

**Questions Of Senator Patrick Leahy (D-Vt.),
Ranking Member, Senate Judiciary Committee
Subcommittee Hearing on “Ensuring Competition Remains on Tap: The AB
InBev/SABMiller merger and the State of Competition in the Beer Industry”
December 9, 2015**

Questions for the Record for Mark Hunter:

1. Some have raised concerns that any transfer in legal ownership of MillerCoors that occurs in the course of this transaction (by Molson Coors’ acquisition of a 100 percent stake) could expose independent distributors to termination or renegotiation of their contracts with MillerCoors, especially in those states that do not address the “successor owner” scenario in state law.

- a. Will you commit that Molson Coors will not terminate any distributor or seek to renegotiate existing distribution contracts as a result of the proposed transaction, including any transfer of or change in the legal ownership of MillerCoors?

Molson Coors will not terminate or renegotiate existing distribution contracts on the basis of the change in legal ownership of MillerCoors.

- b. Is your testimony under oath on this point binding on behalf of Molson Coors subsequent to the finalization of this transaction, should it be approved?

As CEO of Molson Coors, I am authorized to speak on its behalf.

- c. Will you stipulate as part of the consent order with the Department of Justice that there will be no terminations of independent distributors or renegotiations of their contracts due to the “successor owner” scenario referenced above, or as a result of the proposed merger, should Molson Coors’ role in the proposed transaction be approved by the Department of Justice as part of the remedy?

As I mentioned above, Molson Coors will not terminate or renegotiate existing distribution contracts on the basis of the change in legal ownership of MillerCoors. If the DOJ raises this issue, we will discuss it with them at the appropriate time.

2. During my opening statement, I asked you to commit that, if the proposed transaction is approved and Molson Coors gains 100 percent ownership of MillerCoors, the resulting company: (i) will not increase its ownership of distributors above MillerCoors’ current ownership levels, and (ii) will not change its current practice of encouraging distributors to sell competitors’ brands.

- a. Can you affirm those commitments in writing?

As I testified, at this stage we have no plans to expand our distributor ownership. I cannot promise this in perpetuity, because I do not know what the future holds. But the history of our company and MillerCoors over the past 15 years has been to contract rather than to expand ownership of distributors.

- b. Is your testimony under oath on this point binding on behalf of Molson Coors subsequent to the finalization of this transaction, should it be approved?

As CEO of Molson Coors, I am authorized to speak on its behalf.

- c. Specifically with respect to commitment (ii), will Molson Coors continue to support the ability of independent craft brewers to access MillerCoors distributors?

Yes. MillerCoors does not currently nor does it intend to institute any incentive or other programs that discourage our distributors from selling the brands of independent craft brewers. We will always work to develop our brands so that they are the first choice of our distributors, retailers and consumers.

- d. Should the proposed transaction be approved, will Molson Coors institute any programs that seek to limit, or result in the limitation of, craft brewer access to independent distribution options?

No. MillerCoors does not currently nor does it intend to institute any programs that seek to limit, or result in the limitation of, craft brewer access to our distributors. We will always work to develop our brands so that they are the first choice of our distributors, retailers and consumers.

Senator Thom Tillis
Questions for the Record
Subcommittee on Antitrust, Competition Policy, and Consumer Rights

On

“Ensuring Competition Remains on Tap: The AB InBev/SABMiller merger and the State of Competition in the Beer Industry”

Questions about Eden Facility

1. As I stated in the subcommittee hearing, the following questions are provided on behalf of a number of state legislators in North Carolina and are directed towards Mr. Hunter, President and Chief Executive Officer of Molson Coors. Other witnesses should feel free to respond:
 - a. Did you know, suspect, or have any expectation that a merger between Anheuser Busch InBev and SABMiller would result in the divestiture of any interest in MillerCoors?

Molson Coors Brewing Company did not know about the possible Anheuser Busch InBev (ABI)-SABMiller merger until September 16, 2015, the day that ABI issued a press release about its approach to SABMiller. The decision of the MillerCoors board to close the Eden brewery occurred before that event, and had nothing to do with the possible ABI-SABMiller combination. To the extent that there was previous speculation about an ABI-SABMiller combination, Molson Coors was confident that it had contractual rights to acquire SABMiller's interest in MillerCoors as a result of any change of control of SABMiller.

Was the Eden facility closed to avoid handing over a prized asset to a competitor?

No. Molson Coors was confident that it had a contractual rights to acquire SABMiller's interest in MillerCoors as a result of any change of control of SABMiller. Molson Coors has never been concerned that ABI could own, in whole or in part, the Eden brewery or any other MillerCoors brewery.

In advance of the divestiture discussions, did Molson Coors communicate that they did not want or intend to operate the Eden facility?

After a thorough analysis of its brewing requirements and brewery infrastructure, the MillerCoors board of directors made its decision to close the Eden brewery on August 3, 2015, in the face of a continued deterioration of volume. Molson Coors did not engage with ABI about acquiring SABMiller's interest until mid-October 2015. The two events were in no way connected.

- b. In the last few years alone, MillerCoors ratified new contracts for brewery workers in Eden, signed a 25-year agreement with the town for payment in lieu of annexation, and made substantial investments in the physical plant, including a 70,000 square foot expansion. Given these major and ongoing investments, why does it now make sense to shut down the Eden brewery?

The MillerCoors board made the decision on August 3, 2015 to close the Eden brewery. The board made that decision because MillerCoors volume had declined nearly 10 million barrels since 2008. As a result of this lost volume, the MillerCoors brewery network was not operating in an efficient and effective manner. Further, the analysis of the MillerCoors management team was that the volume declines were likely to persist in the near term.

- i. What metrics or measurements did you use in making this decision?

MillerCoors conducted a thorough analysis of its brewery network. The factors used in this analysis were: total company volume, projections of volume into the future, efficiency of the entire brewery network, location of existing breweries, freight costs, material costs, fixed costs and on-going capital costs to keep each brewery open.

2. This question is for Mr. Hunter, President and Chief Executive Officer of Molson Coors. Other witnesses should feel free to respond. Testimony given during the hearing seemed to indicate that this merger would enhance the market and increase beer production. If production is expected to increase in the United States after the merger, why does it now make sense to close the Eden facility?

MillerCoors projects to have more volume declines in the near term with a focus on growth in 2019. With the nearly 10 million barrel decline in the last 7 years, a significant overcapacity had developed in the brewery network.

3. This question is for Mr. Hunter, President and Chief Executive Officer of Molson Coors. Other witnesses should feel free to respond. What was the date of the MillerCoors board's decision to close the Eden Brewery?

August 3, 2015.

4. This question is for Mr. Hunter, President and Chief Executive Officer of Molson Coors. Other witnesses should feel free to respond. There was testimony that the Shenandoah brewery will be better positioned to service customers in the Northeast. Which brewery(ies) will service North Carolina customers after the Eden facility's closure?

MillerCoors will transition Eden's volume to its breweries in Shenandoah, Virginia, Trenton, Ohio, Fort Worth, Texas, Albany, Georgia, and Milwaukee, Wisconsin. We expect all of these breweries to produce at least some beer for consumers in North Carolina based on unique brands, package types and sizes that are only produced in one or a couple of breweries. We expect that the Shenandoah brewery will produce the majority of the beer shipped to North Carolina.

5. This question is for Mr. Hunter, President and Chief Executive Officer of Molson Coors. Other witnesses should feel free to respond. Is it likely that the closure of the Miller plant in Eden, N.C. will result in a price increase for Miller products in North Carolina based on increased transportation costs?

We do not have plans to increase beer pricing in North Carolina based on transportation costs. However, we do not control the pricing from our independent distributors to retailers.

6. This question is for Mr. Hunter, President and Chief Executive Officer of Molson Coors, and Mr. Carlos Brito, Chief Executive Officer of Anheuser-Busch InBev. Is the decision to close the Eden plant a sign of things to come if the SAB/Miller AB InBev merger and divestment to Molson Coors is completed?

The decision to close the Eden brewery was made before any discussion between Molson Coors and ABI and was unrelated to ABI's acquisition of SABMiller.

Are there other production plants that the consolidated company plans to close if the merger is successful?

Molson Coors does not have any plans at this time to close another brewery as a result of the merger. We will continue to regularly evaluate our brewery network to ensure it is operating efficiently.

7. This question is for Mr. Hunter, President and Chief Executive Officer of Molson Coors. What are Molson Coors plans for the facility? Will Molson Coors attest on the record that it would be willing to sell, rather than close, the Eden facility?

MillerCoors has not decided what to do with the Eden brewery. If any such decision is made before Molson Coors's acquisition of SABMiller's share in MillerCoors, it will be made by the MillerCoors board. Accordingly, Molson Coors is not prepared to attest on the record to what will happen to the Eden brewery because no decision has been made.