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

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934
For the Quarterly Period Ended October 3, 2004

Commission File Number 0-21314

U.S. CAN CORPORATION

(Exact Name of Registrant as Specified in its Charter)

06-1094196
(I.R.S. Employer Identification No.)

DELAWARE
(State or Other Jurisdiction of
Incorporation or Organization)

700 EAST BUTTERFIELD ROAD
SUITE 250
LOMBARD, ILLINOIS 60148
(Address of Principal Executive Offices, Including Zip Code)

(630) 678-8000
(Registrant's Telephone Number, Including Area Code)

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

Yes ☐ No ☒

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

Yes ☐ No ☒

As of November 15, 2004, 53,333.333 shares of Common Stock were outstanding.

U.S. CAN CORPORATION AND SUBSIDIARIES

FORM 10-Q

FOR THE QUARTERLY PERIOD ENDED OCTOBER 3, 2004

TABLE OF CONTENTS

INCLUSION OF FORWARD-LOOKING INFORMATION

Certain statements in this report constitute "forward-looking statements" within the meaning of the federal securities laws. Such statements involve known and unknown risks and uncertainties which may cause the Company's actual results, performance or achievements to be materially different than any future results, performance or achievements expressed or implied in this report. By way of example and not limitation and in no particular order, known risks and uncertainties include general economic and business conditions; the Company's substantial debt and ability to generate sufficient cash flows to service its debt; the Company's compliance with the financial covenants contained in its various debt agreements; changes in market conditions or product demand; the level of cost reduction achieved through restructuring and capital expenditure programs; changes in raw material costs and availability; downward selling price movements; currency and interest rate fluctuations; increases in the Company's leverage; the Company's ability to effectively integrate acquisitions; changes in the Company's business strategy or development plans; the timing and cost of plant closures; the success of new technology; and increases in the cost of compliance with laws and regulations, including environmental laws and regulations. In light of these and other risks and uncertainties as described under "Risk Factors" in the Company's Annual Report on Form 10-K/A for the fiscal year ended December 31, 2003 and filed with the Securities and Exchange Commission on November 18, 2004, the inclusion of a forward-looking statement in this report should not be regarded as a representation by the Company that any future results, performance or achievements will be attained.

U.S. CAN CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(000's omitted)

	For The Three Months Ended		For The Nine Months Ended	
	October 3, 2004	As Restated (See Note (2)) September 28, 2003	October 3, 2004	As Restated (See Note (2)) September 28, 2003
	(unaudited)			
Net Sales	$ 207,263	$ 204,671	$ 632,539	$ 614,447
Cost of Sales	185,287	186,952	571,905	555,121
Gross Profit	21,976	17,719	60,634	59,326
Selling, General and Administrative Expenses	10,150	8,691	30,393	26,597
Special Charges	4,012	(760)	5,416	590
Operating Income	7,814	9,788	24,825	32,139
Interest Expense	12,665	14,738	38,246	40,901
Bank Financing Fees	890	2,507	3,486	4,535
Loss on Early Extinguishment of Debt	-	-	5,508	-
Loss Before Income Taxes	(5,741)	(7,457)	(22,415)	(13,297)
Provision (Benefit) for Income Taxes	(466)	(357)	(2,390)	2,291
Net Loss	(5,275)	(7,100)	(20,025)	(15,588)
Preferred Stock Dividend Requirement	(3,853)	(3,485)	(11,437)	(10,131)
Net Loss Attributable to Common Stockholders	$ (9,128)	$ (10,585)	$ (31,462)	$ (25,719)

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

U.S. CAN CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(000's omitted, except per share data)

ASSETS	**October 3, 2004**	**December 31, 2003**
CURRENT ASSETS:	(unaudited)	
Cash and cash equivalents	$ 5,486	$ 22,964
Accounts receivable, net of allowances	85,835	81,393
Inventories	103,968	95,140
Other current assets	14,996	14,713
Total current assets	210,285	214,210
PROPERTY, PLANT AND EQUIPMENT, less accumulated depreciation and amortization	225,172	247,489
GOODWILL	27,384	27,384
DEFERRED INCOME TAXES	34,315	30,816
OTHER NON-CURRENT ASSETS	50,063	54,519
Total assets	$ 547,219	$ 574,418
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current maturities of long-term debt and capital lease obligations	$ 7,233	$ 23,457
Accounts payable	92,963	98,411
Accrued expenses	52,103	50,695
Restructuring reserves	2,667	3,412
Income taxes payable	481	362
Total current liabilities	155,447	176,337
LONG TERM DEBT	551,596	535,767
LONG TERM LIABILITIES PURSUANT TO EMPLOYEE BENEFIT PLANS	71,315	71,779
OTHER LONG-TERM LIABILITIES	5,478	5,492
Total liabilities	783,836	789,375
REDEEMABLE PREFERRED STOCK, 200,000 shares authorized, 106,667 shares issued & outstanding	158,391	146,954
STOCKHOLDERS' EQUITY:		
Common stock, $10.00 par value, 100,000 shares authorized, 53,333 shares issued & outstanding	533	533
Additional paid in capital	52,800	52,800
Accumulated other comprehensive loss	(29,760)	(28,124)
Accumulated deficit	(418,581)	(387,120)
Total stockholders' equity / (deficit)	(395,008)	(361,911)
Total liabilities and stockholders' equity	$ 547,219	$ 574,418

The accompanying Notes to Consolidated Financial Statements are an integral part of these balance sheets

U.S. CAN CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(000's omitted)

	For the Nine Months Ended	
	October 3, 2004	**As Restated (See Note (2)) September 28, 2003**
	(unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (20,025)	$ (15,588)
Adjustments to reconcile net loss to net cash used in operating activities –		
Depreciation and amortization	32,442	28,477
Special charges	5,416	590
Loss from early extinguishment of debt	5,508	–
Deferred income taxes	(4,047)	576
Change in operating assets and liabilities, net of effect of acquired businesses:		
Accounts receivable	(4,828)	(12,789)
Inventories	(9,300)	6,368
Accounts payable	(4,819)	(13,347)
Accrued expenses	(3,509)	1,406
Other, net	2,059	2,516
Net cash used in operating activities	(1,103)	(1,791)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures including restructuring capital	(9,839)	(10,087)
Proceeds from sale of property	1,075	5,429
Net cash used in investing activities	(8,764)	(4,658)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from Term B loan	250,000	–
Issuance of 10 7/8% senior secured notes	–	125,000
Net payments under the revolving line of credit	(42,100)	(30,100)
Payments of Tranche A loan	(38,706)	(27,294)
Payments of Tranche B loan	(130,175)	(47,206)
Payments of Tranche C loan	(20,000)	–
Borrowing of other long-term debt	646	–
Payments of other long-term debt, including capital lease obligations	(19,989)	(7,795)
Payment of debt financing costs	(6,845)	(6,455)
Net cash provided by (used in) financing activities	(7,169)	6,150
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(442)	(1,375)
DECREASE IN CASH AND CASH EQUIVALENTS	(17,478)	(1,674)
CASH AND CASH EQUIVALENTS, beginning of year	22,964	11,690
CASH AND CASH EQUIVALENTS, end of period	$ 5,486	$ 10,016

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

U.S. CAN CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
OCTOBER 3, 2004
(Unaudited)

(1) PRINCIPLES OF REPORTING

The consolidated financial statements include the accounts of U.S. Can Corporation (the "Corporation" or "U.S. Can"), its wholly owned subsidiary, United States Can Company ("United States Can"), and United States Can's subsidiaries (the "Subsidiaries"). The consolidated group is referred to herein as "the Company", "we", "us", or "our". All significant intercompany balances and transactions have been eliminated. These financial statements, in the opinion of management, include all normal recurring adjustments necessary for a fair presentation. Operating results for any interim period are not necessarily indicative of results that may be expected for the full year. These financial statements should be read in conjunction with the financial statements and footnotes included in the Corporation's Annual Report on Form 10-K/A for the year ended December 31, 2003. Certain prior year amounts have been reclassified to conform with the 2004 presentation.

STOCK-BASED COMPENSATION

The Company periodically issues stock options under the U.S. Can 2000 Equity Incentive Plan. The Company continues to utilize the intrinsic method under APB Opinion No. 25 to account for its stock-based compensation plan; therefore, no compensation costs are recognized in the Company's financial statements for options granted.

In accordance with Statement of Financial Accounting Standards ("SFAS") No. 148 "Accounting for Stock-Based Compensation – Transition and Disclosure", the following table presents (in thousands) what the Company's net loss would have been had the Company determined compensation costs using the fair value-based accounting method for the three and nine months ended October 3, 2004 and September 28, 2003.

	Three Months Ended		Nine Months Ended	
	October 3, 2004	September 28, 2003	October 3, 2004	September 28, 2003
Net Loss	$ (5,275)	$ (7,100)	$ (20,025)	$ (15,588)
Stock-Based Compensation Cost, net of tax – fair value method	(25)	(20)	(81)	(60)
Pro-Forma Net Loss	$ (5,300)	$ (7,120)	$ (20,106)	$ (15,648)

ACCOUNTING CHANGE

As discussed in Note (5), during the quarter ended July 4, 2004, the Company's domestic operations changed the method of accounting for the cost of inventories from the LIFO method to the FIFO method. The Company's foreign subsidiaries continue to account for inventory using the FIFO method.

NEW ACCOUNTING PRONOUNCEMENTS

In June 2004, the Financial Accounting Standards Board ("FASB") issued Staff Position SFAS No. 106-2, "Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003." The Medicare Prescription Drug, Improvement and Modernization Act of 2003 ("The Act") was signed into law on December 8, 2003. The Act introduced a prescription drug benefit under Medicare and a federal subsidy to sponsors of retiree health care benefit plans that provide a benefit that is at least actuarially equivalent to Medicare. SFAS No. 106-2 provides guidance on the accounting, disclosure, effective date and transition related to The Act. SFAS No. 106-2 was adopted by the Company on July 5, 2004 and did not have a material impact on the Company's financial statements.

(2) RESTATEMENT

These financial statements reflect adjustments to the Company's financial information previously reported on Form 10-Q for the quarterly period ended September 28, 2003.

In August 2004, the Company became aware of certain issues relating to its Laon, France manufacturing facility following the departure of the facility's financial controller. Following this discovery, management informed its Board of Directors and its Audit Committee. The Audit Committee, with the assistance of outside legal advisors and accounting consultants, conducted a review of the operations and financial condition of the Company's facility in Laon, France. That review and work performed by the Company identified certain accounting and financial reporting improprieties and related material errors in the Company's financial statements, all related to the Laon, France facility. The effects of the restatement are set forth below:

	For the three months ended	For the nine months ended
	September 28, 2003	
Net Loss, as reported	$(4,296)	$(9,335)
Understatements of product costs and expenses	(1,898)	(4,102)
Reductions in asset values to net realizable values	(196)	(487)
Underaccruals of liabilities	(904)	(2,035)
Other	194	371
Net Loss, as restated	$(7,100)	$(15,588)

Understatements of product costs and expenses–Cost of Sales was understated by underreporting expenses incurred and manufacturing variances, and by miscalculations of the cost of products sold. The errors were reflected primarily by underreporting of accounts payable and current maturities of long-term debt, and over reporting of cash and accounts receivable in the consolidated balance sheets.

Reductions in asset values to net realizable values – Assets (primarily accounts receivable and inventories) that should have been written off or should have been reported at reduced amounts were not adjusted in the requisite accounting periods in accordance with accounting principles generally accepted in the United States.

Underaccruals of liabilities – Amounts accrued for taxes other than income taxes, vacation and other employee related liabilities were understated in all periods.

The following table presents the impact of the restatement adjustments discussed above on the Consolidated Statement of Operations for the three and nine month periods ended September 28, 2003:

	For the three months ended September 28, 2003 (Unaudited)		For the nine months ended September 28, 2003 (Unaudited)	
	AS RESTATED	AS PREVIOUSLY REPORTED	AS RESTATED	AS PREVIOUSLY REPORTED
Net Sales	$ 204,671	$ 204,508	$ 614,447	$ 613,710
Cost of Sales	186,952	183,783	555,121	546,931
Gross profit	17,719	20,725	59,326	66,779
Selling, General and Administrative Expenses	8,691	8,829	26,597	27,166
Special Charges	(760)	(791)	590	830
Operating income	9,788	12,687	32,139	38,783
Interest Expense	14,738	14,643	40,901	40,876
Bank Financing Fees	2,507	2,507	4,535	4,535
Loss before income taxes	(7,457)	(4,463)	(13,297)	(6,628)
Provision (benefit) for Income Taxes	(357)	(167)	2,291	2,707
Net Loss	(7,100)	(4,296)	(15,588)	(9,335)
Preferred Stock Dividend Requirement	(3,485)	(3,485)	(10,131)	(10,131)
Net Loss Available for Common Stockholders	$ (10,585)	$ (7,781)	$ (25,719)	$ (19,466)

(3) SUPPLEMENTAL CASH FLOW INFORMATION

The Company paid interest of approximately $47.1 million and $30.7 million for the nine months ended October 3, 2004 and September 28, 2003, respectively. The Company paid $1.1 million in income taxes for the nine months ended October 3, 2004 and $1.3 million for the nine months ended September 28, 2003.

(4) SPECIAL CHARGES

2004

During the first nine months of 2004, the Company recorded special charges of $5.4 million. $1.4 million related to the elimination of 41 positions in Europe. The charge related to an early termination program in one European facility and a product line profitability review program in the Company's German food can business, which will result in the Company idling certain of its production lines. During the third quarter of 2004, the company recorded a $4.0 million charge related to the closure of the New Castle, PA Lithography and the Elgin IL (Olive Can) Custom & Specialty plants. The third quarter charge primarily relates to employee separation costs connected to the facility closings ($1.1 million), and accelerated depreciation related to assets, which will be idled in the fourth quarter ($2.9 million).

The Company recorded the 2004 charges in accordance with SFAS No. 146, "Accounting for Costs Associated With Exit or Disposal Activities." SFAS No. 146 requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred rather than at the commitment date. Total cash payments in the first nine months of 2004 were $3.2 million (primarily severance and facility shut down costs) and the Company anticipates spending another $7.1 million over the next several years related to previously recorded special charges. Additional special charges related the New Castle PA and Olive Can facility exit costs will be recorded during the fourth quarter. The Company anticipates these costs to be approximately $4.1 million, including facility closing costs of $1.2 million, lease commitments of $1.4 million, and accelerated depreciation of $1.5 million.

The table below presents the reserve categories and related activity as of October 3, 2004:

	January 1, 2004 Balance	Net Additions	Deductions (b)	October 3, 2004 Balance
Employee Separation	$4.3	$2.5	$(2.5)	$4.3
Facility Closing Costs	3.6	2.9	(3.7)	2.8
Total	$7.9	$5.4	$(6.2)	$7.1 (a)

(a) Includes $4.5 million classified as other long-term liabilities as of October 3, 2004.

(b) Includes cash payments of $3.2 million. The remaining non-cash deductions represent accelerated depreciation related to the New Castle, PA and Olive Can facility closings, which was recorded as a reduction in property, plant and equipment.

2003

During the first nine months of 2003, the Company recorded net special charges of $0.6 million. $0.8 million of the charges were recorded in the first quarter of 2003 related to position elimination costs in the U.S. and Europe. The position eliminations consisted of 16 employees, including two management level employees and an early termination program in one European facility. $0.6 million of the charges were recorded in the second quarter of 2003 related to additional severance costs for a previously terminated employee at May Verpackungen. During the third quarter of 2003, the Company recorded a net restructuring benefit of $0.8 million. The net benefit includes a $0.2 million charge related to management position elimination costs at May Verpackungen offset by a reserve reduction of $1.0 million in connection with a reassessment of previously established reserves related to the closing in 2002 of the Burns Harbor facility.

The table below presents the reserve categories and related activity as of September 28, 2003:

	January 1, 2003 Balance	Net Additions(b)	Cash Payments	September 28, 2003 Balance
Employee Separation	$9.4	$0.8	$(4.6)	$5.6
Facility Closing Costs	6.5	(0.2)	(2.8)	3.5
Total	$15.9	$0.6	$(7.4)	$9.1 (a)

(a) Includes $3.7 million classified as other long-term liabilities as of September 28, 2003.

(b) Includes a reserve reduction of $1.0 million in connection with a reassessment of previously established reserves related to the closing in 2002 of the Company's Burns Harbor facility.

(5) INVENTORIES

Inventories are stated at the lower of cost using the first-in, first-out (FIFO) method or market. Prior to April 5, 2004, all of the Company's domestic inventories were accounted for at the lower of cost determined on a last-in, first-out (LIFO) basis or market, while inventories of the Company's foreign subsidiaries were stated at the lower of cost determined on a FIFO basis or market. During the quarter ended July 4, 2004, the Company's domestic operations changed the method of accounting for the cost of inventories from the LIFO method to the FIFO method. This change in accounting principle was made to provide a better matching of revenue and expenses, and to enhance transparency of the Company's financial statements by conforming the Company's method of inventory valuation to a single method. This accounting change did not have a material effect on the financial statements for current or prior periods, and accordingly, no retroactive restatement of prior financial statements was made.

Inventories reported in the accompanying balance sheets are classified as follows (000's omitted):

	October 3, 2004	December 31, 2003
Raw materials	$ 28,464	$ 21,872
Work in process	39,919	38,635
Finished goods	35,585	34,633
	$ 103,968	$ 95,140

(6) COMPREHENSIVE NET LOSS

The components of accumulated other comprehensive loss are as follows (000's omitted):

	October 3, 2004	December 31, 2003
Foreign Currency Translation Adjustment	$(8,996)	$(7,479)
Minimum Pension Liability Adjustment	(20,764)	(20,645)
Total Accumulated Other Comprehensive Loss	$(29,760)	$(28,124)

The components of comprehensive loss for the three and nine months ended October 3, 2004 and September 28, 2003 are as follows (000's omitted):

	Three Months Ended		Nine Months Ended	
	October 3, 2004	September 28, 2003	October 3, 2004	September 28, 2003
Net Loss	$(5,275)	$(7,100)	$(20,025)	$(15,588)
Foreign Currency Translation Adjustment	(261)	(3)	(1,636)	7,244
Unrealized Gain on Cash Flow Hedges (a)	-	1,199	-	3,429
Comprehensive Loss	$(5,536)	$(5,904)	$(21,661)	$ (4,915)

(a) Net of reclassification of losses included in interest expense of $1.7 million for the three months ended September 28, 2003 and $4.9 million for the nine months ended September 28, 2003.

(7) DEBT OBLIGATIONS

The Company entered into a Credit Agreement among U.S. Can Corporation, United States Can Company and Various Lending Institutions with Deutsche Bank Trust Company Americas as Administrative Agent, dated as of June 21, 2004 ("Credit Facility"). The Credit Facility provides for aggregate borrowings of $315.0 million consisting of a $250.0 million Term B loan and a $65.0 million Revolving Credit Facility. The $65.0 million revolving credit facility will be used by the Company for ongoing working capital and general corporate purposes, including the issuance of Letters of Credit as described below. The Letters of Credit subfacility is limited to $25.0 million.

As required under the terms of the Credit Facility, the Company used the $250.0 million initial Term B proceeds to repay in full all amounts outstanding under the Company's former Senior Secured Credit Facility and a secured term loan of $16.5 million, secured by a mortgage on the Company's Merthyr Tydfil, U.K facility. At October 3, 2004, the Company did not have any borrowings outstanding under its $65.0 million revolving loan portion of the Credit Facility. Letters of Credit of $13.2 million were outstanding securing the Company's obligations under various insurance programs and other contractual agreements, which reduce the Company's availability under its revolving credit facility.

The Company has paid approximately $6.8 million of fees and expenses related to the new Credit Facility through October 3, 2004, including waiver and amendment fees in connection with the Laon France facility investigation of $1.0 million. These fees will be amortized over the life of the applicable borrowings. In addition, the Company wrote off $5.5 million of remaining deferred financing fees related to the Company's former Senior Secured Credit Facility.

Amounts outstanding under the Credit Facility bear interest at a rate per annum equal to either: (1) the base rate (as defined in the Credit Facility) or (2) the eurocurrency rate (as defined by the Credit Facility), in each case, plus an applicable margin. In connection with the Company's investigation at its Laon, France facility, the Company obtained waivers of its requirement to timely file financial statements due to the Restatement (see Note (2)). In connection with such waivers and amendments, the Company paid fees of $1.0 million and agreed to an increase of 0.25% in the rate applicable to borrowings under the Credit Facility.

Borrowings under the Term B loan are due and payable in quarterly installments of $625,000 beginning on June 30, 2004, until the final balance is due on January 15, 2010. The Term B loan is subject to automatic extension to June 21, 2011 if the Company meets certain criteria relating to the refinancing of its 10 7/8% Senior Secured Notes and 12 3/8% Senior Subordinated Notes prior to January 10, 2010. The revolving credit facility is available until June 21, 2009. In addition, the Company is required to prepay a portion of the Term B loan upon the occurrence of certain specified events.

The Credit Facility is secured by a first priority security interest in all existing and after-acquired assets of the Company and its direct and indirect domestic subsidiaries' existing and after-acquired assets, including, without limitation, real property and all of the capital stock owned of the Company's direct and indirect domestic subsidiaries (including certain capital stock of their direct foreign subsidiaries only to the extent permitted by applicable law).

The Credit Facility, the 10 7/8% Senior Secured Notes and the 12 3/8% Senior Subordinated Notes contain a number of financial and restrictive covenants. Under the Credit Facility, the Company is required to meet certain financial tests, including achievement of a minimum interest coverage ratio, a maximum total leverage ratio, a maximum first lien leverage ratio, and maximum annual capital expenditures. The restrictive covenants limit the Company's ability to incur liens and debt, sell assets, pay dividends or make distributions, repurchase debt and to make certain loans, investments or acquisitions. The Company was in compliance with all of the required financial ratios and other covenants at October 3, 2004.

(8) BENEFIT PLANS

The Company maintains separate noncontributory defined benefit and defined contribution pension plans covering most domestic hourly employees and all domestic salaried personnel, respectively. It is the Company's policy to fund accrued pension and defined contribution plan costs in compliance with ERISA or the applicable foreign requirements.

The net periodic pension cost was as follows for the three months and nine months ended October 3, 2004 and September 28, 2003, respectively (000's omitted):

U.S.

	For the Three Months Ended		For the Nine Months Ended	
	October 3, 2004	September 28, 2003	October 3, 2004	September 28, 2003
Service cost	$ 287	$ 227	$ 861	$ 681
Interest cost	724	679	2,172	2,037
Return on assets	(683)	(569)	(2,049)	(1,707)
Recognized loss	28	68	84	204
Recognized prior service cost	94	94	282	282
Net periodic pension cost	$ 450	$ 499	$ 1,350	$ 1,497

Non-U.S.

	For the Three Months Ended		For the Nine Months Ended	
	October 3, 2004	September 28, 2003	October 3, 2004	September 28, 2003
Service cost	$ 89	$ 80	$ 265	$ 238
Interest cost	1,123	963	3,376	2,885
Return on assets	(858)	(671)	(2,580)	(2,014)
Recognized loss	205	202	619	605
Net periodic pension cost	$ 559	$ 574	$ 1,680	$ 1,714

The Company provides health and life insurance benefits for certain domestic retired employees in connection with collective bargaining agreements.

Net periodic postretirement benefit costs for the Company's U.S. postretirement benefit plans for the three months and nine months ended October 3, 2004 and September 28, 2003, respectively, included the following components (000's omitted):

U.S.

	For the Three Months Ended		For the Three Months Ended	
	October 3, 2004	September 28, 2003	October 3, 2004	September 28, 2003
Service cost	$ 85	$ 66	$ 245	$ 198
Interest cost	377	372	1,115	1,116
Recognized loss	64	34	168	102
Recognized prior service cost	(226)	(226)	(678)	(678)
Net periodic pension cost	$ 300	$ 246	$ 850	$ 738

The Company made $0.5 million in contributions to its U.S. based pension plan and $0.3 million of contributions to its non-U.S. based pension plans in the third quarter of 2004. The Company previously disclosed in its financial statements for the year ended December 31, 2003 that it expected to contribute approximately $1.5 million to its U.S. based pension plan in 2004. For the nine months ended October 3, 2004, $1.0 million of contributions have been made to the Company's U.S. based pension plan. The Company presently anticipates contributing an additional $0.1 million to fund its pension plan in 2004 for a total of approximately $1.1 million. For the nine months ended October 3, 2004, $0.9 million of contributions have been made to the Company's non-U.S. based pension plans. The Company does not anticipate its 2004 contributions to its non-U.S. based pension plans to be significantly different from the amount previously disclosed in the Company's consolidated financial statements for the year ended December 31, 2003.

The Company made payments under its postretirement benefit plan of $1.1 million in the first nine months of 2004 and $0.4 million in the third quarter of 2004. The Company does not anticipate its 2004 payments under its postretirement benefit plan to be significantly different from the amount previously disclosed in the Company's consolidated financial statements for the year ended December 31, 2003.

(9) BUSINESS SEGMENTS

Management monitors and evaluates performance, customer base and market share for four business segments. The segments have separate management teams and distinct product lines. The Aerosol segment primarily produces steel aerosol containers in the U.S. for personal care, household, automotive, paint and industrial products. The International segment produces aerosol cans in the Europe and Latin America (through Formametal S.A., a joint venture in Argentina) as well as steel food packaging in Europe. The Paint, Plastic & General Line segment produces round cans in the U.S. for paint and coatings, oblong cans for items such as lighter fluid and turpentine as well as plastic containers for paint and industrial and consumer products. The Custom & Specialty segment produces a wide array of functional and decorative tins, containers and other products in the U.S. The Company notes that financial information used to produce its financial statements is not recorded or reconciled on a product line basis, therefore it is not practicable for the Company to disclose revenues by product line.

The following is a summary of revenues from external customers and income (loss) from operations for the three and nine month periods ended October 3, 2004 and September 28, 2003, respectively (000's omitted):

	Three Months Ended		Nine Months Ended	
	October 3, 2004	**September 28, 2003**	**October 3, 2004**	**September 28, 2003**
REVENUES FROM EXTERNAL CUSTOMERS:				
Aerosol	$94,361	$88,535	$280,688	$272,081
International	70,386	72,790	219,307	207,229
Paint, Plastic & General Line	31,155	28,437	101,780	90,795
Custom & Specialty	11,361	14,909	30,764	44,342
Total revenues	$207,263	$204,671	$632,539	$614,447
INCOME (LOSS) FROM OPERATIONS:				
Aerosol	$15,856	$14,754	$45,210	$46,141
International	(2,533)	(3,222)	(6,632)	(7,705)
Paint, Plastic & General Line	2,616	2,293	10,160	10,155
Custom & Specialty	1,796	1,428	967	2,282
Total Segment Income From Operations	17,735	15,253	49,705	50,873
Unallocated Selling, General & Administrative Expenses(a)	(5,909)	(6,225)	(19,464)	(18,144)
Special Charges (b)	(4,012)	760	(5,416)	(590)
Interest Expense	(12,665)	(14,738)	(38,246)	(40,901)
Bank Financing Fees	(890)	(2,507)	(3,486)	(4,535)
Loss From Early Extinguishment of Debt	-	-	(5,508)	-
Loss Before Income Taxes	$(5,741)	$(7,457)	$(22,415)	$(13,297)

(a) Represents domestic Selling, General & Administrative expenses. The Company does not allocate these costs to its domestic segments.

(b) Management does not evaluate segment performance including such charges. See Note (3) for further information on the Company's special charges.

(10) COMMITMENTS AND CONTINGENCIES

Environmental

United States Can has been named as a potentially responsible party for costs incurred in the clean-up of a groundwater plume partially extending underneath United Sates Can's former site in San Leandro, California and at the M&J Solvents site in Georgia. With regard to San Leandro, United States Can is a party to an indemnity agreement related to this matter with the owner of the property. Extensive soil and groundwater investigative work has been performed at this site in a coordinated sampling event in 1999. The results of the sampling were inconclusive as to the source of the contamination. In November 2002, as part of a larger sampling scheme, the State requested that the Company sample existing monitoring wells at the San Leandro property. The Company completed the sampling and received the results in the first quarter of 2003. These results generally show that the concentration of contamination is declining, which the Company views as a positive development. While the State of California has not yet commented on either the 1999 or the 2003 sampling results, the Company believes that the principal source of contamination is unrelated to its past operations. With regard to M & J Solvents, over 1,000 contributors to the site have been identified. The initial compliance status report has not been finalized and thus, the nature, extent and source of contamination is unknown.

Legal

The Company is involved in litigation from time to time in the ordinary course of its business. In the Company's opinion, the litigation is not material to its financial condition or results of operations.

(11) SUBSIDIARY GUARANTOR INFORMATION

The following presents the condensed consolidating financial data for U.S. Can Corporation (the "Parent Guarantor"), United States Can Company (the "Issuer"), USC May Verpackungen Holding Inc. (the "Subsidiary Guarantor"), and the Issuer's European subsidiaries, including May Verpackungen GmbH & Co., KG (the "Non-Guarantor Subsidiaries"), as of October 3, 2004 and December 31, 2003 and for the nine months ended October 3, 2004 and September 28, 2003. The information for the nine months ended September 28, 2003 has been restated (See Note (2)). Investments in subsidiaries are accounted for by the Parent Guarantor, the Issuer and the Subsidiary Guarantor under the equity method for purposes of the supplemental consolidating presentation. Earnings of subsidiaries are, therefore, reflected in their parent's investment accounts and earnings. This consolidating information reflects the guarantors and non-guarantors of the 10 7/8% Senior Secured Notes and 12 3/8% Senior Subordinated Notes.

The 10 7/8% Senior Secured Notes and 12 3/8% Senior Subordinated Notes are guaranteed on a full, unconditional, unsecured, senior subordinated, joint and several basis by the Parent Guarantor, the Subsidiary Guarantor and any other domestic restricted subsidiary of the Issuer. USC May Verpackungen Holding Inc., which is wholly owned by the Issuer, currently is the only Subsidiary Guarantor. The Parent Guarantor has no assets or operations separate from its investment in the Issuer.

Separate financial statements of the Issuer or the Subsidiary Guarantors have not been presented as management has determined that such information is not material to the holders of the 10 7/8% Senior Secured Notes and 12 3/8% Senior Subordinated Notes.

U.S. CAN CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS
FOR THE NINE MONTHS ENDED OCTOBER 3, 2004
(unaudited)
(000's omitted)

	U.S. Can Corporation (Parent)	United States Can Company (Issuer)	USC May Verpackungen Holding (Guarantor Subsidiaries)	USC Europe/ May Verpackungen GmbH & Co., KG (Non-Guarantor Subsidiaries)	Eliminations	U.S. Can Corporation Consolidated
NET SALES	$ –	$ 413,232	$ –	$ 219,307	$ –	$ 632,539
COST OF SALES	–	356,895	–	215,010	–	571,905
Gross profit	–	56,337	–	4,297	–	60,634
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	–	19,464	–	10,929	–	30,393
SPECIAL CHARGES	–	4,103	–	1,313	–	5,416
Operating income (loss)	–	32,770	–	(7,945)	–	24,825
INTEREST EXPENSE	–	33,146	4,059	1,041	–	38,246
BANK FINANCING FEES	–	3,275	–	211	–	3,486
LOSS FROM EARLY EXTINGUISHMENT OF DEBT	–	5,508	–	–	–	5,508
EQUITY IN LOSS OF SUBSIDIARIES	(20,025)	(14,099)	(1,094)	–	35,218	–
Loss before income taxes	(20,025)	(23,258)	(5,153)	(9,197)	35,218	(22,415)
PROVISION (BENEFIT) FOR INCOME TAXES	–	(3,233)	–	843	–	(2,390)
NET LOSS	(20,025)	(20,025)	(5,153)	(10,040)	35,218	(20,025)
PREFERRED STOCK DIVIDEND REQUIREMENT	(11,437)	–	–	–	–	(11,437)
NET LOSS ATTRIBUTABLE TO COMMON STOCKHOLDERS	$ (31,462)	$ (20,025)	$ (5,153)	$ (10,040)	$ 35,218	$ (31,462)

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS RESTATED FOR THE NINE MONTHS ENDED SEPTEMBER 28, 2003 (unaudited) (000's omitted)

	Restated U.S. Can Corporation (Parent)	Restated United States Can Company (Issuer)	USC May Verpackungen Holding (Guarantor Subsidiaries)	Restated USC Europe/ May Verpackungen GmbH & Co., KG (Non-Guarantor Subsidiaries)	Restated Eliminations	Restated U.S. Can Corporation Consolidated
NET SALES	$ –	$ 407,218	$ –	$ 207,229	$ –	$ 614,447
COST OF SALES	–	348,640	–	206,481	–	555,121
Gross profit	–	58,578	–	748	–	59,326
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	–	18,144	–	8,453	–	26,597
SPECIAL CHARGES	–	(500)	–	1,090	–	590
Operating income (loss)	–	40,934	–	(8,795)	–	32,139
INTEREST EXPENSE	–	33,640	4,788	2,473	–	40,901
BANK FINANCING FEES	–	4,535	–	–	–	4,535
EQUITY IN LOSS OF SUBSIDIARIES	(15,588)	(17,180)	(4,519)	–	37,287	–
Loss before income taxes	(15,588)	(14,421)	(9,307)	(11,268)	37,287	(13,297)
PROVISION FOR INCOME TAXES	–	1,167	–	1,124	–	2,291
NET LOSS	(15,588)	(15,588)	(9,307)	(12,392)	37,287	(15,588)
PREFERRED STOCK DIVIDEND REQUIREMENT	(10,131)	–	–	–	–	(10,131)
NET LOSS ATTRIBUTABLE TO COMMON STOCKHOLDERS	$ (25,719)	$ (15,588)	$ (9,307)	$ (12,392)	$ 37,287	$ (25,719)

U.S. CAN CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

CONDENSED CONSOLIDATING BALANCE SHEET
AS OF OCTOBER 3, 2004
(unaudited)
(000s omitted)

	U.S. Can Corporation (Parent)	United States Can Company (Issuer)	USC May Verpackungen Holding (Guarantor Subsidiaries)	USC Europe/ May Verpackungen GmbH & Co., KG (Non-Guarantor Subsidiaries)	Eliminations	U.S. Can Corporation Consolidated
CURRENT ASSETS:						
Cash and cash equivalents	$ –	$ 216	$ –	$ 5,270	$ –	$ 5,486
Accounts receivable	–	51,735	–	34,100	–	85,835
Inventories	–	59,139	–	44,829	–	103,968
Other current assets	–	4,959	–	10,037	–	14,996
Total current assets	–	116,049	–	94,236	–	210,285
NET PROPERTY, PLANT AND EQUIPMENT	–	130,415	–	94,757	–	225,172
GOODWILL	–	27,384	–	–	–	27,384
DEFERRED INCOME TAXES	–	34,186	–	129	–	34,315
OTHER NON-CURRENT ASSETS	–	36,421	–	13,642	–	50,063
INTERCOMPANY ADVANCES	–	283,320	–	–	(283,320)	–
INVESTMENT IN SUBSIDIARIES	–	–	60,210	–	(60,210)	–
Total assets	$ –	$ 627,775	$ 60,210	$ 202,764	$ (343,530)	$ 547,219
CURRENT LIABILITIES						
Current maturities of long-term debt	$ –	$ 3,574	$ –	$ 3,659	$ –	$ 7,233
Accounts payable	–	39,966	–	52,997	–	92,963
Restructuring reserves	–	1,891	–	776	–	2,667
Income taxes payable	–	–	–	481	–	481
Other current liabilities	–	32,833	–	19,270	–	52,103
Total current liabilities	–	78,264	–	77,183	–	155,447
TOTAL LONG TERM DEBT	854	550,742	–	–	–	551,596
LONG TERM LIABILITIES PURSUANT TO EMPLOYEE BENEFIT PLANS	–	40,290	930	30,095	–	71,315
OTHER LONG-TERM LIABILITIES	–	2,595	–	2,883	–	5,478
PREFERRED STOCK	158,391	–	–	–	–	158,391
INTERCOMPANY LOANS	112,056	–	125,654	45,610	(283,320)	–
INVESTMENT IN SUBSIDIARIES	123,707	79,591	–	–	(203,298)	–
STOCKHOLDERS' EQUITY / (DEFICIT)	(395,008)	(123,707)	(66,374)	46,993	143,088	(395,008)
Total liabilities and stockholders' equity	$ –	$ 627,775	$ 60,210	$ 202,764	$ (343,530)	$ 547,219

U.S. CAN CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

CONDENSED CONSOLIDATING BALANCE SHEET
AS OF DECEMBER 31, 2003
(unaudited)
(000s omitted)

	U.S. Can Corporation (Parent)	United States Can Company (Issuer)	USC May Verpackungen Holding (Subsidiary Guarantor)	USC Europe/May Verpackungen GmbH (Non-Guarantor Subsidiaries)	Eliminations	U.S. Can Corporation Consolidated
CURRENT ASSETS:						
Cash and cash equivalents	$ –	$ 16,854	$ –	$ 6,110	$ –	$ 22,964
Accounts receivable	–	44,157	–	37,236	–	81,393
Inventories	–	52,739	–	42,401	–	95,140
Other current assets	–	7,126	–	7,587	–	14,713
Total current assets	–	120,876	–	93,334	–	214,210
NET PROPERTY, PLANT AND EQUIPMENT	–	143,777	–	103,712	–	247,489
GOODWILL	–	27,384	–	–	–	27,384
DEFERRED INCOME TAXES	–	30,685	–	131	–	30,816
OTHER NON-CURRENT ASSETS	–	39,570	–	14,949	–	54,519
INTERCOMPANY ADVANCES	–	260,962	–	–	(260,962)	–
INVESTMENT IN SUBSIDIARIES	–	–	61,961	–	(61,961)	–
Total assets	$ –	$ 623,254	$ 61,961	$ 212,126	$ (322,923)	$ 574,418
CURRENT LIABILITIES						
Current maturities of long-term debt	$ –	$ 2,379	$ –	$ 21,078	$ –	$ 23,457
Accounts payable	–	42,237	–	56,174	–	98,411
Restructuring reserves	–	2,831	–	581	–	3,412
Income taxes payable	–	–	–	362	–	362
Other current liabilities	–	35,683	–	15,012	–	50,695
Total current liabilities	–	83,130	–	93,207	–	176,337
TOTAL LONG TERM DEBT	854	534,913	–	–	–	535,767
LONG-TERM LIABILITIES PURSUANT TO EMPLOYEE BENEFIT PLANS	–	41,069	930	29,780	–	71,779
OTHER LONG-TERM LIABILITIES	–	2,594	–	2,898	–	5,492
PREFERRED STOCK	146,954	–	–	–	–	146,954
INTERCOMPANY LOANS	112,056	–	121,595	27,311	(260,962)	–
INVESTMENT IN SUBSIDIARIES	102,047	63,595	–	–	(165,642)	–
STOCKHOLDERS' EQUITY	(361,911)	(102,047)	(60,564)	58,930	103,681	(361,911)
Total liabilities and stockholders' equity	$ –	$ 623,254	$ 61,961	$ 212,126	$ (322,923)	$ 574,418

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS ENDED OCTOBER 3, 2004
(unaudited)
(000s omitted)

	U.S. Can Corporation (Parent)	United States Can Company (Issuer)	USC May Verpackungen Holding (Subsidiary Guarantor)	USC Europe / May Verpackungen (Non-Guarantor Subsidiaries)	U.S. Can Corporation Consolidated
CASH FLOWS (USED IN) PROVIDED BY OPERATING ACTIVITIES	$ –	$ 2,376	$ (5,153)	$ 1,674	$ (1,103)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Capital expenditures	–	(7,858)	–	(1,981)	(9,839)
Proceeds from sale of property.	–	1,019	–	56	1,075
Net cash used in investing activities	–	(6,839)	–	(1,925)	(8,764)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Changes in intercompany advances	–	(22,354)	5,153	17,201	–
Net borrowings of Term B loan	–	248,750	–	–	248,750
Net payments under revolving line of credit	–	(42,100)	–	–	(42,100)
Payments of Tranche A loan	–	(38,706)	–	–	(38,706)
Payments of Tranche B loan	–	(130,175)	–	–	(130,175)
Payments of Tranche C loan	–	(20,000)	–	–	(20,000)
Payments of other long-term debt	–	(1,391)	–	(17,348)	(18,739)
Borrowings of other long-term debt	–	646	–	–	646
Payments of debt financing costs	–	(6,845)	–	–	(6,845)
Net cash (used in) provided by financing activities	–	(12,175)	5,153	(147)	(7,169)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	–	–	–	(442)	(442)
DECREASE IN CASH AND CASH EQUIVALENTS	–	(16,638)	–	(840)	(17,478)
CASH AND CASH EQUIVALENTS, beginning of period	–	16,854	–	6,110	22,964
CASH AND CASH EQUIVALENTS, end of period	$ –	$ 216	$ –	$ 5,270	$ 5,486

U.S. CAN CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS --- (Continued)

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
RESTATED FOR THE NINE MONTHS ENDED SEPTEMBER 28, 2003
(unaudited)
(000s omitted)

	U.S. Can Corporation (Parent)	United States Can Company (Issuer)	USC May Verpackungen Holding (Subsidiary Guarantor)	Restated USC Europe / May Verpackungen (Non-Guarantor Subsidiaries)	Restated U.S. Can Corporation Consolidated
CASH FLOWS (USED IN) PROVIDED BY OPERATING ACTIVITIES	$ –	$ 6,682	$ (9,307)	$ 834	$ (1,791)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Capital expenditures	–	(8,028)	–	(2,059)	(10,087)
Proceeds from sale of property.	–	256	–	5,173	5,429
Net cash (used in) provided by investing activities	–	(7,772)	–	3,114	(4,658)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Changes in intercompany advances	–	(8,803)	9,307	(504)	–
Issuance of 10 $^{7}/_{8}$% senior secured notes	–	125,000	–	–	125,000
Net payments under revolving line of credit	–	(30,100)	–	–	(30,100)
Borrowings of other debt	–	–	–	3,230	3,230
Payment of Tranche A loan	–	(27,294)	–	–	(27,294)
Payment of Tranche B loan	–	(47,206)	–	–	(47,206)
Payments of other long-term debt	–	(805)	–	(10,220)	(11,025)
Payments of debt financing costs	–	(6,455)	–	–	(6,455)
Net cash (used in) provided by financing activities	–	4,337	9,307	(7,494)	6,150
EFFECT OF EXCHANGE RATE CHANGES ON CASH	–	–	–	(1,375)	(1,375)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	–	3,247	–	(4,921)	(1,674)
CASH AND CASH EQUIVALENTS, beginning of year	–	5,707	–	5,983	11,690
CASH AND CASH EQUIVALENTS, end of period	$ –	$ 8,954	$ –	$ 1,062	$ 10,016

Item 2. ***Management's Discussion and Analysis of Financial Condition and Results of Operations***

The following narrative discusses the results of operations, liquidity and capital resources for the Company on a consolidated basis. This section should be read in conjunction with the financial statements and footnotes contained within this report and the Corporation's Annual Report on Form 10-K/A for the fiscal year ended December 31, 2003 (see "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained therein).

Restatement

As discussed in Note (2) to the Consolidated Financial Statements, the Company's financial statements for the years ended December 31, 2002 and 2003 and for the quarterly period ended April 4, 2004 have been restated. The accompanying Management's Discussion and Analysis gives effect to the restatement.

Critical Accounting Policies; Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. The Company's critical accounting policies are described in Note (2) to the audited Consolidated Financial Statements contained within the Company's Annual Report on Form 10-K/A for the fiscal year ended December 31, 2003, as supplemented by Notes (1) and (5) to these financial statements.

Results of Operations

Three month period ended October 3, 2004, as compared to the three month period ended September 28, 2003

The following table presents the Company's Revenue and Gross Profit by segment for the third quarter of 2004 as compared to the third quarter of 2003.

	For the three months ended October 3, 2004 and September 28, 2003					
	Revenue		Gross Profit		Percentage to Sales	
	2004	2003	2004	2003	2004	2003
Aerosol	$ 94,361	$ 88,535	$ 15,859	$ 14,754	16.8%	16.7%
International	70,386	72,790	1,705	(756)	2.4%	(1.0)%
Paint, Plastic & General Line	31,155	28,437	2,616	2,293	8.4%	8.1%
Custom & Specialty	11,361	14,909	1,796	1,428	15.8%	9.6%
Total	$ 207,263	$ 204,671	$ 21,976	$ 17,719	10.6%	8.6%

Consolidated net sales for the three months ended October 3, 2004 were $207.3 million as compared to $204.7 million in the corresponding period in 2003. Along business segment lines, Aerosol net sales for third quarter of 2004 increased to $94.4 million from $88.5 million for the same period in 2003, a 6.6% increase, driven by increased unit volume ($4.7 million) and increased raw material costs that have been passed on to customers ($4.2 million), partially offset by a change in customer and product mix ($3.1 million). International net sales decreased to $70.4 million for the third quarter of 2004 from $72.8 million for the third quarter of 2003, a decrease of $2.4 million or 3.3%. The decrease was primarily due to decreased unit volume in the third quarter, partially offset by the positive impact of the translation of sales made in foreign currencies based upon using the same average U.S dollar exchange rates in effect during the third quarter of 2003 ($6.2 million). Paint, Plastic & General Line net sales increased $2.8 million, from $28.4 million for the third quarter of 2003 to $31.2 million for the third quarter of 2004. This increase was due primarily to increasing raw material costs in our plastics and paint and general line businesses that have been passed on to customers. In the Custom & Specialty segment, sales decreased 23.5% from $14.9 million for the third quarter of 2003 to $11.4 million for the third quarter of 2004, driven primarily by a decline in volume.

Consolidated gross profit increased $4.3 million for the three months ended October 3, 2004 from the same quarter in 2003. Along business segment lines, Aerosol gross profit dollars increased by $1.1 million while the percentage to sales remained relatively unchanged. The International segment gross profit increased $2.5 million versus the same period in 2003 and the percentage to sales increased from (1.0)% to 2.4%. The increase was driven by improved operating efficiencies in the U.K. aerosol and the German food can operations. The Paint, Plastic & General Line segment gross profit increased $0.3 million versus the same period in 2003. The percentage to net sales increased from 8.1% in 2003 to 8.4% in 2004. The improvement was primarily driven by a shift in customer demand to more profitable product lines. The Custom & Specialty segment gross profit increased to $1.8 million, compared to $1.4 million in 2003. The improvement was driven by lower corporate allocated expenses.

Selling, general and administrative costs increased from $8.7 million for the third quarter of 2003 to $10.2 million in the third quarter of 2004. The increase was primarily related to severance payments to a former European executive, the professional fees associated with the investigation of the France operation (see Note (2)), and the negative impact of the translation of expenses incurred in foreign currencies to U.S. Dollars.

During the third quarter of 2004, the company recorded a $4.0 million charge related to the closure of the New Castle, PA Lithography and Elgin, IL (Olive Can) Custom & Specialty plants. The third quarter charge primarily relates to employee separation costs ($1.1 million) and accelerated depreciation related to assets, which will be idled in the fourth quarter ($2.9 million). Total cash restructuring payments in the third quarter of 2004 were $0.7 million (primarily severance and facility shut down costs) and the Company anticipates spending another $7.1 million over the next several years related to previously recorded special charges. Additional special charges related the New Castle, PA and Olive Can facility exit costs will be recorded during the fourth quarter. The Company anticipates these costs to be approximately $4.1 million, including facility closing costs of $1.2 million, lease commitments of $1.4 million, and accelerated depreciation of $1.5 million.

	July 4, 2004 Balance	Net Additions	Deductions (b)	October 3, 2004 Balance
Employee Separation	$3.8	$1.1	$(0.6)	$4.3
Facility Closing Costs	3.0	2.9	(3.1)	2.8
Total	$6.8	$4.0	$(3.7)	$7.1 (a)

(a) Includes $4.5 million classified as other long-term liabilities as of October 3, 2004.

(b) Includes cash payments of $0.7 million. The remaining non-cash deductions represent accelerated depreciation related to the New Castle, PA and Olive Can facility closings, which was recorded as a reduction in property, plant and equipment.

Interest expense in the third quarter of 2004 decreased 14.1%, or $2.1 million, versus the same period of 2003. The decrease is due primarily to the expiration of the Company's interest rate protection agreements in the fourth quarter of 2003 ($1.7 million) and lower average borrowings ($0.4 million).

Bank financing fees for the third quarter of 2004 were $0.9 million as compared to $2.5 million for the third quarter of 2003. The third quarter 2003 bank financing fees included $1.2 million of fees incurred and expensed by the Company to amend its Senior Secured Credit Facility.

During the third quarter of 2004, the Company recorded an income tax benefit of $0.5 million versus a benefit of $0.4 million recorded for the same period of 2003. The Company had previously (in 2002 and 2003) recorded valuation allowances as it could not conclude that it is "more likely than not" that all of the deferred tax assets of certain of its foreign operations will be realized in the foreseeable future. Accordingly, the Company did not record an income tax benefit related to the third quarter 2004 and 2003 losses of the applicable operations.

Payment in kind dividends of $3.9 million and $3.5 million on the redeemable preferred stock were recorded in the third quarter of 2004 and 2003, respectively.

Nine month period ended October 3, 2004, as compared to the nine month period ended September 28, 2003

The following table presents the Company's Revenue and Gross Profit by segment for the first nine months of 2004 as compared to the first nine months of 2003.

	For the nine months ended October 3, 2004 and September 28, 2003					
	Revenue		Gross Profit		Percentage to Sales	
	2004	2003 Restated	2004	2003 Restated	2004	2003 Restated
Aerosol	$280,688	$ 272,081	$ 45,210	$ 46,141	16.1%	17.0%
International	219,307	207,229	4,297	748	2.0%	4.0%
Paint, Plastic & General Line	101,780	90,795	10,160	10,155	10.0%	11.2%
Custom & Specialty	30,764	44,342	967	2,282	3.1%	5.1%
Total	$ 632,539	$ 614,447	$ 60,634	$ 59,326	9.6%	9.7%

Net sales for the nine-month period ended October 3, 2004, totaled $632.5 million, a 2.9% increase versus the corresponding period in 2003. Along business segment lines, Aerosol net sales in the first nine months of 2004 were $280.7 million, a 3.2 % increase versus the same period last year. The increase is primarily due to an increase in U.S. volumes ($10.2 million) and increased raw material costs that have been passed on to customers ($4.3 million), partially offset by a change in customer and product mix ($5.9 million). International sales increased $12.1 million from $207.2 million for the first nine months of 2003 to $219.3 million for the first nine months of 2004 primarily due to the positive impact of the translation of sales made in foreign currencies based upon using the same average U.S dollar exchange rates in effect during the first nine months of 2003 ($21.1 million), partially offset by decreased unit volumes. Paint, Plastic & General Line segment sales increased $11.0 million to $101.8 million for the nine months ended October 3, 2004. This increase was due primarily to increased volume ($3.5 million) and increasing raw material costs in our plastics and paint and general line businesses ($7.5 million), which have been passed on to customers. Custom & Specialty sales of $30.8 million decreased from the $44.3 million for the nine months ended September 28, 2003, driven primarily by a decline in volume.

Consolidated gross profit increased $1.3 million for the nine-month period ended October 3, 2004 from the same period in 2003. Along business segment lines, Aerosol gross profit decreased by $0.9 million and the percentage to sales decreased from 17.0% to 16.1%. The decrease in Aerosol gross profit dollars was due to increased raw material costs associated with steel surcharges, net of amounts passed through to customers ($3.9 million), partially offset by the impact of volume increases ($1.7 million) and improved overhead absorption of ($1.3 million). In accordance with the terms of the majority of the Company's customer agreements, steel surcharge cost increases were passed through to customers beginning in the second quarter of 2004. Due to the timing of the implementation of the selling price increases versus the cost increases in the first half of 2004, the Company did not recover all of the cost increases. See "Liquidity and Capital Resources" for a discussion of steel surcharges. The International segment gross profit increased $3.5 million versus the same period in 2003, but the percentage to sales decreased from 4.0% to 2.0%. The improvement in dollars was driven by cost reduction and operational improvements in the U.K. aerosol and German food can businesses, partially offset by decreased volume and accelerated depreciation related to production lines idled in conjunction with the German food can product line profitability review. The Paint, Plastic & General Line segment gross profit remained flat at $10.2 million in 2004, versus the same period in 2003. The percentage to net sales decreased from 11.2% in 2003 to 10.0% in 2004. The decrease in percentage is driven by a shift to less profitable product lines. The Custom & Specialty segment gross profit decrease to $1.0 million compared to $2.3 million in 2003, was driven by reduced volume.

Selling, general, and administrative expenses were $30.4 million in the first nine months of 2004, versus $26.6 million for the same period in 2003. The increase in selling, general and administrative costs was primarily due to severance payments to be made over time to the Company's former Chief Executive Officer and a former European executive, the professional fees associated with the investigation of the France operation (see Note (2)), and the negative impact of the translation of expenses incurred in foreign currencies to U.S. Dollars.

During the first nine months of 2004, the Company recorded special charges of $5.4 million. $1.4 million related to the elimination of 41 positions in Europe. The charge related to an early termination program in Laon, France and a product line profitability review program in the Company's German food can business, which will result in the Company idling certain of its production lines. During the third quarter of 2004, the company recorded a $4.0 million charge related to the closure of the New Castle, PA Lithography and the Elgin IL (Olive Can) Custom & Specialty plants. The third quarter charge primarily relates to employee separation costs connected to the facility closings ($1.1 million), and accelerated depreciation related to assets, which will be idled in the fourth quarter ($2.9 million). Additional special charges related the New Castle, PA and Olive Can facility exit costs will be recorded during the fourth quarter. The Company anticipates these costs to be approximately $4.1 million, including facility closing costs of $1.2 million, lease commitments of $1.4 million, and accelerated depreciation of $1.5 million.

The table below presents the reserve categories and related activity as of October 3, 2004:

	January 1, 2004 Balance	Net Additions	Deductions (b)	October 3, 2004 Balance
Employee Separation	$4.3	$2.5	$(2.5)	$4.3
Facility Closing Costs	3.6	2.9	(3.7)	2.8
Total	$7.9	$5.4	$(6.2)	$7.1 (a)

(a) Includes $4.5 million classified as other long-term liabilities as of October 3, 2004.

(b) Includes cash payments of $3.2 million. The remaining non-cash deductions represent accelerated depreciation related to the New Castle, PA and Olive Can facility closings, which was recorded as a reduction in property, plant and equipment.

Interest expense decreased $2.7 million from $40.9 million for the first nine months of 2003 to $38.2 million for the same period in 2004 due primarily to the expiration of the Company's interest rate protection agreements in the fourth quarter of 2003 ($4.9 million), partially offset by higher interest rates due primarily to the issuance of the 10 7/8% Senior Secured Notes in July 2003 ($2.2 million).

Bank financing fees for the first nine months of 2004 were $3.5 million as compared to $4.5 million for same period in 2003. The 2003 fees included $1.2 million of fees incurred and expensed by the Company to amend its Senior Secured Credit Facility.

During the second quarter, the Company also recorded a loss from early extinguishment of debt of $5.5 million associated with the termination of the Company's Senior Secured Credit Facility. In addition, the Company has paid approximately $6.8 million of fees and expenses related to the new Credit Facility through October 4, 2004. These fees will be amortized over the life of the applicable borrowings.

An income tax benefit of $2.4 million was recorded for the first nine months of 2004 versus an income tax expense of $2.3 million for the first nine months of 2003. The Company had previously (in 2002 and 2003) recorded valuation allowances as it could not conclude that it is "more likely than not" that all of the deferred tax assets of certain of its foreign operations will be realized in the foreseeable future. Accordingly, the Company did not record an income tax benefit related to the nine months of 2004 and 2003 losses of the applicable of the applicable operations.

Payment in kind dividends of $11.4 million and $10.1 million on the redeemable preferred stock were recorded in the first nine months of 2004 and 2003, respectively.

Liquidity and Capital Resources

During the first nine months of 2004, liquidity needs were met through cash on hand and internally generated cash flow. Principal liquidity needs included debt refinancing costs, working capital and capital expenditures. Cash flow used by operations was $1.1 million for the nine months ended October 3, 2004, compared to cash used of $1.8 million for the nine months ended September 28, 2003.

Starting in the fourth quarter of 2003, many domestic and foreign steel suppliers began experiencing a shortage of coke, an important component of the steel-making process. The shortage is due to many factors, which include the growing Chinese steel market and a fire at a coal mine in the U.S., which produces coke. The shortage is expected to continue in at least the near future. While we cannot predict the long-term effects the shortage will have on our tin-plate costs, the shortage has caused some steel manufacturers to charge a surcharge on steel, which has increased our tin-plate prices. In addition, one of our suppliers increased base prices during the third quarter.

Some customer contracts allow us to pass tin-plated steel price increases through to our customers and the Company increased its selling prices during the second quarter of 2004. The Company has generally been successful in passing along the majority of the steel surcharge costs to our customers. However, future steel surcharges could occur and the Company cannot predict with certainty its ability to pass along future increases to customers. Additionally, customer contracts may limit pass-throughs and also may require us to match other competitive bids.

Net cash used in investing activities was $8.8 million for the first nine months of 2004 as compared to $4.7 million for the first nine months of 2003. Investing activities in the first nine months of 2004 included capital spending of $9.8 million, offset by the proceeds received from the March 2004 sale of the closed Dallas Texas for $1.0 million. Investing activities in the first nine months of 2003 included capital spending of $10.1 million, offset by proceeds from the sale of the Company's Daegeling, Germany facility, which was sold at the end of 2002.

Net cash used by financing activities in the first nine months of 2004 was $7.2 million, versus net cash provided of $6.2 million for the same period in 2003. Net cash used in financing activities includes the payment of $6.9 million of fees related to the new Credit Facility, as more fully described below. In 2003 net cash was provided by borrowings under the revolving line of credit, after repayment of borrowings under the Senior Secured Credit Facility with proceeds from the offering of the 10 7/8% Senior Secured Notes.

The Company entered into a Credit Agreement among U.S. Can Corporation, United States Can Company and Various Lending Institutions with Deutsche Bank Trust Company Americas as Administrative Agent, dated as of June 21, 2004 ("Credit Facility"). The Credit Facility provides for aggregate borrowings of $315.0 million consisting of a $250.0 million Term B loan and a $65.0 million Revolving Credit Facility. The $65.0 million revolving credit facility will be used by the Company for ongoing working capital and general corporate purposes, including the issuance of Letters of Credit as described below. The Letters of Credit subfacility is limited to $25.0 million.

As required under the terms of the Credit Facility, the Company used the $250.0 million initial Term B proceeds to repay in full all amounts outstanding under the Company's former Senior Secured Credit Facility and a secured term loan of $16.5 million, secured by a mortgage on the Company's Merthyr Tydfil, U.K facility. The Term B loan facility is payable in quarterly installments of $625,000 from June 30, 2004 until the final balance is due on January 15, 2010. The revolving credit facility is available until June 21, 2009. In addition, the Company is required to prepay a portion of the Term B loan upon the occurrence of certain specified events.

The Company has paid approximately $6.8 million of fees and expenses related to the new Credit Facility through October 3, 2004, including waiver and amendment fees in connection with the Laon France facility investigation of $1.0 million. These fees will be amortized over the life of the applicable borrowings. In addition, the Company wrote off $5.5 million of remaining deferred financing fees related to the Company's former Senior Secured Credit Facility.

At October 4, 2004, the Company did not have any borrowings outstanding under its $65.0 million revolving loan portion of the Credit Facility. Letters of Credit of $13.2 million were outstanding securing the Company's obligations under various insurance programs and other contractual agreements, which reduce the Company's availability under its revolving credit facility. In addition, the Company had $5.5 million of cash and cash equivalents at quarter end.

At existing levels of operations, cash generated from operations together with amounts available under the revolving credit facility, are expected to be adequate to meet anticipated debt service requirements, restructuring costs, capital expenditures and working capital needs. Future operating performance, unexpected capital expenditures, investments, acquisitions and the ability to service or refinance the notes, to service, extend or refinance the Credit Facility and to redeem or refinance our preferred stock will be subject to future economic conditions and to financial, business and other factors, many of which are beyond management's control.

The Credit Facility, the Senior Secured Notes and the Senior Subordinated Notes contain a number of financial and restrictive covenants. Under the Credit Facility, the Company is required to meet certain financial tests, including achievement of a minimum interest coverage ratio, a maximum total leverage ratio, a maximum first lien leverage ratio, and maximum annual capital expenditures. The restrictive covenants limit the Company's ability to incur liens and debt, sell assets, pay dividends or make distributions, repurchase debt and to make certain loans, investments or acquisitions. The Company was in compliance with all of the required financial ratios and other covenants at October 3, 2004.

The Company's Credit Facility permits, from time to time and subject to certain conditions, the redemption of the subordinated debt. The Company intends to pursue opportunistic repurchases of its outstanding 12 3/8% Senior Subordinated

Notes as time and circumstances permit, subject to market conditions, the trading price of the 12 3/8% Senior Subordinated Notes and the terms of the Company's Credit Facility and Senior Secured Notes.

The Company continually evaluates all areas of its operations for ways to improve profitability and overall Company performance. In connection with these evaluations, management considers numerous alternatives to enhance the Company's existing business including, but not limited to acquisitions, divestitures, capacity realignments and alternative capital structures.

Item 3. ***Quantitative and Qualitative Disclosures About Market Risk***

Interest Rate Risk

Interest rate risk exposure results from our floating rate borrowings. The table below provides information about the Company's debt obligations that are sensitive to changes in interest rates as of October 3, 2004. The table presents principal cash flows and related weighted average interest rates by expected maturity dates.

Debt Obligations	10/03/04 -12/31/04	2005	2006	2007	2008	Thereafter	Fair Value
				(dollars in millions)			
Fixed rate	$0.2	$ 0.3	$1.0	$ --	$ --	$296.7	$284.0
Average interest rate	4.44%	4.44%	9.20%	--	--	11.74%	
Variable rate	$4.5	$3.4	$3.5	$3.5	$ 3.6	$242.1	$260.6
Average interest rate	4.69%	4.87%	4.85%	4.83%	4.81%	5.38%	

Item 4. ***Controls and Procedures***

As of October 3, 2004, the Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operations of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended). Based upon that evaluation and subsequent information as described below, the Chief Executive Officer and Chief Financial Officer concluded, as of October 3, 2004, that except as described below, the Company's disclosure controls and procedures were effective for recording, processing, summarizing and reporting the information the Company discloses in the reports that the Company files with the Commission.

During the quarter ended October 3, 2004, as a result of inquiries regarding accounting and financial reporting issues at its Laon, France facility, the Company determined that it would restate its financial statements for the years ended December 2002 and 2003, and the quarter ended April 4, 2004 (the "Restatement"). In addition, in connection with the Restatement, the Company's auditors, Deloitte & Touche LLP, delivered a letter to the Company regarding "material weaknesses" in the Company's internal controls concerning oversight of its European operations, in particular its Laon, France facility. For a discussion of the restatement adjustments, see "Item 1. Financial Statements – Note (2) Restatements."

In connection with the Restatement process and the inquiry by the Audit Committee, the Company has carried out an evaluation, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures, including an evaluation of such controls and procedures at a number of its other facilities, and has concluded that the controls and procedures at such other facilities, and at the Company's corporate headquarters, are superior to those that existed at its Laon, France facility. During the quarter ended October 3, 2004, there were changes in the Company's internal control over financial reporting that materially affected the Company's internal control over financial reporting. In connection with the Restatement process, the Company has initiated the implementation of various measures to strengthen its internal controls and has added more structure to the financial oversight of its European operations, including its facility in France. The Company believes that, in connection with this effort, it has substantially strengthened the organization and personnel of the senior financial and control functions in Europe and adopted more rigorous policies and procedures with respect to its financial reporting.

The Company will continue to evaluate the effectiveness of its controls and procedures on an ongoing basis, including consideration of recommendations identified through the investigation, and will implement further actions as necessary in its continuing efforts to strengthen the control process.

The Company's management is committed to continuing to improve the state of its controls and procedures, corporate governance and financial reporting. Other than as described above, since the evaluation date by the Company's management of its internal controls, there have not been any significant changes in the internal controls or in other factors that could significantly affect the internal controls.

PART II

OTHER INFORMATION

Item 1. Legal Proceedings

Environmental Matters

Our operations are subject to environmental laws in the United States and abroad, relating to pollution, the protection of the environment, the management and disposal of hazardous substances and wastes and the cleanup of contaminated sites. Our capital and operating budgets include costs and expenses associated with complying with these laws, including the acquisition, maintenance and repair of pollution control equipment, and routine measures to prevent, contain and clean up spills of materials that occur in the ordinary course of our business. In addition, some of our production facilities require environmental permits that are subject to revocation, modification and renewal. We believe that we are in substantial compliance with environmental laws and our environmental permit requirements, and that the costs and expenses associated with this compliance are not material to our business. However, additional operating costs and capital expenditures could be incurred if, among other developments, additional or more stringent requirements relevant to our operations are promulgated.

Occasionally, contaminants from current or historical operations have been detected at some of our present and former sites. Although we are not currently aware of any material claims or obligations with respect to these sites, the detection of additional contamination or the imposition of cleanup obligations at existing or unknown sites could result in significant liability.

We have been designated as a potentially responsible party under Superfund laws at various sites in the United States, including a former can plant located in San Leandro, California and at the M&J Solvents site in Georgia. As a potentially responsible party, we are or may be legally responsible, jointly and severally with other members of the potentially responsible party group, for the cost of environmental remediation at these sites. Based on currently available data, we believe our contribution to the sites designated under U.S. Superfund law was, in most cases, minimal. With respect to San Leandro, we believe the principal source of contamination is unrelated to our past operations. With respect to M&J Solvents site, while over 1,000 contributors to the site have been identified, the initial compliance status report has not been finalized and thus, the nature, extent and source of contamination is unknown.

Based upon currently available information, the Company does not expect the effects of environmental matters to be material to its financial position.

Litigation

We are involved in litigation from time to time in the ordinary course of our business. In our opinion, the litigation is not material to our financial condition or results of operations.

Item 5. *Other Information*

On October 6, 2004, USC Europe (UK) Limited, a subsidiary of the Company, entered into an agreement with Francois Vissers, formerly Senior Vice President, International and President of European Operations, ending his employment with the Company.

Item 6. *Exhibits*

(a) Exhibits

10.35 Settlement Letter from USC Europe (UK) Limited to Francois Vissers dated October 6, 2004.

31.1 Certification of Chief Executive Officer Pursuant to Section 13a-15 of the Securities and Exchange Act of 1934

31.2 Certification of Chief Financial Officer Pursuant to Section 13a-15 of the Securities and Exchange Act of 1934

SIGNATURES

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

U.S. CAN CORPORATION

Date: November 17, 2004

By: /S/ Sandra K. Vollman
Sandra K. Vollman
Senior Vice President and
Chief Financial Officer
(Duly authorized officer and principal financial officer)