b>
(Dollars in millions)					
Long-term debt	\$ 347.0	\$ 202.8	\$ 208.1	\$ 377.5	\$ 1,135.4
Operating leases	23.7	19.4	33.1	39.0	115.2
Purchase obligations	52.5				52.5
Other long-term obligations	8.7	24.6	26.8	3.1	63.2
<b>Total contractual obligations</b>	<b>\$ 431.9</b>	<b>\$ 246.8</b>	<b>\$ 268.0</b>	<b>\$ 419.6</b>	<b>\$ 1,366.3</b>

*Capital Spending*

Molson's capital spending of \$88.0 million in fiscal 2004 (2003 \$85.9 million) was concentrated primarily in Canada as well as on the facilities in Brazil. Capital spending in Canada in the amount of \$59.7 million supported Molson's strategic requirements to upgrade capacity and efficiency and was incurred primarily in the Toronto and Montréal breweries. Capital spending in fiscal 2005 is expected to be approximately \$100 million, including approximately \$75 million on brewing facilities in Canada.

Molson expects to fund fiscal 2005 capital expenditures from operating cash flow. All capital projects are subject to an EVA analysis to ensure that spending is prioritized to maximize shareholder value.

*Shareholders' Equity*

In fiscal 2004, as part of Molson's previously announced normal course issuer bid, Molson repurchased 751,000 Class A non-voting shares (2003 1,281,275) and no Class B common shares (2003 100,000) at prices ranging between \$32.15 and \$34.99 (2003 \$31.62 and \$38.16). The share buy-back is consistent with Molson's objective to offset the dilutive impact from the granting of stock options.

The total number of Class A non-voting and Class B common shares outstanding at March 31, 2004 were 105,042,256 (March 31, 2003 104,754,563) and 22,430,676 (March 31, 2003 22,469,018) respectively.

Molson's capital stock increased \$12.9 million to \$732.3 million as at March 31, 2004 reflecting the issuance of stock dividends and the exercise of stock options, partially offset by shares repurchased by Molson during the year.

Shareholders' equity at March 31, 2004 included cumulative unrealized translation adjustments of \$340.3 million compared to \$363.2 million at March 31, 2003 reflecting the net change in foreign currency denominated net assets of self-sustaining foreign operations on their translation into Canadian dollars at year-end. The translation adjustments for the year mainly reflected the relative strengthening during fiscal 2004 of the Brazilian real compared to the Canadian dollar.

Molson's book value per share based on shareholders' equity increased 17.9% to \$9.57 at March 31, 2004 from \$8.12 at March 31, 2003, reflecting net earnings of \$237.0 million in the current fiscal year and the positive impact of the foreign currency translation account adjustments.

*Dividends*

Dividends declared to shareholders totaled \$71.2 million in fiscal 2004, compared with \$53.5 million in fiscal 2003. In fiscal 2004, Molson's quarterly dividend rate was increased by \$0.03 or

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27% to \$0.14 per share effective in the first quarter. In fiscal 2003, the quarterly dividend was also increased by \$0.01 or 10% to \$0.11 per share in the third quarter. For fiscal 2005, the quarterly dividend is being increased by 7% to \$0.15 per share. Dividends paid to shareholders totaled \$53.5 million in fiscal 2003, compared with \$45.4 million in fiscal 2002.

The dividends declared are consistent with the previously announced dividend policy, approved by the board of directors in November 2001, which targets a dividend payout range of 25% - 30% of trailing net earnings.

### *Financial Instruments and Long-Term Liabilities*

Molson's consolidated long-term debt at March 31, 2004 and 2003 was as follows:

Years ended March 31	2004	2003
(Dollars in millions)		
<b>Molson Inc.</b>		
Term loan	\$ 59.9	\$ 329.3
Debentures	150.0	149.7
Floating rate notes	250.0	
<b>Molson Canada</b>		
Term loan		99.9
Debentures	577.6	580.5
<b>Brazil</b>		
	97.9	61.2
	<b>1,135.4</b>	1,220.6
Less current portion	<b>347.0</b>	40.6
	<b>\$ 788.4</b>	\$ 1,180.0

Molson's 18-month bridge facility of \$300.0 million expired on September 17, 2003 and was partially refinanced with \$200.0 million of floating rate medium-term notes maturing September 16, 2005, issued on September 16, 2003 out of a total program of \$500.0 million. Molson's \$625.0 million revolving facility expiring on March 17, 2005 was used to refinance the remaining \$100.0 million balance of the bridge facility. On October 17, 2003, Molson completed a second issuance of \$50.0 million of floating rate medium-term notes maturing October 19, 2004 to repay a portion of indebtedness under the existing credit facility. The floating rate notes are direct, unsecured obligations of Molson and were offered by way of a private placement in Canada.

The Molson Canada \$100.0 million credit facility expired on August 31, 2003 and was repaid from operations and using Molson's \$625.0 million credit facility. As at March 31, 2004, \$59.9 million (2003 \$30.0 million) was drawn on the \$625.0 million facility.

Molson's long-term debt in Brazil represented various facilities denominated in Brazilian reais bearing interest at rates averaging 20.2% during the year (2003 18.5%). Of the amounts drawn, \$87.1 million (2003 \$40.6 million) is due within the next fiscal year and is classified as current. Certain loans are secured by liens on the machinery and equipment and by real estate mortgaged.

The floating rate note program is an agreement under which Molson and the placement agent may agree to issue debt under terms and conditions that are only determined at the time of placement of the debt. As such, Molson's term loan, the 5.5% debentures and the \$50.0 million floating rate note are classified as current liabilities. It is Molson's intention to refinance with either the term loan or the floating rate note program.

On September 30, 2003, Molson entered into an interest rate swap for \$100.0 million which converted a portion of Molson's floating rate note due September 16, 2005 to a fixed rate. This swap is cancelable on a quarterly basis at the option of a third party. Molson also has an interest rate swap for

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\$100.0 million which converts a portion of the Molson Canada debenture due June 2, 2008, with a fixed rate of 6.0% to a variable rate. The swap expires on June 2, 2008.

Molson's net debt to capital ratio improved to 48:52 compared to 54:46 at March 31, 2003 reflecting both the current year's debt reduction and net earnings. At March 31, 2003, Molson's net debt-to-equity ratio was 54:46 compared to 59:41 in fiscal 2002, reflecting primarily the net repayment of approximately \$483 million of additional debt to acquire Kaiser. Equity decreased as a result of the impact of unrealized translation adjustments which was partially offset by the fiscal 2003 net earnings.

Molson has a securitization arrangement for the sale, with limited recourse, of certain accounts receivable. As of March 31, 2004, Molson received total proceeds of \$87.0 million from the sale of a portion of the outstanding receivables, compared to \$54.0 million received as of March 31, 2003. The program was amended during the year to increase the maximum amount to \$150.0 million.

Interest rates on total long-term debt ranged between 3.0% and 9.1% (2003 3.7% and 9.1%) in Canada and 15.6% and 22.1% (2003 14.3% and 25.8%) in Brazil during fiscal 2004.

Molson utilizes off-balance sheet financial instruments primarily to manage borrowing costs and to hedge cash flow needs in U.S. dollars and certain commodity requirements. The instruments that are used to hedge these risks consist mainly of swaps, zero cost collars and forward contracts. Molson follows a policy of not using financial instruments for speculative purposes and has procedures in place to monitor and control the use of financial instruments.

### *Changes in Cash Flows*

The increase in net cash of \$9.0 million in the current year, together with a comparison for fiscal 2003 and fiscal 2002, is summarized below:

Years ended March 31	2004	2003	2002
	(Dollars in millions)		
Provided from operating activities	\$ 216.4	\$ 282.2	\$ 321.6
Provided from (used for) investing activities	(73.1)	249.8	(1,164.5)
Provided from (used for) financing activities	(125.8)	(578.3)	635.8
Increase (decrease) in cash from continuing operations	17.5	(46.3)	(207.1)
Effect of exchange rate changes on cash	(0.3)	(6.3)	
Increase (decrease) in cash from discontinued operations	(8.2)	(6.2)	201.2
Increase (decrease) in cash	\$ 9.0	\$ (58.8)	\$ (5.9)

Cash provided from operating activities includes \$103.8 million of cash used for working capital compared to \$51.5 million of cash used for working capital for fiscal 2003. Excluding cash used for working capital, and excluding cash used for rationalization costs of \$15.2 million in fiscal 2004 and \$36.4 million in fiscal 2003, cash provided from operating activities decreased in fiscal 2004 by 9.4% to \$335.4 million, compared to \$370.1 million for fiscal 2003 reflecting higher funding in fiscal 2004 of prior year's EVA bonuses as well as higher cash taxes payable due to the mix of earnings partially offset by higher net earnings before rationalization costs. Cash used for working capital in fiscal 2004 related primarily to higher funding of both income taxes in Canada and accounts payable.

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Cash used for investing activities of \$73.1 million in fiscal 2004 reflected primarily additions to property, plant and equipment. In fiscal 2003, cash provided from investing activities of \$249.8 million reflected primarily the proceeds of \$333.9 million on the sale of 20% of the operations in Brazil offset in part by \$85.9 million spent on additions to property, plant and equipment. In fiscal 2002, cash used for investing activities included \$1,136.3 million to acquire Kaiser, as well as \$72.4 million for property, plant and equipment additions.

Cash used for financing activities in fiscal 2004 included a net reduction in long-term debt of \$84.0 million and \$24.6 million for the repurchase of shares under the normal course issuer bid. In fiscal 2003, cash used for financing activities included a net reduction in long-term debt of \$483.4 million and \$50.2 million for the repurchase of shares under the normal course issuer bid. In fiscal 2002, cash provided from financing activities of \$635.8 million reflected the net increase in long-term debt of \$440.2 million and the issuance of \$238.2 million of Molson Class A non-voting shares for cash to finance the acquisition of Kaiser.

Cash used for discontinued operations consisted of \$8.2 million in fiscal 2004 and \$6.2 million in fiscal 2003 for operating activities to fund obligations previously provided for in the accounts. In fiscal 2002, cash provided from discontinued operations included \$190.0 million received on the sale of the Bell Centre and the Montréal Canadiens.

### Risks and Uncertainties

#### *Foreign Exchange Risk*

With respect to Molson's operations in Brazil, Molson is exposed to fluctuations in foreign exchange rate movements as substantially all of its revenues in Brazil are in reais. Also, a significant portion of Molson's operating expenses, in particular those related to hops, malt and aluminum are denominated in, or linked to, U.S. dollars. Molson enters into derivative financial instruments to manage and reduce the impact of changes in foreign currency exchange rates. Hedging activities consisted of foreign exchange contracts and foreign currency swaps including marketable securities indexed to U.S. dollars.

#### *Commodity Risk*

Molson uses a large volume of agricultural materials to produce its products, including malt and hops. Molson purchases a significant portion of its malt and all of its hops outside Brazil and Canada, as well as substantial quantities of aluminum cans. In Brazil, all the hops purchased in the international markets outside South America are settled in U.S. dollars. In addition, although aluminum cans are purchased in Brazil, the price paid is directly influenced by the fluctuation of the U.S. dollar against the Brazilian real. Molson reduces exposure to the commodity price fluctuations through the negotiation of fixed prices with suppliers for periods generally less than one year. In addition, Molson introduced a commodity hedging program in fiscal 2003 which allows for the use of derivative financial instruments to manage and reduce the impact of changes in commodity prices in future years. Molson's policy is to enter into hedging contracts for specific business requirements and does not permit the use of financial instruments for speculative purposes.

#### *Tax and Other Contingent Liabilities Brazil*

Kaiser is a party to a number of claims from the Brazilian tax authorities. Molson has either paid, or alternatively made provisions for, the amounts it believes may be ultimately due pursuant to these claims. These legal tax proceedings include claims for income taxes, Federal excise taxes (IPI), value-added tax (ICMS), revenue taxes (PIS / Federal unemployment insurance contribution) and Federal social security tax (COFINS).

*Contingent Liabilities*

Molson is subject to certain legal claims arising in the normal course of business and as a result of the disposition of previously held and discontinued businesses for which Molson has made provisions for the amounts it believes may be ultimately paid.

**Environment**

Molson has a comprehensive program to oversee environmental, crisis management and health and safety matters. Management has concluded, based on existing information and applicable laws and regulations, that the amounts expended or anticipated to be expended by Molson on these matters, other than as specifically provided for, are not likely to be material to Molson's operations or financial condition. Management is also unaware of any instance of non-compliance with environmental laws and regulations that is not already being responsibly addressed.

**Related Party Transactions**

In the ordinary course of business, Molson enters into transactions with related parties. All related party transactions are recorded at their exchange amounts. In Ontario and the western provinces, Molson Canada distributes its product and incurs distribution costs through sales to its equity-accounted provincial distribution companies. Included in cost of sales, selling and administrative costs in the consolidated statements of earnings are distribution and other costs of \$158.9 million (2003 \$166.5 million) charged by the equity-accounted provincial distribution companies.

Included in accounts receivable as at March 31, 2004 were amounts of \$9.5 million receivable (2003 \$8.2 million payable) from the equity-accounted provincial distribution companies.

**Critical Accounting Estimates**

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts recorded in the financial statements and accompanying notes. Management regularly reviews these estimates and assumptions based on currently available information. Although these estimates are based on management's best knowledge of current events and actions that Molson may undertake in the future, actual results could differ from the estimates.

*Employee Future Benefits*

Pension and other employee benefit costs and obligations depend on assumptions used in calculating those amounts. Two critical assumptions, the discount rate and the expected long-term rate of return on plan assets are important elements of cost and/or obligation measurement. Other assumptions include the rate of compensation increase and the health-care cost trend rate, as well as demographic factors such as retirement ages of employees, mortality rates and turnover. Assumptions are reviewed and updated at least annually.

The discount rate allows Molson to reflect estimated future benefit payments at present value on the measurement date. Management has little discretion in selecting the discount rate as it must represent the market rates for high quality fixed income investments available for the period to maturity of the benefits. A lower discount rate increases the benefit obligation and benefit costs. A 25 basis-point change in the weighted-average discount rates would increase or decrease expected benefit cost in fiscal 2005 by approximately \$2.7 million.

The expected long-term rate of return on pension plan assets assumption is determined considering historical returns, future estimates of long-term investment returns and asset allocations. A

lower return assumption increases pension costs. A 25 basis-point change in the return assumption would increase or decrease expected pension cost in fiscal 2005 by approximately \$2.0 million.

*Impairment of Intangible Assets and Goodwill*

Molson measures for impairment whenever events or changes in circumstances indicate that the carrying value of indefinite life intangible assets or goodwill may be impaired, using a projected discounted cash flow method and corroborates its assessment using other valuation methods.

If the fair value of indefinite life intangible assets, as estimated through discounted cash flow analysis, is less than their carrying value, they are written down to their fair value with a reduction of intangible assets on the balance sheet and an impairment charge in the statement of earnings.

If a business unit's carrying value is more than its fair value, Molson must determine the fair value of all assets and liabilities of the business unit and calculate the residual goodwill. An impairment charge is then recorded on the difference between the recalculated goodwill over the carrying value of goodwill and is shown as a reduction in the amount of goodwill on the balance sheet and an impairment charge in the statement of earnings.

Molson makes a number of significant estimates when calculating fair value using a projected discounted cash flow method. These estimates include among others, the assumed growth rates for future revenue, EBIT and cash flows, the number of years used in the cash flow model and the discount rate for future cash flows.

Molson believes that all of its estimates are reasonable. They are consistent with internal planning and reflect management's best estimates, however, there are inherent uncertainties that exist that management may not be able to control.

Any change in each of the estimates used could have a material impact on the calculation of the fair value and a potential impairment charge. As a result, Molson is unable to reasonably quantify the changes in the overall financial performance if different assumptions were used.

Molson cannot predict whether an event that triggers an impairment will occur, when it will occur or how it will affect the asset values reported.

In the fourth quarter of 2004, Molson completed its annual impairment test for goodwill for all of its reporting units and concluded, based on assumptions noted above, that no impairment charge was warranted.

*Contingent Tax Liabilities Brazil*

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of these contingent liabilities inherently involves the exercise of significant judgment and estimates of the outcome of future events.

Molson records liabilities for known tax contingencies when, in the judgment of Molson based on a review from both internal and external legal counsel, it is probable that a liability has been incurred. It is reasonably possible that actual amounts payable resulting from assessments by tax authorities could be materially different from the liabilities Molson has recorded due to the complex nature of tax legislation.

*Income Taxes*

The provision for income taxes is calculated based on the expected tax treatment of transactions recorded in Molson's consolidated financial statements. Income tax assets and liabilities, both current and future, are measured according to the income tax legislation that is expected to apply when the



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asset is realized or the liability is settled. Molson regularly reviews the recognized and unrecognized future income tax assets to determine whether a valuation allowance is required or needs to be adjusted. In forming a conclusion about whether it is appropriate to recognize a tax asset, Molson must use judgment in assessing the potential for future recoverability while at the same time considering past experience. All available evidence is considered in determining the amount of a valuation allowance. Currently, Molson has not recorded tax assets on any tax losses. If Molson's interpretations differ from those of tax authorities or judgments with respect to tax losses change, the income tax provision could increase or decrease, potentially significantly, in future periods.

### **Impact of New Accounting Pronouncements**

Effective with the fiscal year commencing on April 1, 2001, Molson adopted the new accounting pronouncements of the Canadian Institute of Chartered Accountants ("CICA") Handbook section 3500 "Earnings per Share", section 1751 "Interim Reporting" and section 3062 "Goodwill and Other Intangible Assets". Further details are provided in note 1 to the consolidated financial statements.

Effective with the fiscal year commencing on April 1, 2002, Molson adopted the new accounting pronouncements of the CICA Handbook section 3870 "Stock-Based Compensation and Other Stock-Based Payments" and Accounting Guideline 14 "Disclosure of Guarantees". Further details are provided in notes 1, 17 and 18 to the consolidated financial statements.

Effective April 1, 2003, Molson began expensing the cost of stock option grants in its accounts. As a result, Molson has recorded \$5.2 million related to stock option expense in fiscal 2004. Opening retained earnings were restated by \$3.7 million reflecting the full year effect of stock option expense on the fiscal 2003 results.

The CICA issued Accounting Guideline 13 "Hedging Relationships," which establishes certain conditions regarding when hedge accounting may be applied and which is effective for Molson's annual and interim periods beginning on April 1, 2004. Molson has prepared for the implementation of the hedging provisions. The relevant hedging relationships will be subject to an effectiveness test on a regular basis for reasonable assurance that it is and will continue to be effective. Under these rules, any derivative instrument that does not qualify for hedge accounting will be reported on a mark-to-market basis in earnings.

The CICA issued Accounting Guideline 15 "Consolidation of Variable Interest Entities" ("AcG 15") effective for annual or interim periods beginning on or after November 1, 2004. AcG 15 is consistent in all significant respects with the comparable U.S. standard, the Financial Accounting Standards Board Interpretation No. 46, "Consolidation of Variable Interest Entities An Interpretation of ARB51" ("FIN 46"), and requires an assessment of whether an interest held by a corporation in another entity constitutes a variable interest. Once another entity is determined to be a variable interest entity, the party with the controlling interest in that entity, measured by reference to expected losses and expected residual returns, must consolidate that entity. Molson has completed its analysis of variable interests and concluded that under AcG 15, it will have to consolidate Brewers Retail Inc., Coors Canada Partnership and Molson USA.

### **Legal Proceedings**

Molson is subject to certain legal claims arising in the normal course of business, none of which is expected to materially affect the financial results of Molson.

**Directors and Officers***Directors*

The names, places of residence, principal occupations and ages of Molson's directors in place as of the record date, the period during which each director has served on the Molson board of directors as well as the number of voting securities they owned as at that date are set forth in the table below. The term of each director runs from the time of his election or appointment to the next succeeding annual meeting of shareholders or until a successor is appointed.

<b>Name and Place of Residence</b>	<b>Age</b>	<b>Principal Occupation</b>	<b>Nature of Activities</b>	<b>Director Since</b>	<b>Voting Securities</b>
Luc Beaugard(4) Québec, Canada	63	Chairman and chief executive officer, NATIONAL Public Relations Inc.	Public Relations	1997	760 Class A
Dr. Francesco Bellini(2)(4)(5) Québec, Canada	57	Chairman and chief executive officer, Neurochem Inc. and chairman, Picchio International Inc.	Biotechnology	1997	12,718 Class A
John E. Cleghorn(3)(5) Ontario, Canada	63	Chairman of the board SNC-Lavalin Group Inc.	Engineering-Construction	2003	5,225 Class A
Daniel W. Colson(2)(5) London, England	57	Corporate director		1997	836 Class A
Eric H. Molson(3)(4) Québec, Canada	67	Chairman of the board, Molson Inc.	Brewing	1974	224,540 Class A and 10,018,000 Class B(1)
Stephen T. Molson(4) Québec, Canada	65	President and member of the board, The Molson Foundation	Charitable Foundation	1988	3,600 Class A(1)
David P. O'Brien(3)(5) Alberta, Canada	63	Chairman, EnCana Corporation and Royal Bank of Canada	Oil and Gas	2002	5,000 Class A
Daniel J. O'Neill Québec, Canada	52	President and chief executive officer, Molson Inc.	Brewing	1999	105,797 Class A
H. Sanford Riley(2)(5) Manitoba, Canada	53	President and chief executive officer, Richardson Financial Group Ltd.	Financial Institution	1999	2,000 Class A

(1) See "Special Meeting of Molson Securityholders Voting Securities and Principal Holders of Securities" beginning on page 59.

(2) Member of the Audit and Finance Committee

(3)

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Member of the Corporate Governance Committee

(4)

Member of the Environment, Health and Safety Committee

(5)

Member of the Human Resources and Pension Fund Committee

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### *Non-Director Executive Officers*

The names, places of residence and ages of the non-director executive officers of Molson as of the record date, and the position and principal occupation of each non-director executive officer as at that date are as follows:

Name and Place of Residence	Age	Principal Occupation
Peter L. Amirault, Ontario, Canada	44	Senior vice president, business development and innovation
Kevin T. Boyce, Ontario, Canada	49	President and chief operating officer, Molson North America
Brian Burden, Québec, Canada	49	Executive vice president and chief financial officer
Robert Coallier, Québec, Canada	44	Executive vice president, corporate strategy and international operations
Raynald H. Doin, Québec, Canada	56	Senior vice president, strategy & integration
Marie Giguère, Québec, Canada	53	Senior vice president, chief legal officer and secretary
Les Hine, Ontario, Canada	47	Chief marketing officer, Molson Canada
Sylvia Morin, Québec, Canada	50	Senior vice president, corporate affairs
Cathy Noonan, Ontario, Canada	48	Senior vice president, global costs
David Perkins, Colorado, United States	51	President, market development, Molson North America
Fernando Tigre, São Paulo, Brazil	61	President and chief executive officer, Cervejarias Kaiser Brasil S.A.
Gregory L. Wade, Québec, Canada	56	Senior vice president, quality brewing

During the past five years, all the directors and executive officers have been engaged or employed in the above capacities or other capacities by Molson or the organizations indicated under "Principal Occupation" except:

F. Bellini who, prior to May 2001, was chairman and chief executive officer as well as co-founder of BioChem Pharma Inc.;

J. E. Cleghorn who, prior to July 2001, was chairman and chief executive officer of Royal Bank of Canada;

D. W. Colson who, until March 2004, was vice chairman of Hollinger International Inc., as well as deputy chairman and chief executive office of Telegraph Group Limited in London, England;

D. P. O'Brien who, from October 2001 to April 2002, was chairman and chief executive officer, PanCanadian Energy Corporation and prior to October 2001, was president and chief executive officer of Canadian Pacific Limited;

H.S. Riley who, prior to May 2001, was president and chief executive officer of Investors Group Inc.;

P. Amirault who, prior to January 1, 2003, was managing director of Sleeman Brewing & Malting Co. Ltd.;



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K. Boyce who, prior to March 31, 2004, was chief executive officer of Unilever Cosmetics International and, from May 2000 to October 2003, was president and chief executive officer of Unilever Canada. Prior thereto, he was president of Good Humor Breyer's ice cream division of Unilever;

B. Burden who, prior to September 3, 2002, was senior vice president, Seagram corporate venture transition of Diageo PLC, and from January 1997 to April 2001, chief financial officer, North America of Diageo;

R. Coallier who, prior to May 29, 2000, was chief financial officer of C-MAC Industries;

L. Hine who, prior to August 18, 2003, was a partner at Futurus Management Consulting Inc. and, prior to July 1, 2000, was a vice president at the Northeast Asia Division of Procter & Gamble;

S. Morin who, prior to June 24, 2002, was vice president corporate communications at BCE Emergis and, from May 1999 to June 2000, director of communications at Bell Nexxia;

F. Tigre who, prior to July 1, 2004, was a director of Camargo Correa, parent company of São Paulo Alpargatas, where he was president from 1997 to 2003. Prior to 1997, he was president of Jari Cellulose, a pulp and paper company in Brazil, and also held positions with Alcoa, Westinghouse and GE in Brazil; and

G. Wade who, prior to March 26, 2001, was corporate vice president and vice president R&D/QA/engineering/safety and purchasing with Vlasic Foods International.

As of the record date, the directors and executive officers of Molson, as a group, owned, directly or indirectly, or exercised control or direction over approximately 50.45% of the 19,856,822 outstanding Class B common shares of Molson. See "Special Meeting of Molson Securityholders Voting Securities and Principal Holders of Securities" beginning on page 59. This does not include the 4,019,584 Class A non-voting shares underlying options which these directors and officers held as of the record date.

### **Director and Executive Compensation**

#### *Human Resources and Pension Fund Committee*

In 2004, the human resources committee and the pension fund committee were combined to form the human resources and pension fund committee. The human resources and pension fund committee of the Molson board of directors develops, reviews and recommends to the board of directors appropriate executive and management compensation policies, programs and levels. The human resources and pension fund committee reviews Molson's management compensation strategy and programs to ensure that they are aligned with shareholders' interests and corporate performance. The human resources and pension fund committee develops performance objectives in conjunction with the chief executive officer and assesses the performance of the chief executive officer annually in relation to these objectives. In addition, the human resources and pension fund committee is responsible for reviewing short-term and long-term succession plans for executive officers of Molson.

The human resources and pension fund committee met six times during fiscal 2004. In fiscal 2004, the human resources and pension fund committee was composed of five non-management directors, all of whom were considered unrelated and independent.

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### *Directors' Compensation*

In May 2004, the board of directors approved modifications to the directors' compensation for fiscal 2005 following a benchmark analysis and review completed in 2004.

Annual board of directors retainer:	\$28,000, at least 50% of which is paid in Molson deferred share units, to be increased to \$40,000 on January 1, 2005
Board of directors meeting fee:	\$1,500 per meeting related expenses are also covered
Committee meeting fee:	\$1,500 per meeting related expenses are also covered
Travel fee:	\$1,000 per meeting
Committee chair retainer:	\$6,000 annually (\$4,000 prior to June 1, 2004)
Committee member retainer:	\$3,000 annually

In fiscal 2004, the chairman of the board of directors and the deputy chairman received annual fees of \$300,000 and \$150,000, respectively, in lieu of other compensation paid to the directors. They also received annual grants under the deferred share unit plan equivalent to \$100,000 and \$50,000 respectively. In addition, the chairman received a pension from Molson and retiree benefits similar to those accorded to other senior executives on retirement. The deputy chairman also received a fee of \$200,000 for consulting services.

A deferred share unit is a unit equivalent in value to one Molson Class A non-voting share but is not paid out until such time as the director leaves the board of directors, thereby providing an ongoing equity stake in Molson throughout the director's period of service on the board of directors.

Notional dividends are paid on the accumulated deferred share units in the form of additional deferred share units.

Molson directors are required within four years of becoming directors to hold either Class B common shares, Class A non-voting shares or deferred share units having a value of not less than four times their annual retainer.

The board of directors, on advice from the corporate governance committee, reviews directors' compensation regularly to ensure that compensation reflects the responsibilities and risks involved in serving as a director.

### *Directors' Stock Option Plan*

In fiscal 2004, non-employee directors were granted options on Molson Class A non-voting shares as follows:

5,000 options in each of their first two years of service on the board of directors granted at market value and fully vested after five years; and

3,400 options, annually thereafter, granted at market value and fully vested after two years.

As of fiscal 2005, directors will receive deferred share units instead of options.

### *Directors' and Officers' Liability Insurance*

Molson maintains a combined directors and officers' liability reimbursement insurance policy with a limit of liability of \$115,000,000 per policy year to cover the directors and officers individually and collectively as a group, and to cover Molson for its liability to indemnify the directors and officers pursuant to Molson's by-laws. The entire premium cost in the aggregate amount of \$482,000 for the

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2004 fiscal year was borne by Molson. The premium for this policy was not allocated between directors and officers as separate groups. In respect of reimbursement coverage, Molson bears the first \$750,000 of any loss.

### *Report on Executive Compensation*

The human resources committee sets the compensation of senior executives of Molson, other than the president and chief executive officer whose compensation, upon the recommendation of the human resources committee, is set by the board of directors. As at March 31, 2004, there were 12 senior executives of Molson who were at senior vice president level, and above.

As was the case in the previous fiscal years, the focus in fiscal 2004 was to continue to manage the total remuneration strategy for Molson. As part of this strategy, base salaries for senior executives are positioned at the median percentile of the pay practices of the selected comparator group of Canadian public companies with revenues ranging from \$1 to \$5 billion while total direct cash is targeted at the third quartile of the comparator group. A substantial portion of each executive's annual cash compensation is variable and tied to the attainment of corporate and individual performance objectives. In addition, the Molson stock option plan is intended to align executive and shareholder interests on a long term basis. A blend of Canadian and U.S. public companies is used as a comparison group for some senior executives.

The incentive plan design has two separate components to reward employees for overall business results and individual contributions, as measured against individual performance objectives and improvement of EVA. EVA is a measure of corporate performance that includes a charge against profit for the cost of capital employed and is intended to focus employees on working more efficiently. Short term incentive target bonuses are based on a percentage of base salary with the percentage increasing with increasing levels of responsibility. A bonus is declared, based on the improvements in EVA and individual performance objectives. A bonus payment is made equal to the target bonus plus one-third of the excess declared bonus above target bonus. The remaining two-thirds of this amount are banked (held in reserve), subject to adjustment for future business results. There is neither a minimum nor a maximum bonus declaration. In fact, a negative bonus can be applied against the banked amount.

The bonus for the president of Molson USA was determined partially on the basis of the EVA program described above and partially on the basis of a bonus plan specific to Molson USA. The bonus provided under the latter is determined in accordance with the financial results and the volume growth achieved by Molson USA over the fiscal year.

Molson generally grants stock options once a year. The options are priced at 100% of the average market value of Molson's stock for the five trading days preceding the effective date of the grant. Grants are generally for a period of 10 years. The number of stock options granted to senior executives annually is targeted to reflect individual performance and designed to deliver a long term incentive plan that is competitive with plans of companies in the comparator group at various levels of responsibility. For executives at senior vice president level and above, options generally vest at the rate of one-third after three years, another third after four years and the balance after five years.

### *Compensation of the Chief Executive Officer*

The president and chief executive officer's base salary was increased to \$1,000,000 in June 2003. This salary falls between the median and the 75th percentile of the selected comparator group of Canadian public companies and a selected group of U.S. consumer products companies with revenues ranging from \$1 to \$5 billion (compensation data is size adjusted to Molson's revenue size). On the recommendation of the human resources committee, the Molson board of directors approved a grant of 400,000 stock options and 50,000 share units to the president and chief executive officer on March 9, 2004. Share units represent one Molson Class A non-voting share but are not earned until the end of a



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three-year vesting period and until specific performance objectives are also attained with respect to two-thirds of the units. Estimated future payouts will be based upon Molson's total shareholders' compounded annual return and the total shareholders' compounded annual return relative to a group of international brewers. The threshold payout under this grant is 25,000 units, the target is 50,000 units and the maximum is 150,000 units.

The president and chief executive officer was eligible in fiscal 2004 to receive a target bonus equal to 100% of his salary. On the recommendation of the human resources committee, the Molson board of directors approved a bonus for the president and chief executive officer of \$1,008,167. The amount of the bonus was based upon EVA improvement and individual objectives set in conjunction with the human resources committee and endorsed by the Molson board of directors at the start of the fiscal year.

### *Performance Graphs*

The following graph compares the annual change over Molson's last five fiscal years in the cumulative total return of \$100 invested in Molson's Class A non-voting shares, Class B common shares and the S&P/TSX Composite Index. The S&P/TSX Index consists of approximately 71% of the total market capitalization of Canadian-based companies listed on the TSX, including Molson, among many others. The S&P/TSX total return data is from Bloomberg L.P.

Cumulative Return of \$100 Invested in Molson  
Class A non-voting and Class B common shares

	Mar. '99	Mar. '00	Mar. '01	Mar. '02	Mar. '03	Mar. '04	Percentage of Change from 1999 to 2004
Molson Class A <i>(/*)</i>	\$ 100.00	\$ 113.58	\$ 218.76	\$ 351.96	\$ 343.73	\$ 335.45	235%
Molson Class B <i>()</i>	\$ 100.00	\$ 111.70	\$ 213.24	\$ 347.31	\$ 333.70	\$ 328.35	228%
S&P/TSX Total Return Index <i>(/*\)</i>	\$ 100.00	\$ 145.47	\$ 118.40	\$ 124.19	\$ 102.38	\$ 140.98	41%

### Comparison of Five-Year Cumulative Total Return

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### Summary Compensation Table

The following table sets out, for Molson's last three fiscal years, total compensation of the chief executive officer, chief financial officer and Molson's three other executive officers who had the highest total annual compensation (based on total annual salary and bonus) during the fiscal year ending March 31, 2004 and who were serving as executive officers at the end of the fiscal year. We refer to them as Named Executive Officers.

Name and Principal Position	Fiscal Year	Annual Compensation		Long Term Compensation		All Other Compensation		
		Salary (\$)	Bonus(1)	Other Annual Compensation	Securities Under Options(2) Granted (#)	Restricted Shares(3) (\$)	LTI(4) Payouts (\$)	(5)
Daniel J. O'Neill President and Chief Executive Officer, Molson Inc.	2004	983,333	1,008,167	15,944(4)	400,000	13,111		
	2003	900,000	3,991,250	20,455(5)		12,000		
	2002	875,000	2,361,250	92,809(6)	400,000	11,667		
Brian Burden Executive Vice-President and Chief Financial Officer, Molson Inc.	2004	408,333	154,202	17,187(5)	35,000	5,444		22,458(8)
	2003	233,333(7)	136,111	10,969(5)	125,000	2,222		137,833(9)
	2002							
Robert Coallier(15) President and Chief Executive Officer Cervejarias Kaiser and Executive Vice-President Molson Inc.	2004	459,375		455,200(10)	45,000	6,089		25,967(8)
	2003	425,000	675,040	266,634(11)	50,000	5,583		23,375(8)
	2002	370,833	502,865	8,902(4)	74,000	4,944		41,854(8)
David Perkins President, Market Development Molson North America	2004	363,713(12)	124,947(12)	6,295(5)	25,000	4,528		
	2003	410,750(13)	522,386(13)	9,718(5)	18,000	4,352		
	2002	356,550(14)	370,528(14)	9,788(5)	36,000	4,581	158,054	
Raynald H. Doin Senior Vice-President, Strategy & Integration Molson Inc.	2004	311,583	128,807	5,052(4)	21,000	4,154		17,137(8)
	2003	300,417	648,663	5,822(4)	23,000	4,006		16,533(8)
	2002	275,833	296,292	11,824(5)	50,000	3,677	152,789	26,689(8)

- (1) Short term incentives earned for a fiscal year are paid in May of the following year. Amounts shown in the table reflect incentive compensation to be paid in respect of the fiscal year. The bonus includes a portion earned during the fiscal year as well as a portion of bonus amount banked in the previous fiscal year. A description of the plan is found in the paragraph entitled "Report on Executive Compensation." A portion of the annual incentive amount accrued is maintained in a "bonus bank" to be used in the calculation of future bonuses. There is no guarantee that these amounts will be paid as they are subject to future economic results. Amounts banked for Named Executive Officers are as follows: (i) D. O'Neill: \$16,333; (ii) B. Burden: \$0; (iii) R. Coallier: (\$322,228); (iv) D. Perkins: \$3,511; (v) R. Doin: \$7,213.
- (2) This table takes into account the stock subdivision (two-for-one) effective on September 6, 2001.
- (3) Represents Molson's payments made to the Molson Employee Share Ownership Plan.
- (4) Represents income tax gross-up on benefits allowance. The value of perquisites and other benefits for the Named Executive Officer is not greater than the lesser of \$50,000 and 10% of total annual salary and bonus.
- (5) Represents imputed interest on share purchase loan and income tax gross-up on benefits allowance. The value of perquisites and other benefits for the Named Executive Officer is not greater than the lesser of \$50,000 and 10% of total annual salary and bonus.
- (6)

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This amount includes imputed interest for share purchase loan (\$16,674), income tax gross-up on benefits allowance (\$21,005), along with perquisites and other benefits. Of the perquisites and other benefits, the following items represent more than 25% of the total: perquisite car (\$23,155) and executive long-term disability premium (\$19,940).

(7)

Hired on September 1, 2002, and accordingly represents compensation for the period September 1, 2002 to March 31, 2003.

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- (8) Represents contributions to the Named Executive Officer's defined contribution pension plan and notional supplemental pension plan.
- (9) Represents hiring incentive under employment agreement of which the value was invested in Molson's Class A non-voting shares and contributions to the Named Executive Officer's defined contribution pension plan and notional supplemental pension plan.
- (10) This amount includes income tax gross-up on benefits and other foreign services allowances (\$128,838), along with perquisites and other benefits.
- (11) This amount includes income tax gross-up on benefits and other foreign services allowances (\$80,155), along with perquisites and other benefits.
- (12) U.S. earnings were converted to Canadian dollars using an exchange rate of U.S.\$1 = Cdn.\$1.35.
- (13) U.S. earnings were converted to Canadian dollars using an exchange rate of U.S.\$1 = Cdn.\$1.55.
- (14) U.S. earnings were converted to Canadian dollars using an exchange rate of U.S.\$1 = Cdn.\$1.57.
- (15) Fernando Tigre became president and chief executive officer of Kaiser in July 2004 and Robert Coallier assumed the position of executive vice president, corporate strategy and international operations of Molson.

### *Equity Compensation Plans*

The following table provides information as of the record date about the Molson Class A non-voting shares that may be issued upon the exercise of outstanding options, warrants and rights under Molson's equity compensation plan:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in first column)
Equity compensation plan approved by securityholders	5,780,880	Cdn.\$ 29.16	906,351
Equity compensation plans not approved by securityholders	None	None	None

### *Stock Options*

Molson established a stock option plan in 1988 (the "Plan") providing for the issuance of options to purchase Class A non-voting shares of Molson which expires December 31, 2004, unless extended or replaced by the Molson board of directors. The number of authorized and unissued shares that may be issued under the Plan may not at any time exceed 11,106,000 shares. As of the record date, a total of 4,418,769 shares had been issued since the beginning of the Plan and there were 5,780,880 options outstanding. The following table sets out grants made to the Named Executive Officers in fiscal 2004.

### *Option Grants during Fiscal 2004*

Name	Securities Under Option Granted (#)	Percentage of Total Options Granted to Employees (%)	Exercise or Base Price (\$/Share)	Market Value of Shares Underlying Options at Date of Grant (\$/Share)	Expiration Date
Daniel J. O'Neill	400,000	29.20	30.63	30.63	March 16, 2014
Brian Burden	35,000	2.56	32.31	32.31	May 2, 2013

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Name	Securities Under Option Granted (#)	Percentage of Total Options Granted to Employees (%)	Exercise or Base Price (\$/Share)	Market Value of Shares Underlying Options at Date of Grant (\$/Share)	Expiration Date
Robert Coallier	45,000	3.29	32.31	32.31	May 2, 2013
David Perkins	25,000	1.83	32.31	32.31	May 2, 2013
Raynald H. Doin	21,000	1.53	32.31	32.31	May 2, 2013

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The following table sets out for the Named Executive Officers, information concerning the exercise of stock options during the fiscal year and the number and value of unexercised options held by each of the Named Executive Officers as at March 31, 2004.

### *Aggregated Option Exercises during Fiscal 2004 and Option Value as at March 31, 2004*

Name	Shares Acquired on Exercise (#)	Aggregate Value Realized (\$)	Unexercised Options at March 31, 2004 (#)		Value of Unexercised in-the-Money Options(1) (\$)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Daniel J. O'Neill	Nil	Nil	1,500,000	800,000(2)	32,602,500	1,348,000(2)
Brian Burden	Nil	Nil	Nil	160,000	Nil	363,200
Robert Coallier	83,333	1,838,393	Nil	335,667	Nil	4,086,660
David Perkins	38,667	881,205	Nil	123,000	Nil	1,251,252
Raynald H. Doin	38,667	892,602	Nil	138,000	Nil	1,388,792

(1) Closing Market Price: \$32.33 as at March 31, 2004.

(2) The trading price of the Class A non-voting shares must be at least twice the grant price of \$30.66 on March 12, 2007 for the 400,000 options granted in fiscal 2002 to become exercisable, and there are performance measures tied to the vesting of 266,667 of the 400,000 options granted in fiscal 2004. These options will vest upon completion of the merger transaction.

### *Retirement Plans*

Retirement benefits for Named Executive Officers are provided by a combination of a registered pension plan and an unregistered supplementary retirement income agreement.

Named Executive Officers' retirement benefits will normally start at age 65 but benefits can commence as early as age 55. At normal retirement age, total benefits can be estimated from the following tables. These amounts are not integrated with government benefit plans.

### *Daniel J. O'Neill*

Final Average Remuneration (\$)	Years of Pensionable Service				
	5	10	15	20	25
1,000,000	125,000	250,000	375,000	500,000	550,000
1,250,000	156,250	312,500	468,750	625,000	687,500
1,500,000	187,500	375,000	562,500	750,000	825,000
1,750,000	218,750	437,500	656,250	875,000	962,500
2,000,000	250,000	500,000	750,000	1,000,000	1,100,000
2,250,000	281,250	562,500	843,750	1,125,000	1,237,500
2,500,000	312,500	625,000	937,500	1,250,000	1,375,000
2,750,000	343,750	687,500	1,031,250	1,375,000	1,512,500
3,000,000	375,000	750,000	1,125,000	1,500,000	1,650,000
3,250,000	406,250	812,500	1,218,750	1,625,000	1,787,500
3,500,000	437,500	875,000	1,312,500	1,750,000	1,925,000

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*Brian Burden, Robert Coallier, David Perkins and Raynald H. Doin*

Final Average Remuneration (\$)	Years of Pensionable Service*				
	5	10	15	20	25
300,000	30,000	60,000	90,000	120,000	150,000
400,000	40,000	80,000	120,000	160,000	200,000
500,000	50,000	100,000	150,000	200,000	250,000
600,000	60,000	120,000	180,000	240,000	300,000
700,000	70,000	140,000	210,000	280,000	350,000
800,000	80,000	160,000	240,000	320,000	400,000
900,000	90,000	180,000	270,000	360,000	450,000
1,000,000	100,000	200,000	300,000	400,000	500,000

\*

Service since June 1, 1999.

Final average remuneration for the Named Executive Officers is the greater of the average of the executive's three consecutive fiscal years of highest earnings or the final 36 months of earnings (base salary and bonus). For Mr. Burden, the bonus recognized each year for pension purposes is the lesser of the target bonus and the paid bonus. The approximate pensionable years of service to March 31, 2004 under this program are the following: five years for Messrs. O'Neill, Perkins and Doin, four years for Mr. Coallier and two years for Mr. Burden.

For Daniel J. O'Neill, retirement benefits are paid for the lifetime of the Named Executive Officer and for a minimum of five years. If he has a spouse at retirement and he dies before that spouse, 55% of his retirement income in respect of service prior to April 1, 2000 continues to be paid to the spouse for the remainder of her lifetime, but in any event for a minimum of five years. Consistent with the terms of the registered pension plan arrangements, if Mr. O'Neill has a spouse at retirement and he dies before that spouse, 66.67% of his retirement income in respect of service after March 31, 2000 continues to be paid to the spouse for the remainder of her lifetime.

For B. Burden, R. Coallier, D. Perkins and R. Doin, retirement benefits are normally paid for the lifetime of the senior executive and for a minimum of 15 years. If the Named Executive Officer has a spouse at retirement and dies before that spouse, 66.7% of the Named Executive Officer's retirement income continues to be paid to the spouse for the remainder of the spouse's lifetime.

For service prior to June 1999, R. Doin was participating in a defined contribution arrangement and David Perkins was participating in defined benefit arrangement, both provided under a combination of registered pension plans and supplementary retirement income agreements.

### *Indebtedness of Executive Officers*

The required details with regard to share purchase loans given to executive officers are shown in the following table. The aggregate indebtedness of all executive officers and employees of Molson and its subsidiaries (including the Named Executive Officers) to Molson in respect of share purchase loans at the record date, was \$2,845,509.

The Molson board of directors has approved a policy whereby the president and chief executive officer of Molson is required, within four years of joining Molson, to own shares with a value equal to at least three times his salary, while other members of senior management are required to own shares with a value equal to twice their salary. Current information concerning share ownership by these individuals is also shown on the table below.

On March 9, 2004, the Molson board of directors decided not to provide loans to senior executives hired after that date.

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Table of Indebtedness and Share Ownership of Executive Officers

Name and position	Involvement of Molson	Amount Outstanding as at March 31, 2004(5) (\$)	Financially Assisted Share Purchase During Fiscal 2004(1) (#)	Security for Indebtedness(3)	Number of Shares Owned as at March 31, 2004(4)
Peter L. Amirault Senior vice president, business development and innovation, Molson Inc.	Lender	475,806	14,000	(3)	14,808
Brian Burden Executive vice president and chief financial officer, Molson Inc.	Lender	736,684		(3)	26,390
Robert Coallier Executive vice president, Molson Inc.					31,041
Raynald H. Doin Senior vice president, strategy and integration, Molson Inc.					9,679
Marie Giguère Senior vice president, chief legal officer and secretary, Molson Inc.	Lender	199,899		(3)	17,035
Les Hine Chief marketing officer, Molson Canada					77
Sylvia Morin(6) Senior vice president, corporate affairs, Molson Inc.	Lender	397,650	11,000	(3)	11,862
Cathy Noonan(6) Senior vice president, global costs, Molson Inc.	Lender	406,250		(3)	14,127
Daniel J. O'Neill President and chief executive officer, Molson Inc.					105,797
David Perkins President, market development, Molson North America	Lender	359,930(2)		(3)	23,656
Gregory L. Wade(6) Senior vice president, quality brewing, Molson Inc.	Lender	269,290		(3)	14,059

- (1) The loans are made for 10 years. The interest, payable quarterly, is equivalent to the dividend on the shares purchased with the loan. No principal repayment is required before the sixth anniversary of the loan, at which time it is to be repaid in five annual equal installments. If the officer leaves Molson, the loan must be repaid in full no later than 60 days following termination of the employment.
- (2) The loans were made in fiscals 2000 and 2002.
- (3) Security for the indebtedness is provided for by the deposit of the certificates representing the relevant shares with CIBC Mellon Trust Company as a trustee.
- (4) Executive officers only own Class A non-voting shares.
- (5) The amounts indicated in this column for each executive officer constitute also the largest amount of indebtedness outstanding at anytime during the most recently completed financial year.
- (6)



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Sylvia Morin, Cathy Noonan and Gregory L. Wade intend to sell all or part of their Molson shares in order to pay back the amounts outstanding on their respective loans. These sales will be made between December 9 and December 14, 2004.

**Termination of Employment and Employment Contracts**

In the event of involuntary termination by Molson of the employment of Daniel J. O'Neill, other than for just cause, Molson is obligated to pay him 24 months of salary. Pension accrual, benefits and perquisites will continue until the earlier of the end of the 24 month period and the period until re-employment or self-employment. In the event of involuntary termination within 24 months following a change of control, the notice period will be extended by 12 months. For a description of payments to which Mr. O'Neill is entitled as a result of the merger transaction, see "Description of the Merger Transaction Interests of Molson's Directors and Management in the Merger Transaction Change of Control Payments."

In the event of involuntary termination by Molson of the employment of Brian Burden, other than for cause, Molson is obligated to pay him Molson's normal severance calculation.

In the event of involuntary termination by Molson of the employment of Robert Coalier, other than for just cause, disability or voluntary retirement and in the event of a change of control of Molson, Molson is obligated to pay him 18 months of salary, annual bonus, benefits and pension accrual. In the event of an involuntary termination described in the preceding sentence, insured benefits, pension and perquisites will continue for the lesser of the severance period and the period until re-employment.

In the event of involuntary termination of the employment of Raynald H. Doin, other than for cause, voluntary early retirement, normal retirement or death, Molson is obligated to give him a minimum of 18 months' notice or pay him 18 months' salary in lieu of notice.

In the event of involuntary termination by Molson of the employment of David Perkins, other than for just cause, Molson is obliged to pay him 24 months of salary.

**Beneficial Ownership of or Control Over Molson Shares**

The table below sets forth, as of the record date, information relating to the beneficial ownership of, or control over, Molson Class A non-voting shares and Class B common shares. For purposes of this table, beneficial ownership is determined by reference to Rule 13d-3 under the United States Securities and Exchange Act of 1934. The table sets forth beneficial ownership by:

each person known by Molson to be the beneficial owner of more than 10% of the outstanding shares of Molson;

each director;

each of the executive officers named in the Molson summary compensation table on page 231; and

all directors and executive officers as a group.

Name of Beneficial Owner or Person Exercising Control Over Shares(1)	Amount and Nature of Beneficial Ownership or Control			
	Number of Shares of Molson Class A Non-Voting Shares(2)	Percent of Class	Number of Shares of Molson Class B Common Shares(2)	Percent of Class
AIM Funds Management Inc.(3)	15,225,750	14.11%		
Nantel Investments Ltd.(4)			2,300,000	11.58%
Corporations of which the Estate of the late T.H.P. Molson is a shareholder(5)	2,278,654	2.11%	116,546	*
Luc Beauregard	35,427(6)	*		
Francesco Bellini	43,135(7)	*		

**Amount and Nature of Beneficial Ownership  
or Control**

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Brian Burden	27,029 <sup>(8)</sup>	*		
John E. Cleghorn	6,225 <sup>(9)</sup>	*		
Robert Coallier	139,799 <sup>(10)</sup>	*		
Daniel W. Colson	35,503 <sup>(11)</sup>	*		
Raynald H. Doin	65,519 <sup>(12)</sup>	*		
Eric H. Molson	224,540 <sup>(13)</sup>	*	10,018,000 <sup>(14)</sup>	50.45%
Stephen T. Molson	53,267 <sup>(15)</sup>	*		
David P. O'Brien	8,000 <sup>(16)</sup>	*		
Daniel J. O'Neill	1,607,459 <sup>(17)</sup>	1.47%		
David Perkins	74,798 <sup>(18)</sup>	*		
H. Sanford Riley	28,667 <sup>(19)</sup>	*		
All directors and executive officers as a group, including all 13 individuals named above	2,501,443 <sup>(20)</sup>	2.32%	10,018,002	50.45%

\*

Less than 1%.

(1)

The business address of AIM Funds Management Inc. is 5140 Yonge Street, Suite 900, Toronto, Ontario M2N 6X7. The business address of Nantel Investments Ltd. is 421 - 7th Avenue S.W., Suite 330, Calgary, Alberta, Canada, T2P 4K9. The business address of the Estate of the Late T.H.P. Molson is 421 - 7th Avenue S.W., Suite 330, Calgary, Alberta, Canada, T2P 4K9. The business address for all other persons listed above is Molson Inc., 1555 Notre-Dame Street East, 4th Floor, Montréal, Québec, Canada, H2L 2R5.

(2)

Unless otherwise noted, the indicated owner has sole voting power and sole investment power. Includes shares acquired through the Molson Employee Share Ownership Program up to the record date.

(3)

As of the record date.

(4)

R. Ian Molson controls Nantel Investments Ltd. which beneficially owns, through the Swiftsure Trust, 2,300,000 Molson Class B common shares.

(5)

These shares are held through corporations of which the Estate of the late T.H.P. Molson, a family estate trust of which Eric H. Molson and Stephen T. Molson are, together with a corporate trustee, trustees and certain descendants of the late T.H.P. Molson are shareholders. Each of Eric H. Molson and Stephen T. Molson disclaims beneficial ownership of such shares.

(6)

34,667 of the shares beneficially owned by Mr. Beaugard are options to purchase shares that are exercisable as of the record date. Mr. Beaugard holds 1,133 additional options to purchase shares that are exercisable on a date that is later than the record date.

(7)

30,417 of the shares beneficially owned by Dr. Bellini are options to purchase shares that are exercisable as of the record date. Dr. Bellini holds 1,133 additional options to purchase shares that are exercisable on a date that is later than the record date.

(8)

Mr. Burden holds 180,000 options to purchase shares that are exercisable on a date that is later than the record date.

(9)

1,000 of the shares beneficially owned by Mr. Cleghorn are options to purchase shares that are exercisable as of the record date. Mr. Cleghorn holds 4,000 additional options to purchase shares that are exercisable on a date that is later than the record date.

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- (10) 108,000 of the shares beneficially owned by Mr. Coallier are options to purchase shares that are exercisable as of the record date. Mr. Coallier holds 262,667 additional options to purchase shares that are exercisable on a date that is later than the record date.
- (11) 34,667 of the shares beneficially owned by Mr. Colson are options to purchase shares that are exercisable as of the record date. Mr. Colson holds 1,133 additional options to purchase shares that are exercisable on a date that is later than the record date.
- (12) 55,333 of the shares beneficially owned by Mr. Doin are options to purchase shares that are exercisable as of the record date. Mr. Doin holds 82,667 additional options to purchase shares that are exercisable on a date that is later than the record date.
- (13) These shares are held through Lincolnshire Holdings Inc., which is controlled by Eric H. Molson.
- (14) These shares are held through Pentland Securities (1981) Inc., which is owned by Lincolnshire Holdings Inc. and Nooya Investments Inc., which are respectively owned by Eric H. Molson and Stephen T. Molson.
- (15) 49,667 of the shares beneficially owned by Mr. Molson are options to purchase shares that are exercisable as of the record date. Mr. Molson holds 1,133 additional options to purchase shares that are exercisable on a date that is later than the record date.
- (16) 3,000 of the shares beneficially owned by Mr. O'Brien are options to purchase shares that are exercisable as of the record date. Mr. O'Brien holds 7,000 additional options to purchase shares that are exercisable on a date that is later than the record date.
- (17) 1,500,000 of the shares beneficially owned by Mr. O'Neill are options to purchase shares that are exercisable as of the record date. Mr. O'Neill holds 800,000 additional options to purchase shares which are exercisable on a date that is later than the record date.
- (18) 50,667 of the shares beneficially owned by Mr. Perkins are options to purchase shares that are exercisable as of the record date. Mr. Perkins holds 112,333 additional options to purchase shares that are exercisable on a date that is later than the record date.
- (19) 26,667 of the shares beneficially owned by Mr. Riley are options to purchase shares that are exercisable as of the record date. Mr. Riley holds 3,133 additional options to purchase shares that are exercisable on a date that is later than the record date.
- (20) 1,971,667 of the shares beneficially owned by all directors and executive officers as a group are options to purchase shares that are exercisable as of the record date. All directors and executive officers as a group hold 2,047,917 additional options to purchase shares that are exercisable on a date that is later than the record date.

### Information Concerning Coors

*Unless otherwise indicated, all dollar amounts under this "Information Concerning Coors" are expressed in U.S. dollars.*

#### Business of Coors

##### *General Development of Business*

###### *Global Expansion*

Since Coors' founding in 1873, it has been committed to producing the highest quality beers. Coors' portfolio of brands is designed to appeal to a wide range of consumer tastes, styles and price preferences. Until Coors' acquisition of Coors Brewers Limited ("CBL") in February 2002, Coors operated and sold its beverages predominately in North America and in select international markets. The Coors Brewers Limited acquisition expanded Coors' international presence to include significant operations and sales in the United Kingdom.

###### *Joint Ventures and Other Arrangements*

To sharpen focus on Coors' core competencies in manufacturing, marketing and selling malt beverage products, it has entered into various arrangements with third parties over the past decade to leverage its strengths in areas like can and bottle manufacturing, transportation, packaging, engineering, energy production and information technology.

###### *Coors Products*

Coors owns or licenses all of its trademarks for all of its brands. Brands sold primarily in the Americas include: Coors Light, Coors Original, Aspen Edge, Coors Edge, Coors Non-Alcoholic, Extra Gold, Zima XXX, George Killian's Irish Red Lager, Keystone, Keystone Light, Keystone Ice, Blue Moon Belgian White Ale, and Mexicali. Coors also sells the Molson family of brands in the United States through a joint venture, as described below under "Sales and Distributions - Canada." Brands sold primarily through CBL include: Carling, Worthington, Caffrey's, Reef, Screammers and Stones. Coors also sells Grolsch in the United Kingdom through a joint venture.

In the United Kingdom in 2003, Coors achieved considerable success with the continued roll-out of Carling Extra Cold, which is dispensed at on-trade locations (pubs, clubs, restaurants and hotels) at two degrees centigrade, four degrees cooler than traditional English draft lagers. Additionally, in the last quarter of the year, Coors introduced Coors Fine Light Beer to the on-trade channel. In January 2004, Coors launched this beer into the off-trade channel (retail and wholesale) and commenced television advertising for the product. In the United States in 2004, Coors introduced a low-carbohydrate beer called Aspen Edge, and a variety of new flavored Zima products, collectively called Zima XXX, in select U.S. markets.

In the United Kingdom, in addition to supplying Coors' own brands, Coors sells other beverage companies' brands to its customers so as to be able to provide them with a full range of products for their retail outlets. These "factored brand" sales are included in its financial results, increasing net sales and cost of goods sold, but the related volume is not included in reported sales volumes.

##### *Financial Information About Segments*

Prior to the acquisition of CBL, Coors reported results of operations in one segment. Coors now categorizes its operations into two operating segments: the Americas and Europe. These segments are managed by separate operating teams, even though both segments consist of the manufacture, marketing and sale of beer and other beverage products.

***Narrative Description of Business***

*Some of the following statements may describe Coors' expectations of future products and business plans, financial results, performance and events. Actual results may differ materially from these forward-looking statements. Please see "Risk Factors" beginning on page 47 of this document and also Coors' annual report on Form 10-K and quarterly reports on Form 10-Q incorporated by reference into this document, for factors that may negatively impact Coors' performance. The following statements are expressly made, subject to those and other risk factors.*

Coors sold approximately 68% of its 2003 reported volume in the Americas segment and 32% in the Europe segment. In 2003, Coors Light accounted for about 51% of reported volume and Carling for approximately 22%.

Coors' sales volume totaled 32.7 million barrels in 2003, compared to 31.8 million barrels in 2002 and 22.7 million barrels in 2001. The barrel sales figures for each year do not include barrel sales of Coors products sold in Canada by the non-consolidated Coors Canada partnership with Molson (Coors Canada) or volume from Coors' joint venture with Molson (Molson USA) sold in the United States. An additional 1.5 million, 1.4 million and 1.3 million barrels of beer were sold by Coors Canada in 2003, 2002 and 2001, respectively. Coors' Molson venture sold 0.9, 0.9 and 0.8 million barrels in 2003, 2002 and 2001, respectively. Coors' sales volumes also do not include the CBL factored brands business. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" beginning on page 247, for a discussion of volume changes.

No single customer accounted for more than 10% of Coors' consolidated or segmented sales in 2003, 2002 or 2001.

**Americas Segment**

The Americas business segment is focused on the production, marketing and sales of the Coors portfolio of brands in the United States and its territories. This segment also includes the Coors Light business in Canada that is conducted through a partnership investment with Molson and the sale of Molson products in the United States that is conducted through a joint venture investment (Molson USA) with Molson. The Americas segment also includes a small amount of volume that is sold outside of the United States and its territories. During the second quarter of 2004, Cerveceria Cuauhtemoc Moctezuma, S.A. de CV, a subsidiary of FEMSA Cerveza, was appointed the sole and exclusive importer, marketer, seller and distributor of Coors Light in Mexico.

***Sales and Distribution***

*United States*

In the United States, beer is generally distributed through a three-tier system consisting of manufacturers, distributors and retailers. A national network of 472 independent distributors (537 including branch locations) purchases Coors products and distributes them to retail accounts. Coors also owns three distributorships that handled less than 3% of its total domestic volume in 2003, and Coors sells Molson branded beers through its Molson USA joint venture, which utilizes additional independent distributors.

*Canada*

Coors Canada is Coors' partnership with Molson that manages all marketing activities for Coors products in Canada. Coors owns 50.1% of this partnership, and Molson owns 49.9%. The partnership contracts with Molson for the brewing, distribution and sale of Coors products. Coors Light has an 8.4% market share, and is the largest-selling light beer and the 4th-best selling beer brand overall in Canada.

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### *Puerto Rico and the Caribbean*

In Puerto Rico, Coors markets and sells Coors Light through an independent distributor. A team of Coors employees manages the marketing and promotional efforts in this market, where Coors Light is the number-one beer brand. Coors also sells its products in a number of other Caribbean markets, including the U.S. Virgin Islands, through local distributors.

### *Asia*

Coors has small development markets in Japan, China and Taiwan. The Japanese business is currently focused on Zima and Coors Original, and Coors sells Coors Light in Taiwan. Coors sells Coors Light and Coors Original in China and has contracted with Lion Nathan for the production of finished goods for the Japanese and Chinese markets.

### ***Manufacturing, Production and Packaging in the United States***

#### *Brewing Raw Materials*

Coors uses the highest quality water, barley and hops to brew its products. The majority of the water it uses is naturally filtered from underground aquifers. Coors has acquired water rights to provide for long-term strategic growth and to sustain brewing operations in case of a prolonged drought. Coors buys barley under long-term contracts from a network of independent farmers located in five western U.S. states.

#### *Brewing and Packaging Facilities*

Coors has three U.S. production facilities and one small brewery located in Mexico. It owns and operates the world's largest single-site brewery, located in Golden, Colorado. In addition, Coors owns and operates a packaging and brewing facility in Memphis, Tennessee, and a packaging facility located in the Shenandoah Valley in Virginia. It brews Coors Light, Coors Original, Extra Gold, Killian's and the Keystone brands in Golden, and packages about 60% of the beer brewed in Golden. The remainder is shipped in bulk from the Golden brewery to either its Memphis or Shenandoah facility for packaging. In the third quarter of 2004, Coors announced plans to add brewing capacity to its Shenandoah facility by 2007.

#### ***Packaging Materials***

##### *Aluminum Cans*

Approximately 59% of Coors' domestic products were packaged in aluminum cans in 2003. A substantial portion of those cans were purchased from a joint venture with Ball Corporation (Ball), Rocky Mountain Metal Container, LLC (RMMC). In addition to Coors' supply agreement with RMMC, it also has commercial supply agreements with Ball and other third-party can manufacturers to purchase cans and ends in excess of what is supplied through RMMC. In 2003, Coors purchased the significant majority of the cans and ends produced by the RMMC facilities.

##### *Glass Bottles*

Coors used glass bottles for approximately 29% of its products in 2003. It operates a joint venture with Owens-Brockway Glass Container, Inc. (Owens), the Rocky Mountain Bottle Company (RMBC), to produce glass bottles at its glass manufacturing facility. On July 29, 2003, Coors signed a new agreement, effective for 12 years beginning August 1, 2003, with Owens extending this joint venture, as well as a supply agreement with Owens for the glass bottles they require in excess of joint venture production.



*Other Packaging*

Most of the remaining 12% of volume Coors sold in 2003 was packaged in quarter and half-barrel stainless steel kegs.

Coors purchases most of its paperboard and label packaging from Graphic Packaging Corporation (GPC), a related party. These products include paperboard, multi-can pack wrappers, bottle labels and other secondary packaging supplies.

*Seasonality of the Business*

Coors' U.S. sales volumes are normally lowest in the first and fourth quarters and highest in the second and third quarters.

*Competitive Conditions*

*Known Trends and Competitive Conditions*

Industry and competitive information in this section and elsewhere in this report was compiled from various industry sources, including beverage analyst reports (Beer Marketer's Insights, Impact Databank and The Beer Institute). While Coors management believes that these sources are reliable, they cannot guarantee the accuracy of these numbers and estimates.

*2003 Americas Beer Industry Overview*

The beer industry in the United States is extremely competitive, with three major brewers controlling about 80% of the market. Therefore, growing or even maintaining market share requires substantial and perhaps increasing investments in marketing and sales efforts. U.S. beer industry shipments had an annual growth rate during the past 10 years of less than 1%. The industry's pricing environment continued to be positive in 2003, with modest price increases on specific brands and packages in select markets.

Two major trends impacted the U.S. beer market in 2003. First, overall U.S. beer shipments declined for the first time since 1995, driven by a weak national economy, unusually cool weather in many regions of the country, and the war in Iraq. The net effect of all these factors was a decline in the U.S. beer industry sales of about 1% during 2003 from the year before. The second industry trend was the growth in beers with low-carbohydrate positioning. Because none of Coors' brands was positioned as low-carbohydrate last year, both of these industry trends negatively impacted beer volume in 2003.

The U.S. brewing industry has experienced significant consolidation in the past several years, which has removed excess production capacity. In 2003, beer industry consolidation at the wholesaler level continued. This consolidation generally improves business economics for these combined wholesalers.

Over the past several years, the Canadian beer industry volume has been effectively flat with growth of less than 1% in 2003. The industry's pricing environment continued to be positive in 2003, with price increases in several markets across the country.

The beer market in Puerto Rico had extraordinary growth in the 1970s and 1980s. Since then, the market has experienced periodic growth and decline cycles. This market has traditionally been split between local brewers, U.S. imports, and other imports. In mid 2002, Puerto Rico implemented a 50% excise tax increase. This tax increase contributed to a 10% contraction in total beer consumption and disproportionately affected imports, since the most significant local brand was exempt from the tax increase. Coors Light is the market leader in Puerto Rico, with an approximate 50% market share.

### ***Coors' Competitive Position***

Coors' malt beverages compete with numerous above-premium, premium, low-calorie, popular-priced, non-alcoholic and imported brands. These competing brands are produced by national, regional, local and international brewers. Coors competes most directly with Anheuser Busch and SABMiller, the dominant beer companies in the U.S. industry. According to Beer Marketer's Insights estimates, Coors is the nation's third-largest brewer, selling approximately 11% of the total 2003 U.S. brewing industry shipments (including exports and U.S. shipments of imports). This compares to Anheuser-Busch's 50% share and SABMiller's 18% share.

### **Europe Segment**

The Europe segment consists of Coors' production and sale of the CBL brands principally in the United Kingdom, Coors' joint venture arrangement relating to the production and distribution of Grolsch in the United Kingdom and Republic of Ireland, and Coors' joint venture arrangement with Tradeteam for the physical distribution of products throughout Great Britain.

CBL has headquarters in Burton-on-Trent, England, and is the United Kingdom's second-largest beer company with unit volume sales of approximately 10.3 million U.S. barrels in 2003. CBL holds approximately 20% of the UK beer market, Western Europe's second-largest market. The CBL sales are primarily in England and Wales, with the Carling brand (a mainstream lager) representing approximately two-thirds of CBL's total beer volume.

### ***Sales and Distribution***

Over the past three decades, volumes have begun to shift from the on-trade channel, where products are consumed "on-premise," to the off-trade channel, also referred to as the "take-home" market. Revenue per barrel in the on-trade channel tends to be higher, but the off-trade channel can offer similar returns to brewers because selling, servicing and distribution costs are generally lower. Unlike the United States, where manufacturers are generally not permitted to distribute beer directly to retail, the large majority of Coors beer in the United Kingdom is sold directly to retailers.

Distribution activities for CBL are conducted by Tradeteam, which operates a system of satellite warehouses and a transportation fleet. Tradeteam also manages the transportation of certain raw materials such as malt to the CBL breweries.

### ***On-trade***

The on-trade channel accounted for approximately 64% of Coors' UK sales volumes in 2003. The installation and maintenance of draught beer dispense equipment in the on-trade channel is generally the responsibility of the brewer in the United Kingdom. CBL retains ownership of equipment required to dispense beer from kegs to consumers. This includes beer lines, line cooling, taps and counter mounts. 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 venture, called Serviced Dispense Equipment Ltd. (SDE) would contract with a separate business, Innserve Ltd., to perform day-to-day technical services, including on-trade cellar services, maintenance and installation of fonts, lines, coolers and other equipment used to dispense on-trade beverages. 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 regarding the SDE joint venture were voided; however, Coors and the other joint venture investors intend to continue to pursue the arrangement. The UK Competition Commission is expected to report by March 15, 2005.

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Similar to other UK brewers, CBL has traditionally used loans to secure supply relationships with customers in the on-trade market. Loans have been granted at below-market rates of interest, with the outlet purchasing beer at lower-than-average discount levels to compensate for the cost of the loan. Those loans are typically secured by a proprietary interest in the borrower's property. Coors reclassifies a portion of sales revenue to interest income to reflect the economic substance of these loans.

### *Off-trade*

The off-trade channel accounted for approximately 36% of Coors' UK sales volume in 2003, up 2% from 2002. The off-trade market includes sales to supermarket chains, convenience stores, liquor store chains, distributors and wholesalers.

### ***Manufacturing, Production and Packaging***

#### *Brewing Raw Materials*

Water for Coors' three UK breweries comes from dedicated supplies, filtered through the local underground aquifers. Barley for CBL brewing operations is high quality two-row seed grown exclusively in England to strict standards. Coors believes it has sufficient access to raw materials to meet its quality and production requirements.

#### *Brewing and Packaging Facilities*

Coors operates three breweries in the United Kingdom. The Burton-on-Trent brewery, located in the Midlands, is the largest brewery in the United Kingdom. Other smaller breweries are located in Tadcaster and Alton.

#### ***Packaging Materials***

##### *Kegs*

Coors used kegs and casks for approximately 61% of its UK product in 2003. The high level of volume packaged in kegs and casks contrasts with the Americas business, and reflects a higher percentage of product sold on-premise. 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 Coors in the United Kingdom.

##### *Cans*

Approximately 31% of CBL products were packaged in cans in 2003. Virtually all of these cans were purchased through supply contracts with Ball.

##### *Other Packaging*

The remaining 8% of CBL products were primarily packaged in glass bottles purchased through supply contracts with third-party suppliers.

#### ***Seasonality of Business***

In Great Britain, the beer industry is subject to seasonal sales fluctuation primarily influenced by holiday periods, weather and by certain major televised sporting events. There is a peak during the summer and during the Christmas and New Year period. The holiday peak is most pronounced in the off-trade channel. Consequently, Coors' highest volume quarters are the third and fourth quarters, and the lowest are the first and second.

***Competitive Conditions***

*2003 UK Beer Industry Overview*

Beer consumption in the United Kingdom has been in long-term decline since 1980, falling by an average of 0.8% per annum. This decline has been mainly attributable to the on-trade channel, where volumes are now 40% lower than in 1980. Over the same period, off-trade volume has increased by 278%. This trend is expected to continue and has been influenced by a number of factors, including the increasing price difference between beer in the on- and off-trade channels and changes in consumers' lifestyles. 2003 represented a continuation of these trends with off-trade market growth of 7.4% and a decline in the on-trade market of 2.7%, with the off-trade now representing one third of the market. The total UK beer market grew 1.1% in 2003, which represented the third consecutive year of growth, a contributing factor to this growth in 2003 being unusually hot summer weather.

As well as the on- to off-trade mix shift, there has been a steady trend toward lager beer at the expense of ales, driven predominantly by the leading mainstream and premium lager brands. In 1980, lagers accounted for 31% of beer sales, and in 2003 lagers accounted for nearly 70%, up from 67% in 2002. While lager volume has been growing at an average compound annual growth rate of 2.3% over the last five years, ales, including stouts, have declined by over 10% per year during this period. This trend has accelerated in the last two years. The leading beer brands are generally growing at a faster rate than the market. The top 10 brands now represent approximately 60% of the total market, compared to only 34% in 1994.

*Coors' Competitive Position*

CBL beers and flavored alcohol beverages compete not only with similar products from competitors, but also with other alcohol beverages, including wines and spirits. With the exception of stout, where Coors does not have its own brand, Coors' brand portfolio gives it strong representation in all major beer categories. Coors believes that CBL's strength in the growing lager sector with Carling and Grolsch makes it well positioned to take advantage of the continuing trend away from ales to lagers.

Coors' principal competitors in the UK market are Scottish Courage Ltd., InBev UK Ltd. and Carlsberg UK. Coors is the United Kingdom's second-largest brewer, with an approximate 20% market share, based on AC Nielsen information. This compares to Scottish Courage Ltd.'s share of 25%, InBev UK Ltd.'s 19% share (excluding Heineken brands, which are no longer part of InBev's brand portfolio) and Carlsberg UK's 13% share. Coors' core brands Carling, Grolsch, Worthington's and Reef all increased their product sector share in 2003.

***Intellectual Property***

Coors owns trademarks on the majority of the brands it produces and it has licenses for the remainder. Coors also holds several patents on innovative processes related to product formula, can making, can decorating and other technical operations. These patents have expiration dates ranging through 2021. These expirations are not expected to have a significant impact on Coors' business.

***Regulation***

*Americas*

Coors' business in the United States and its territories is highly regulated by federal, state and local governments. These regulations govern many parts of Coors' operations, including brewing, marketing and advertising, transportation, distributor relationships, sales and environmental issues. To operate its facilities, Coors must obtain and maintain numerous permits, licenses and approvals from various governmental agencies, including the U.S. Treasury Department; Alcohol and Tobacco Tax and

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Trade Bureau; the U.S. Department of Agriculture; the U.S. Food and Drug Administration; state alcohol regulatory agencies as well as state and federal environmental agencies. Internationally, Coors' business is also subject to regulations and restrictions imposed by the laws of the foreign jurisdictions where it sells Coors' products.

Governmental entities also levy taxes and may require bonds to ensure compliance with applicable laws and regulations. U.S. federal excise taxes on malt beverages are currently \$18 per barrel (31 U.S. gallons each). State excise taxes also are levied at rates that ranged in 2003 from a high of \$28.52 per barrel in Hawaii to a low of \$0.62 per barrel in Wyoming. In 2003, Coors incurred approximately \$404 million in federal and state excise taxes in the Americas segment on gross revenues of approximately \$2.8 billion, or approximately \$18 per barrel.

### *Europe*

In the United Kingdom, regulations apply to many parts of Coors' operations and products, including brewing; food safety; labeling and packaging; marketing and advertising; environmental; health and safety; employment; and data protection regulations. To operate its breweries and carry on business in the United Kingdom, Coors must obtain and maintain numerous permits and licenses from local Licensing Justices and governmental bodies; including HM Customs & Excise, the Office of Fair Trading, the Data Protection Commissioner and the Environment Agency.

The UK government levies excise taxes on all alcohol beverages at varying rates depending on the type of product and its alcohol by volume. In 2003, Coors incurred approximately \$983 million in excise taxes on gross revenues of approximately \$2.6 billion, or approximately \$94 per barrel.

### *Environmental Matters*

#### *Americas*

Coors is 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, Coors 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. Coors' settlement was based on an assumed cost of \$120 million (in 1992 adjusted dollars). It requires Coors to pay a portion of future costs, if any, in excess of that amount.

Considering 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 Coors' liability may change as facts further develop. Coors cannot predict the amount of any potential change, but additional accruals could be required in the future.

Coors is aware of groundwater contamination at some of its properties in Colorado resulting from historical, ongoing or nearby activities. There may also be other contamination of which it is unaware.

From time to time, Coors has been notified that it is 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. While Coors cannot predict its eventual aggregate cost for the environmental and related matters in which it may be or is currently involved, it believes 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 Coors' operating results, cash flows or its financial or competitive position. Coors believes adequate reserves have been provided for losses that are probable and estimable.

*Europe*

Coors is subject to the requirements of government and local environmental and occupational health and safety laws and regulations. Compliance with these laws and regulations did not materially affect its 2003 capital expenditures, earnings or competitive position, and Coors does not anticipate that it will do so in 2004.

***Employees and Employee Relations***

*Americas*

Coors has approximately 5,400 employees in its Americas business. Memphis hourly employees, who constitute about 5% of Coors' Americas work force, are represented by the Teamsters union; and a small number of other employees are represented by other unions. The Memphis union contract expires in 2005. Coors believes that relations with its Americas employees are good.

*Europe*

Coors has approximately 3,100 employees in its Europe business. Approximately 31% of this total workforce is represented by trade unions, primarily at Coors' Burton-on-Trent and Tadcaster breweries. Separate negotiated agreements are in place with the Transport and General Workers Union at the Tadcaster Brewery and the Burton-on-Trent Brewery. The agreements do not have expiration dates, and negotiations are conducted annually. Coors believes that relations with its European employees are good.

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

***Executive Summary***

*This discussion summarizes the significant factors affecting Coors' consolidated results of operations, liquidity, and capital resources for the thirteen and thirty-nine weeks ended September 26, 2004, and September 28, 2003, and the years ended December 28, 2003 and December 29, 2002. You should read the following in conjunction with the related financial statements and notes included elsewhere in this document, as well as Coors' Annual Report on Form 10-K for the year ended December 28, 2003. Coors' results in the first nine months of 2004 are affected by the adoption of FIN 46, which required consolidation of some of Coors' joint ventures. (See Note 2 in the accompanying financial statements of Coors attached to this document as Annex S.)*

**3rd Quarter 2004.** Compared to the third quarter of 2003, the third quarter of 2004 was a challenging quarter for Coors, with weak volume trends in both the Americas and Europe segments. Coors' net income in the quarter was higher due to improved beer pricing, one-time non-operating income (consisting primarily of non-operating gains and an accelerated royalty payment), a lower effective tax rate and favorable exchange rates compared to the third quarter of last year. Year-to-date, Coors' effective tax rate is comparable to 2003, and net income has improved due to beer pricing and favorable exchange rate comparisons throughout 2004.

In Europe, Coors' results in local currency were impacted substantially by the extreme comparison of colder and very wet weather in the third quarter of this year versus unusually hot, dry weather in the same period last year, which adversely impacted the entire UK beer industry. The negative impact was offset partly by continued strong pricing gains in the on-trade. Even with the volume challenges, Coors' top-selling Carling brand gained share during the third quarter.

In the Americas, sales to retail were down slightly, consistent with trends earlier in the year. Although Coors Light sales declined at a low-single-digit rate, the brand's trends improved in several key areas of the United States. Americas cost of goods per barrel were higher, primarily due to increases in transportation costs, lower sales volume, the related loss of fixed cost leverage and a sales

mix shift toward more-expensive, higher-margin brands and packages. Europe's cost of goods per barrel was also higher due to loss of fixed cost leverage and increases in transportation costs.

**2003.** Overall, 2003 was a difficult year for Coors, especially in the U.S. Coors faced extremely soft industry demand throughout the year in the U.S., and, although Coors made significant progress in key areas of Coors' business, Coors' Americas segment profits came in only slightly above Coors' prior year results.

The U.S. beer industry faced many challenges in 2003, including:

Continued weakness in the U.S. economy during 2003 and, specifically, high unemployment levels among the key 21-24-year-old male consumer population,

Unfavorable weather, particularly in the Northeast, for a significant part of the peak summer selling season,

The popularity of low-carbohydrate diets that softened demand for beer,

The rise in popularity of distilled spirits and other alternative beverages, particularly among 21-29-year olds, and

A protracted grocery store strike in California that likely impacted sales in the largest beer state.

Two additional issues were unique to Coors' U.S. business during 2003. First, Coors did not offer a product with "low-carbohydrate" positioning. Second, late in the year, when most of the industry was showing signs of recovery, Coors experienced significant product-supply problems that left Coors unable to meet all the needs of Coors' wholesale and retail customers.

Coors' 2003 performance in the Europe segment, specifically in the UK, reflected strong volume and market share growth. Results were negatively impacted by the lack of benefits in 2003 from revenue-producing transitional activities, which occurred in 2002 following Coors' acquisition of the UK business, as well as high levels of discounting in the off-trade channel during the first two-thirds of the year. Later in the year, however, Coors' performance in the UK showed the positive profit impact of Coors' strong volume growth, reduced off-trade discounting levels, and productivity improvements from supply chain initiatives.

One critical area of accomplishment in 2003 was Coors' cash generation and debt reduction. Full-year debt repayments totaled \$272 million, more than 30% greater than the \$208 million Coors repaid in 2002. Cash flow during the year benefited from higher operating cash flow, a temporary reduction in cash taxes, improvements in working capital, and improving capital spending disciplines in the U.S.

**Looking Forward.** In addition to the merger transaction, Coors has four major strategies that it is focused on to succeed in the global beer industry:

First, Coors is striving to capture an increasing share of each new generation of legal-drinking-age beer drinkers in order to gain their brand loyalty for the long-term. Coors intends to accomplish this by building Coors' big brands in big markets Coors Light in the Americas, Carling and Grolsch in the UK which are the young-adult beer drinker's point of entry into Coors' portfolio. To achieve this goal, Coors continued during 2003 to refine Coors' sales and marketing initiatives supporting Coors' flagship brands. As a result, volume momentum in the UK behind Carling and Grolsch has been positive. In Canada, Coors Light has continued to grow volume and market share. Despite a poor volume year in the U.S., Coors has made progress among key demographics and retail channels, and Coors is taking steps to further enhance the effectiveness of these initiatives.

Second, Coors intends to capture more than Coors' fair share of the product news opportunities in the category each year through both new products and brands, or product developments with





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existing brands, such as Coors Light and Carling. In March 2004, Coors launched Aspen Edge Coors' entry in the low-carb segment in the U.S. Coors is also repositioning Zima in the U.S., continuing to expand Carling Extra Cold in the UK, and launching Coors Fine Light beer in the UK.

Third, Coors needs to strengthen its access to retail by building the capabilities that are key to partnering and being successful with its wholesalers and retailers. Coors' biggest investment to strengthen Coors' access to retail in 2003 was the initiative to improve Coors' Americas supply-chain systems and processes. Making these investments was a necessity for the long-term success of Coors' business. Coors' start-up problems were greater than expected, but in early 2004, product supply improved as wholesale and retail stock-outs were reduced to a fraction of what they were in Coors' most difficult period early in the fourth quarter of 2003. When the capabilities of Coors' new supply-chain systems and processes are more fully optimized later this year, Coors' distributors will have more control over their orders, better visibility throughout the shipping process, and better service, which Coors anticipates will result in efficiencies and cost savings for Coors and for Coors' distributors.

Fourth, Coors needs to lower its cost structure so that it can grow profits and afford the investments needed to grow and succeed. In 2003, Coors made significant progress in both the Americas and Europe. Productivity from operations in the U.S. was solid in 2003, despite soft volume. In the UK, Coors right-sized its production assets in 2003, and it expects to see the benefits in 2004.

### ***Results of Operations***

Coors' consolidated results are driven by the results of Coors' two operating segments, Americas and Europe, and Coors' unallocated corporate expenses. When comparing 2003 to 2002, note that Coors has only included CBL results since February 2, 2002, the date of acquisition, thus excluding CBL's January 2002 results.

### ***The Americas Segment***

The Americas segment is focused on the production, marketing, and sales of the Coors portfolio of brands in the United States and its territories, including the results of the RMMC and RMBC joint ventures consolidated in 2004 under FIN 46. This segment also includes the Coors Light business in Canada that is conducted through the Coors Canada partnership with Molson, Coors Canada, and the sale of Molson products in the United States that is conducted through Molson USA. The Americas segment also includes 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. During the second quarter of 2004, Cerveceria Cuauhtemoc Moctezuma, S.A. de C.V., a subsidiary of FEMSA

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Cerveza, was appointed the sole and exclusive importer, marketer, seller and distributor of Coors Light in Mexico.

	Thirteen Weeks Ended			Thirty-nine Weeks Ended		
	September 26, 2004	September 28, 2003	% Change	September 26, 2004	September 28, 2003	% Change
(In thousands, except percentages) (Unaudited)						
Barrels of beer and other beverages sold	5,922	5,960	(0.6)%	16,903	17,284	(2.2)%
Net sales	\$ 662,215	\$ 640,443	3.4%	\$ 1,881,393	\$ 1,859,232	1.2%
Cost of goods sold	(386,576)	(384,356)	0.6%	(1,110,998)	(1,123,458)	(1.1)%
Gross profit	275,639	256,087	7.6%	770,395	735,774	4.7%
Marketing, general and administrative expenses	(198,791)	(182,920)	8.7%	(573,611)	(549,165)	4.5%
Operating income	76,848	73,167	5.0%	196,784	186,609	5.5%
Other income, net	6,226	(560)	N/M	8,563	2,897	195.6%
Income before income taxes(1)	\$ 83,074	\$ 72,607	14.4%	\$ 205,347	\$ 189,506	8.4%

- (1) Income before income taxes in 2004 includes \$3,054 and \$9,731 for the thirteen and thirty-nine weeks ended September 26, 2004, respectively, and represents the minority owners' share of income attributable to the RMMC and RMBC joint ventures.

	Fiscal Year Ended				
	December 28, 2003	Percent Change	December 29, 2002	Percent Change	December 30, 2001
(In thousands, except percentages)					
Volume in barrels	22,374	(1.4)%	22,688	N/M	22,667
Net sales	\$ 2,409,595	0.4	2,400,849	(0.9)%	2,422,282
Cost of goods sold	(1,474,250)	(0.5)	(1,481,630)	(3.3)%	(1,532,471)
Gross profit	935,345	1.8%	919,219	3.3%	889,811
Marketing, general and administrative expenses	(717,622)	2.3%	(701,454)	2.3%	(685,568)
Special charges, net(1)		N/M	(3,625)	(84.4)%	(23,174)
Operating income	217,723	1.7%	214,140	18.3%	181,069
Gain on sale of distributorships(2)				N/M	27,667
Other income, net(3)	3,485	(28.4)%	4,864	N/M	1,319
Income before income taxes	\$ 221,208	1.0%	\$ 219,004	4.3%	\$ 210,055

Fiscal Year Ended

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- (1) The 2002 net charge consists of expenses related to restructuring and the dissolution of Coors' former can and end joint venture, offset by a cash payment on a debt from Coors' former partner in a brewing business in South Korea. The net 2001 charge consists of the restructuring of Coors' purchasing and production organizations, impairment charges on certain fixed assets, charges to dissolve Coors' former can and end joint venture and incremental consulting, legal and other costs incurred in preparation to restructure and outsource its information technology infrastructure.
- (2) Gain from the sale of Coors-owned distributorships
- (3) Consists primarily of equity share of Molson USA losses and gains from sales of water rights and warehouses.

N/M = Not Meaningful

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*Foreign Currency impact on 2004 results.* In the first three quarters of 2004, the Americas segment benefited from a 6.0% year-over-year increase in the value of the Canadian dollar (CAD) against the US dollar. In the third quarter of 2004, the increase was 4.9%. As a result of this exchange-rate fluctuation, income before income taxes deriving from the Coors Canada partnership is higher by approximately \$2.7 million year-to-date and approximately \$1.0 million for the quarter.

*Foreign Currency impact on 2003 results.* In 2003, Coors' Americas segment benefited from a 10.8% year-over-year increase in the value of the Canadian dollar against the U.S. dollar. As a result of this exchange rate fluctuation, net sales, operating income, and income before taxes are higher than in the prior year by approximately \$5.5 million.

*Net sales and volume.* For the thirteen weeks ended September 26, 2004, net sales in the Americas totaled \$662.2 million, 3.4% higher than \$640.4 million in the third quarter of 2003. For the thirty-nine weeks ended September 26, 2004, net sales in the Americas were 1.2% higher than sales for the first nine months of 2003. Volume was slightly lower, quarter-over-quarter, and 2.2% lower, year-over-year. Volume has been the primary challenge to sales revenue growth in 2004, accounting for an approximate \$3.5 million and \$41.0 million decrease in the quarterly and nine-month periods' net sales, respectively. However, net sales per barrel have increased 4.1% in the third quarter of 2004 and 3.5% for the year-to-date period due primarily to domestic pricing (2.3% for the quarter), positive brand mix (0.5% for the quarter), higher income realized from our Canada business (0.4% for the quarter), and fuel surcharge revenues (0.3% for the quarter), which began in the third quarter to help defray higher energy and freight costs in the current year. Year-to-date revenues have benefited similarly due to a favorable pricing environment. Further, as discussed above, revenues were assisted by positive currency impacts in both the third quarter and year-to-date.

Net sales for the Americas segment increased slightly 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 continued favorable pricing in the United States, as well as significant growth in Coors' Canada business. Likewise, net sales were impacted positively by a one-time \$4.2 million increase in revenue during the first quarter that resulted from the settlement of a contract interpretation dispute between Coors Brewing Company and one of Coors' wholesalers. However, Coors experienced challenges in Coors' Americas segment as Coors' volume was impacted negatively by a weak industry demand throughout the year caused by a very wet summer in the Northeast and a sluggish economy. In addition, Coors was negatively impacted by a mix shift toward lower revenue-per-barrel brands such as Keystone Light, which experienced a volume growth of 10.9%. Growing consumer interest in low-carbohydrate food and beverage products hurt sales for Coors Light and other premium light beers that did not have low-carbohydrate positioning. As a result of this change in consumer tastes and the mix shift away from premium products, Coors Light sales volume declined in 2003.

Coors also experienced significant challenges in the fourth quarter of 2003 when it implemented new supply chain systems and processes. Due to a difficult start-up early in the fourth quarter, Coors was unable to ship sufficient quantities of beer in some brand and package configurations. While Coors' supply chain improved by the end of the year, the supply disruptions caused by this implementation had a meaningful negative impact on 2003 volume and earnings.

Coors' 2002 net sales decreased 0.9% from 2001, while volume for the Americas segment remained relatively flat. Net revenue per barrel declined 1% from 2001. The declines were mostly due to the sale of company-owned distributorships in 2001 (whose volumes were included in 2001 results until the date of sale), a decline in volume in Puerto Rico as a result of a 50% increase in a beer excise tax that took effect during the summer of 2002, and a negative sales mix in the United States where consumer preferences moved toward Coors' lower revenue-per-barrel brands, geographies, and packages. Partially offsetting these declines in sales and volume were improved domestic pricing and reduced price promotions.

From a brand perspective, growth in domestic Coors Light and Keystone Light brands in 2002 versus 2001 was partially offset by declines in Zima, Killian's and exported Coors Light. Zima was impacted disproportionately by the influx of new flavored alcohol beverages (FABs) in the United States during much of 2002.

*Cost of goods sold and gross profit.* Cost of goods sold increased slightly in the third quarter of 2004 to \$386.6 million. Year-to-date, cost of goods sold has decreased about 1% or \$12.5 million. Cost of goods sold increased approximately 1.2% per barrel quarter-over-quarter and 1.1% year-over-year. The increase per barrel in the third quarter of 2004 is driven by price inflation driven by an increase in outbound transportation costs due to higher diesel fuel costs and carrier pricing (1.1)% and packaging and brand mix (1.1)%, offset by lower costs associated with continued improvements in operations productivity (0.6)%, freight process improvements (0.5)%, and the positive impact to cost of goods sold from the impact of adopting FIN46R (0.9)%, which reduces cost of goods sold by including the minority interest share of income in the joint ventures.

The cost of goods sold for the Americas segment increased approximately 0.9% per barrel in 2003 versus 2002. The overall increase in cost of goods sold per barrel in 2003 was the result of higher depreciation costs stemming from recent additions to fixed assets, higher pension and other labor-related costs, increased fuel costs, and the de-leveraging of fixed costs resulting from the decline in volume. Coors' higher pension costs were the result of the unfavorable impacts of lower returns on pension assets in recent years and lower discount rates. In addition to these more pervasive factors, Coors incurred approximately \$8 million of increased costs in the fourth quarter of 2003, primarily related to extra freight, direct labor and finished goods loss associated with Coors' new supply chain processes and systems implementation. These costs were in addition to the impacts from decreased volume. However, Coors' controllable operations costs, which made up about 95% of Coors' Americas cost of goods sold in 2003, declined slightly per barrel during the year as a result of operations efficiency initiatives and improved packaging costs.

Compared to 2002, Coors' 2003 gross profit increased 1.8%, or 3.2% on a per-barrel basis. As a percentage of net sales, gross profit increased by nearly 1%. Increases were driven primarily by price increases and improved operations efficiencies and lower packaging costs.

In 2002, Coors experienced a 3.3% decrease in cost of goods sold. On a per-barrel basis, the decline was 3.4%. As a percentage of net sales, cost of goods sold was approximately 61.7% in 2002 compared to 63.3% in 2001. These decreases were attributable primarily to the sale of company-owned distributorships in 2001, lower transportation and packaging costs and continued operations efficiency initiatives in Coors' breweries. Offsetting these decreases were higher costs associated with adding capacity to Coors' Golden and Memphis manufacturing facilities and bottle packaging capacity in Shenandoah, Virginia. Coors also incurred higher pension and other labor-related costs.

Coors' gross profit increased 3.3% in 2002 over 2001. As a percentage of net sales, gross profit increased nearly 2%. Increases were driven by the decline in cost of goods sold.

*Marketing, general and administrative expenses.* Marketing, general and administrative expenses increased 8.7% to \$198.8 million in the third quarter of 2004 from \$182.9 million in 2003. Year-to-date, marketing, general and administrative expense increased 4.5% to \$573.6 million. Over half of the third quarter increase is due to additional marketing investments in core brands and increased labor-related and overhead costs in Coors' sales and marketing organizations.

Marketing, general and administrative expenses increased 2.3%, or 3.8% on a per barrel basis, in 2003 compared to 2002. This increase was driven by higher costs for employee benefits, primarily pension costs, and higher spending levels related to information technology. Selling and marketing expense was also slightly higher year-over-year.

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In 2002, marketing, general and administrative expenses increased 2.3% over the previous year, driven by higher marketing expense as Coors invested more behind its brands in advertising and sales promotion, higher systems investments and labor-related costs. Partially offset by this increase in selling and marketing expense was a decline in general and administrative expense due to the sale of company-owned distributorships in 2001.

*Other Income (Expense), net.* Other income increased in 2004, primarily due to a gain of approximately \$5.0 million recognized in September, which is related to final settlement of royalties owed to Coors from the sale of its coal operations several years ago. Coors also recognized gains on the sale of a warehouse in September totaling approximately \$1.0 million.

**The Europe Segment**

The Europe segment consists of Coors' production and sale of the CBL brands (principally in the United Kingdom but also in other parts of the world), Coors' joint venture arrangement relating to the distribution of Grolsch in the United Kingdom and Republic of Ireland (consolidated under FIN 46 in 2004), and Coors' joint venture arrangement for the physical distribution of products throughout Great Britain (Tradetam). It also includes the sale of Coors Fine Light Beer in the United Kingdom and Coors Light in the Republic of Ireland.

	Thirteen Weeks Ended			Thirty-nine Weeks Ended		
	September 26, 2004	September 28, 2003	% Change	September 26, 2004	September 28, 2003	% Change
(In thousands, except percentages) (Unaudited)						
Barrels of beer and other beverages sold	2,637	2,812	(6.2)%	7,516	7,538	(0.3)%
Net sales	\$ 442,091	\$ 408,281	8.3%	\$ 1,297,118	\$ 1,118,009	16.0%
Cost of goods sold	(301,808)	(273,660)	10.3%	(892,154)	(777,119)	14.8%
Gross profit	140,283	134,621	4.2%	404,964	340,890	18.8%
Marketing, general and administrative expenses	(102,527)	(92,149)	11.3%	(315,871)	(267,566)	18.1%
Operating income	37,756	42,472	(11.1)%	89,093	73,324	21.5%
Interest income(1)	3,757	4,207	(10.7)%	11,828	12,960	(8.7)%
Other income (expense), net	(948)	(99)	857.6%	(2,996)	2,909	N/M
Income before income taxes and minority interest(2)	\$ 40,565	\$ 46,580	(12.9)%	\$ 97,925	\$ 89,193	9.8%

(1) Interest income is earned on trade loans to UK on-trade customers, and is typically driven by debt balances from period-to-period.

(2) Income before income taxes in 2004 includes \$1,305 and \$3,327 for the thirteen and thirty-nine weeks ended September 26, 2004, respectively, that represents the minority owners' share of income attributable to the Grolsch joint venture.

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	Fiscal Year Ended			
	December 28, 2003	Percent Change	December 29, 2002(1)	December 30, 2001(1)
	(In thousands, except percentages)			
Volume in barrels	10,361	13.2%	9,153	46
Net sales	\$ 1,590,518	15.6%	\$ 1,375,473	\$ 7,180
Cost of goods sold	(1,112,533)	19.3%	(932,900)	(5,152)
Gross profit	477,985	8.0%	442,573	2,028
Marketing, general and administrative expenses	(361,553)	9.0%	(331,656)	(10,188)
Operating income (loss)	116,432	5.0%	110,917	(8,160)
Interest income	17,156	4.7%	16,390	
Other income, net(2)	4,114	133.0%	1,766	
Income (loss) before income taxes	\$ 137,702	6.7%	\$ 129,073	\$ (8,160)

(1) Since Coors did not own CBL prior to February 2002, Coors does not report historical financial results for this business. Accordingly, the historical Europe segment results include only Coors' pre-acquisition Europe operation, which generated very small volume and revenue. Coors' discussion on the comparative results of the Europe segment from 2001 to 2002 has been excluded, as comparative results are not meaningful.

(2) 2003 other income, net, was composed primarily of Tradeteam income (included in cost of goods sold in 2002), offset by leasehold expenses and losses on asset sales (See Note 2 to Coors' historical annual financial statements attached as Annex S to this document). In 2002, other income, net primarily related to income from a small investment in an Internet marketing venture in the UK.

N/M = Not Meaningful

*Foreign currency impact on 2004 results.* In the third quarter of 2004, the Europe segment benefited from a 12.8% quarter-over-quarter increase in the value of the British pound sterling (GBP) against the US dollar. Year-to-date the GBP has increased 11% against the US dollar. Partially as a result of this exchange rate fluctuation, all per unit revenues and costs from the Europe segment in 2004 are significantly higher than in the prior year. The following table summarizes the approximate effect this change in exchange rates had on the Europe segment pre-tax results in 2004:

	Increase Due to Currency Effects	
	Thirteen Weeks Ended September 26, 2004	Thirty-nine Weeks Ended September 26, 2004
	(In thousands)	
Net sales	\$ 49,722	\$ 147,680
Cost of goods sold	(33,924)	(101,825)
Gross profit	15,798	45,855
Marketing, general & administrative expenses	(11,567)	(36,170)

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Increase Due to Currency Effects

Operating income	4,231	9,685
Interest income	422	1,363
Other income (expense), net	(91)	(335)
Income before income taxes and minority interest	\$ 4,562	\$ 10,713

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*Foreign currency impact on 2003 results.* In 2003, Coors' Europe segment benefited from an 8.4% year-over-year increase in the value of the British pound sterling (GBP) against the U.S. dollar. Partially as a result of this exchange rate fluctuation, all results from Coors' Europe segment in 2003 are significantly higher than in the prior year. The following table summarizes the approximate effect this change in exchange rate had on the Europe results in 2003:

	<b>Increase Due to Currency Effects</b>
	<b>(In thousands)</b>
Net sales	\$ 126,071
Cost of goods sold	(88,950)
Gross profit	37,121
Marketing, general & administrative	(29,115)
Operating income	8,006
Interest income	1,398
Other income, net	397
Income before income taxes	\$ 9,801

*Net sales and volume.* Net sales from the Europe segment totaled \$442.1 million in the third quarter of 2004, 8.3% higher than the \$408.3 million of sales in the same period last year. Net sales year-to-date are higher by \$179.1 million, or 16%, compared to 2003. As discussed above, currency fluctuation accounted for \$49.7 million and \$147.7 million of the increased revenues in the third quarter and nine-month periods, respectively. Therefore, sales denominated in local currency actually declined by approximately 4% in the third quarter and increased approximately 3% year-to-date. Movements in factored brand sales also impact the Europe reported net sales numbers as the value of the sale is included within net sales, but the related volume is not included within the reported sales volumes. In the third quarter, the net sales value of Coors' factored brand sales declined approximately 5%. Year-to-date, the factored brand net sales value has increased approximately 3%.

Owned brand volume declined 6.2% quarter-over-quarter and was flat year-to-date. The weak volume performance in the third quarter is largely attributed to poor weather compared to exceptionally warm and dry weather in the United Kingdom in 2003. After adjustment for the impacts of currency appreciation and factored brand sales, owned brand sales values in local currency decreased by approximately 3%, lower than the owned brand volume decrease. This represents an increase in owned brand net sales value per barrel of approximately 3%. Year-to-date, owned brand net sales have increased approximately 2.5%. With broadly flat volume year-to-date, this represents an increase in owned brand net sales per barrel of approximately 2.5%. The increases in owned brand net sales per barrel in both the quarter and the year-to-date have been driven by strong pricing, particularly in the on-trade, partially offset by adverse brand and channel mix.

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 Coors' owning the CBL business for the full year in 2003 versus forty-seven weeks in 2002. 9% of the sales increase represents the effect of currency exchange rates. On a full year comparative basis, Coors' 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.

Coors' on-trade business, which represents approximately two-thirds of Coors' Europe volume and an even greater portion of margin, grew volume by approximately 5% compared to the full year 2002 as a result of strong sales execution, particularly with Carling and Carling Extra Cold, and unusually hot summer weather in the United Kingdom. In a declining on-trade market, this yielded a market

share gain of approximately 1.5 percentage points. Coors' off-trade volume for 2003 increased approximately 13% 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 the year. Coors' off-trade market share growth for the year was approximately 1%.

Coors' positive volume in both the on- and off-trade and positive pricing in the on-trade market were partially offset by a decline in Coors' 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 market was driven by some of Coors' large on-trade chain customers changing to purchase non-Coors products directly from the brand owners.

*Cost of goods sold and gross profit.* Cost of goods sold was \$301.8 million in the third quarter of 2004, 10.3% higher than last year's third quarter. Cost of goods sold for the first three quarters of 2004 was \$892.2 million, or 14.8% higher than last year. As noted above, currency appreciation accounts for a substantial element of the increases over last year, \$33.9 million in the quarter and \$101.8 million year-to-date. Like the Americas, Europe suffered from the de-leveraging of fixed costs from lower volumes and experienced increased transportation costs which, along with the impact of inflation, caused an increase in the costs of goods sold per barrel denominated in local currency. These increases were, however, partially offset by the reduction in the value of factored brand purchases in the quarter where, similar to net sales, the purchase costs are included in cost of goods sold but the sales are not included in reported sales volumes. Further offsetting the increases in cost of goods sold was the implementation of FIN46R in 2004, which increased gross profit by \$8.2 million and \$21.8 million, respectively, in the quarter and nine months ended September 26, 2004. (See Note 2 in the accompanying financial statements in Annex S.)

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 Coors' 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, Coors incurred higher production costs as Coors contracted with regional brewers to package some of Coors' off-trade volume while Coors was commissioning the new and upgraded packing lines in Coors' Burton brewery.

Coors was able to realize some benefit from right-sizing and improving Coors' UK production infrastructure towards the latter half of 2004, 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 Coors' cost of goods sold, but the related volume is not included in reported volumes.

Gross profit in the Europe segment increased 8.0%; 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% during 2003 as a result of the reclassification of Tradeteam earnings and Coors' contract packaging costs incurred as Coors commissioned the packaging lines in Burton-on-Trent.

*Marketing, general and administrative expenses.* Third quarter 2004 marketing, general and administrative expenses were \$102.5 million, an increase of approximately 11.3% over the third quarter of 2003. Year-over-year, marketing, general and administrative expenses increased 18.1%. This increase is primarily a result of the currency appreciation (\$11.6 million and \$36.2 million in the quarter and year to date, respectively) and the implementation of FIN46R in 2004 (addition of Grolsch expenses

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totaling \$6.3 million and \$16.4 million in the quarter and nine-months ended September 26, 2004, respectively). In addition, marketing, general and administrative expenses in the third quarter in 2003 were reduced by the one-time gain of \$3.5 million pretax on the sale of the rights to Coors' Hooper's Hooch flavored alcohol beverage brand in Russia.

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. On a per-barrel basis, marketing, general and administrative expenses decreased 3.7% year-over-year. Various factors impacted marketing, general and administrative expense during 2003, which effectively off-set each other: (a) Coors 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) Coors was impacted by the loss of reimbursements from the transitional services arrangements with InBev 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) Coors realized savings in employee bonus costs and directors' costs; and (d) the one-time gain of \$3.5 million before tax on the sale of the rights to Coors' Hooper's Hooch FAB brand in Russia during the third quarter.

*Interest income.* Interest income is earned on trade loans to UK on-trade customers. 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 and a lower debt balance in 2003.

*Other income (expense), net.* Third quarter other expense, net increased \$0.8 million and year-to-date \$5.9 million. The third quarter and year-to-date increase in other expense, net is due to the decline in profits generated by Coors' Tradeteam joint venture and effect of movement in currency rates. The year-to-date increase is also due to lapping a non-recurring gain on the sale of assets last year.

### *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.

	Thirteen Weeks Ended			Thirty-nine Weeks Ended		
	September 26, 2004	September 28, 2003	% Change	September 26, 2004	September 28, 2003	% Change
(In thousands, except percentages) (Unaudited)						
Net sales	\$	\$		\$	\$	
Cost of goods sold						
<b>Gross profit</b>						
Marketing, general and administrative expenses	(10,700)	(6,244)	71.4%	(28,375)	(18,704)	51.7%
Operating loss	(10,700)	(6,244)	71.4%	(28,375)	(18,704)	51.7%
Interest income	1,206	536	125.0%	2,326	1,645	41.4%
Interest expense	(17,231)	(18,382)	(6.3)%	(54,985)	(62,216)	(11.6)%
Other expense	625	658				