

“Ensuring Competition Remains on Tap:  
The AB InBev/SABMiller Merger and the State of Competition in the Beer Industry”  
Senate Committee on Judiciary  
Subcommittee on Antitrust, Competition, Policy and Consumer Rights  
Statement of Mark Hunter  
President and CEO, Molson Coors

December 8, 2015

Good morning Chairman Lee, Ranking member Klobuchar and members of the Committee. My name is Mark Hunter and I am the CEO of Molson Coors Brewing Company. We are a US-listed company principally based in Denver, Colorado with a brewing heritage that goes back over 140 years. I appreciate the opportunity to testify today and explain our role in serving as the solution to US antitrust concerns related to the proposed AB InBev/SABMiller merger.

Let me say right up front that our transaction does not injure competition, but unquestionably enhances it. Molson Coors’ purchase of the remaining interest in MillerCoors from SABMiller means that ABI will get nothing in the US. What exists today as MillerCoors will remain unchanged after the merger. (See slide 1) The only difference is that Molson Coors would be the single owner of the US business, rather than a partial owner. Having played a crucial role in the direction of this business for the past seven years, there is no company more knowledgeable than Molson Coors to operate it going forward.

Before I get into specific comments on our proposed transaction, I’d like to tell you about Molson Coors, the creation of MillerCoors and how we help support competition in this increasingly dynamic beer industry.

Molson Coors was created in 2005 and brought together the family brewing legacies of John Molson, who built his first brewery on the banks of the St. Lawrence River in Montreal, Canada in 1786 and Adolph Coors, who set up his first brewery in 1873 on the banks of Clear Creek in Golden, Colorado. We strive to delight the world’s beer drinkers.

In 2008, we created the MillerCoors joint venture with SABMiller in order to serve as a more effective number two player in the US beer market. At that point, all of SABMiller’s US operations were contributed to the joint venture. We have 50/50 governance rights on the Board and split the economic interest of MillerCoors, with Molson Coors owning 42% and SABMiller owning 58%.

MillerCoors has approximately 8,000 US-based employees and pays more than \$1.1 billion annually in compensation and benefits. We spend more than \$5 billion annually for goods and services and pay more than \$1 billion in federal excise taxes annually to the US Treasury.

MillerCoors goes to market in the US through an independent distribution network. We deeply value our relationships with our more than 569 distributors nationwide because we, and other brewers, rely on them to bring our brands to market.

It's important to recognize that we have received positive feedback from the MillerCoors distributors because they know we support the three tier system and because they can continue to distribute a wide range of beer brands, including craft brands.

By way of example, MillerCoors owns only one distributor, which distributes approximately 625 brands, from 29 suppliers, and nearly 67% of them are craft brands. To be clear, we have no intention of purchasing other distributors. The point is that we support the three-tier system, and that system supports the interest of craft brewers.

Both MillerCoors and Molson Coors take seriously our role as an economic engine for our employees, the communities that we live in and the many businesses that supply and support us. Single ownership of the US business will enhance MillerCoors' ability to achieve these goals. For example, it would allow MillerCoors to boost production at its nine US breweries including the Leinenkugel brewery in Chippewa Falls, WI. It would open up opportunities to purchase more barley from the four western states and North Dakota and malt more barley in Minnesota. It will be able to spend more on other brewing materials like hops from Washington as well as corn from Iowa and Illinois.

Although we and SABMiller have been successful in building MillerCoors into a strong number two player in the US, it's important to note how much the beer industry has changed since we set up the JV.

The craft brewing industry in the United States has grown very rapidly over the past few years. As of June of this year, there were 5,525 active brewery permits registered with the TTB. That represents a 111% increase in just the past five years alone. (See slides 2 and 3)

The growth of craft has helped contribute to a renaissance in the beer category, which we welcome, at the same time it has created a far more diverse and competitive marketplace. Just this week, Fortune magazine ran a story titled, "America Has More Breweries Than Ever Before."

And so with that as background, it's important to return to the fact that nothing changes for our consumers, customers, distributors or our communities as a result of our purchase of SABMiller's ownership interest in MillerCoors.

It will not change consumer choice; it will not change the competitive pricing environment; it will not change our market share or our longstanding support for the three-tier system; it will not change our support of US growers and suppliers; and it will not change the explosive growth of craft brewers or their access to the market through the MillerCoors distributor network.

The transaction will allow us to simplify decision-making and reduce the complexities of dual ownership; it will allow us to become a more integrated and efficient brewer; and it will allow us to become a more effective competitor as a single American-based owner, promoting consumer choice in an increasingly diverse and fast-growing brewing industry.

This transaction affords us the unique opportunity to deliver on that promise by creating a more efficient competitor without impacting the fundamental dynamics of the market.

On behalf of Molson Coors, I thank the Committee for inviting me to appear and testify today. I am happy to answer any questions that you have.

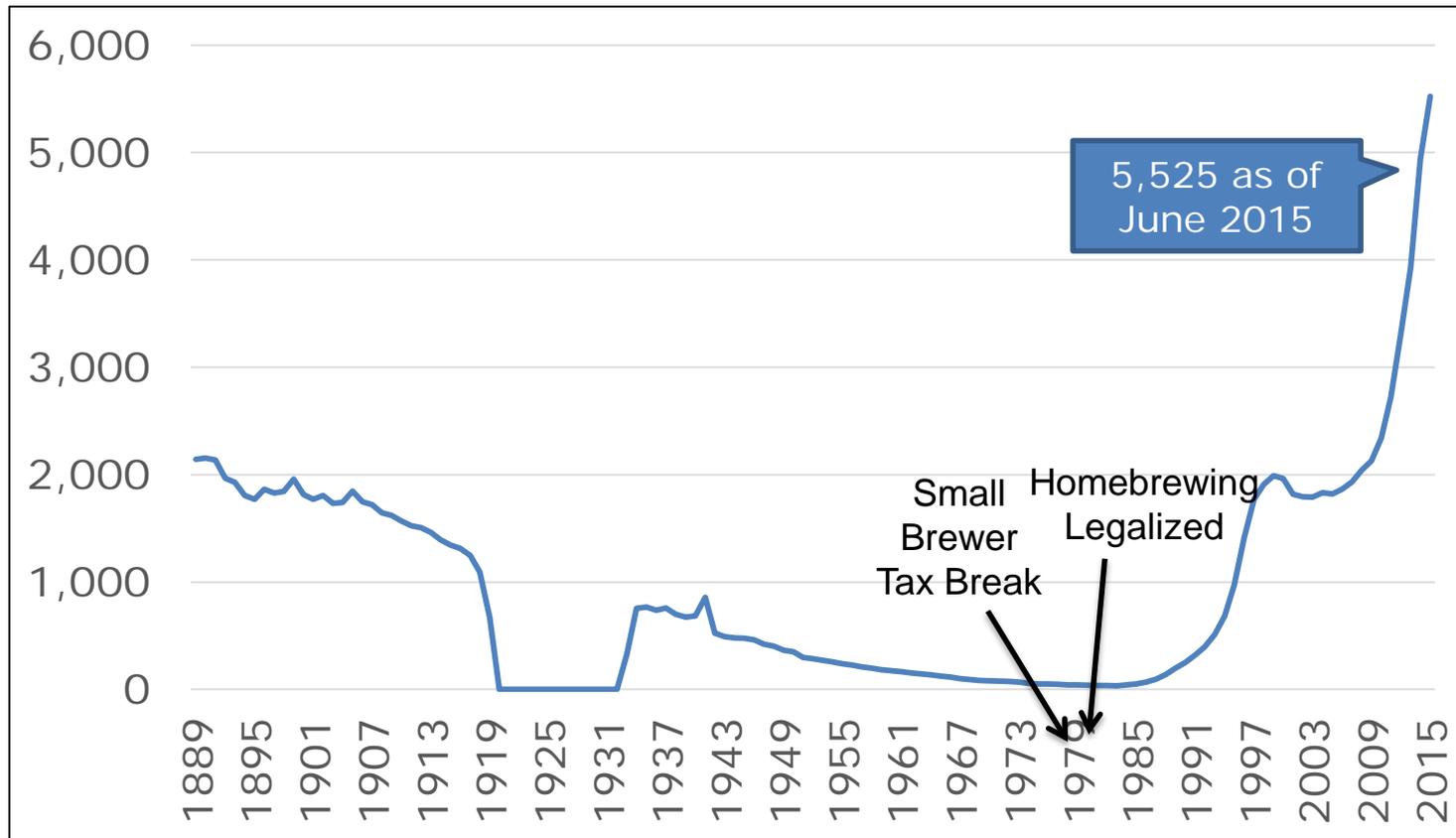
# MILLERCOORS STRUCTURE PRE- AND POST-MERGER

	Pre-Acquisition	Post-Acquisition
Governance	<p>50/50 Representation on Board of Directors</p> <ul style="list-style-type: none"> <li>• SABMiller: 5 directors</li> <li>• Molson Coors: 5 directors</li> </ul>	<p>MillerCoors becomes a wholly-owned subsidiary of Molson Coors</p> <ul style="list-style-type: none"> <li>• No Board of Directors</li> <li>• Becomes a reporting business unit of Molson Coors</li> </ul>
Economic Interest	<p>Split Economic Interest</p> <ul style="list-style-type: none"> <li>• SABMiller: 58%</li> <li>• Molson Coors: 42%</li> </ul>	<p>Unified Economic Interest</p> <ul style="list-style-type: none"> <li>• Molson Coors: 100%</li> </ul>
Brand Portfolio		<p><b>NO CHANGE IN BRANDPORTFOLIO</b></p> 

# 5,525 PERMITTED BREWERIES IN US

1887 TO 2015

1977 FET break provides a reduced \$7.00 tax rate for brewers that produce no more than 2MM barrels on first 60,000 barrels. 1979 President Carter legalizes home brewing.



# EXPLOSION OF CRAFT BREWING IN THE US

- Market share among small brewers has more than doubled in the last 4 years.
- Retail sales among small brewers' products increased by +22% in 2014, compared to only +2% on average for the entire beer category.
- Volume growth among small brewers increased by +18% in 2014, compared to only +0.3% for the beer category as a whole.

