

MOLSON COORS BREWING CO
Form 10-Q
November 04, 2010

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

FORM 10-Q

ý **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Quarterly period ended September 25, 2010

OR

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the transition period from to .
Commission File Number: 1-14829**

Molson Coors Brewing Company

(Exact name of registrant as specified in its charter)

DELAWARE

(State or other jurisdiction of incorporation or organization)

84-0178360

(I.R.S. Employer Identification No.)

1225 17th Street, Denver, Colorado, USA

1555 Notre Dame Street East, Montréal, Québec, Canada

(Address of principal executive offices)

80202

H2L 2R5

(Zip Code)

303-927-2337 (Colorado)

514-521-1786 (Québec)

(Registrant's telephone number, including area code)

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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 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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of October 29, 2010:

Class A Common Stock 2,594,664 shares
Class B Common Stock 161,143,330 shares

Exchangeable shares:

As of October 29, 2010, the following number of exchangeable shares was outstanding for Molson Coors Canada, Inc.:

Class A Exchangeable shares 3,056,895 shares
Class B Exchangeable shares 19,316,769 shares

These Class A and Class B exchangeable shares offer substantially the same economic and voting rights as the respective classes of common shares of the registrant. This is achieved via the following structure: The registrant has outstanding one share of special Class A voting stock, through which the holders of Class A exchangeable shares and Class B exchangeable shares of Molson Coors Canada Inc. (a subsidiary of the registrant), respectively, may exercise their voting rights with respect to the registrant. The special Class A and Class B voting stock are entitled to one vote for each of the exchangeable share classes, respectively, excluding shares held by the registrant or its subsidiaries, and generally vote together with the Class A common stock and Class B common stock, respectively, on all matters on which the Class A common stock and Class B common stock are entitled to vote. The trustee holder of the special Class A voting stock and the special Class B voting stock has the right to cast a number of votes equal to the number of then outstanding Class A exchangeable shares and Class B exchangeable shares, respectively.

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MOLSON COORS BREWING COMPANY AND SUBSIDIARIES

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CAUTIONARY STATEMENT PURSUANT TO SAFE HARBOR PROVISIONS OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

This report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). From time to time, we may also provide oral or written forward-looking statements in other materials we release to the public. Such forward-looking statements are subject to the safe harbor created by the Private Securities Litigation Reform Act of 1995.

Statements that refer to projections of our future financial performance, our anticipated growth and trends in our businesses, and other characterizations of future events or circumstances are forward-looking statements, and include, but are not limited to, statements under the headings "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Outlook for 2010" relating to overall volume trends, consumer preferences, pricing trends, industry forces, cost reduction strategies, anticipated results, anticipated synergies, expectations for funding future capital expenditures and operations, debt service capabilities, shipment levels and profitability, market share and the sufficiency of capital resources. In addition, statements that we make in this report that are not statements of historical fact may also be forward-looking statements. Words such as "expects," "goals," "plans," "believes," "continues," "may," "anticipate," "seek," "estimate," "outlook," "trends," "future benefits," "strategies," and variations of such words and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are subject to risks and uncertainties that could cause actual results to be materially different from those indicated (both favorably and unfavorably). These risks and uncertainties include, but are not limited to those described in Part II, "Item 1A. Risk Factors", elsewhere throughout this report, in our Annual Report, and those described from time to time in our future reports filed with the Securities and Exchange Commission ("SEC"). Caution should be taken not to place undue reliance on any such forward-looking statements. Forward-looking statements speak only as of the date when made and we undertake no obligation to update any forward-looking statement, whether as a result of new information, future events or otherwise.

Table of Contents**PART I. FINANCIAL INFORMATION****ITEM I. FINANCIAL STATEMENTS**

MOLSON COORS BREWING COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(IN MILLIONS, EXCEPT PER SHARE DATA)

(UNAUDITED)

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	September 25, 2010	September 26, 2009	September 25, 2010	September 26, 2009
Sales	\$ 1,260.1	\$ 1,250.3	\$ 3,489.7	\$ 3,234.9
Excise taxes	(385.1)	(396.6)	(1,070.4)	(1,023.3)
Net sales	875.0	853.7	2,419.3	2,211.6
Cost of goods sold	(457.4)	(472.6)	(1,336.6)	(1,251.3)
Gross profit	417.6	381.1	1,082.7	960.3
Marketing, general and administrative expenses	(248.9)	(240.7)	(747.6)	(653.3)
Special items, net	(3.1)	(4.3)	(21.5)	(21.6)
Equity income in MillerCoors	135.3	101.2	389.9	332.4
Operating income	300.9	237.3	703.5	617.8
Interest expense, net	(23.9)	(22.5)	(73.7)	(62.3)
Other income, net	41.6	55.9	54.4	29.1
Income from continuing operations before income taxes	318.6	270.7	684.2	584.6
Income tax expense	(60.7)	(25.3)	(124.6)	(71.3)
Income from continuing operations	257.9	245.4	559.6	513.3
(Loss) income from discontinued operations, net of tax	(0.9)	(9.0)	41.1	(12.9)
Net income	257.0	236.4	600.7	500.4
Less: Net income attributable to noncontrolling interests	(0.9)	(1.1)	(2.8)	(2.1)
Net income attributable to Molson Coors Brewing Company	\$ 256.1	\$ 235.3	\$ 597.9	\$ 498.3
Basic income (loss) attributable to Molson Coors Brewing Company per share:				
From continuing operations	\$ 1.39	\$ 1.32	\$ 3.00	\$ 2.78
From discontinued operations	(0.01)	(0.05)	0.22	(0.07)
Basic net income per share	\$ 1.38	\$ 1.27	\$ 3.22	\$ 2.71
Diluted income (loss) attributable to Molson Coors Brewing Company per share:				
From continuing operations	\$ 1.38	\$ 1.31	\$ 2.98	\$ 2.75
From discontinued operations	(0.01)	(0.05)	0.22	(0.07)

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Diluted net income per share	\$	1.37	\$	1.26	\$	3.20	\$	2.68
Weighted average shares basic		186.0		184.6		185.7		184.2
Weighted average shares diluted		187.4		186.2		187.1		185.6
Amounts attributable to Molson Coors Brewing Company								
Income from continuing operations, net of tax	\$	257.0	\$	244.3	\$	556.8	\$	511.2
(Loss) income from discontinued operations, net of tax		(0.9)		(9.0)		41.1		(12.9)
Net income attributable to Molson Coors Brewing Company	\$	256.1	\$	235.3	\$	597.9	\$	498.3

See notes to unaudited condensed consolidated financial statements.

Table of Contents**MOLSON COORS BREWING COMPANY AND SUBSIDIARIES****CONDENSED CONSOLIDATED BALANCE SHEETS****(IN MILLIONS)****(UNAUDITED)**

	As of	
	September 25, 2010	December 26, 2009
Assets		
Current assets:		
Cash and cash equivalents	\$ 763.5	\$ 734.2
Accounts receivable, net	530.9	566.7
Other receivables, net	247.0	150.5
Inventories:		
Finished, net	113.7	111.1
In process	18.4	18.3
Raw materials	35.2	43.6
Packaging materials, net	63.5	63.2
Total inventories, net	230.8	236.2
Other assets, net	83.5	65.3
Discontinued operations	2.1	9.9
Total current assets	1,857.8	1,762.8
Properties, net	1,294.5	1,292.5
Goodwill	1,496.0	1,475.0
Other intangibles, net	4,608.7	4,534.7
Investment in MillerCoors	2,606.7	2,613.6
Deferred tax assets	112.8	177.9
Notes receivable, net	46.0	48.7
Other assets	116.2	115.9
Total assets	\$ 12,138.7	\$ 12,021.1

See notes to unaudited condensed consolidated financial statements.

Table of Contents**MOLSON COORS BREWING COMPANY AND SUBSIDIARIES****CONDENSED CONSOLIDATED BALANCE SHEETS****(IN MILLIONS, EXCEPT PAR VALUE)****(UNAUDITED)**

	As of	
	September 25, 2010	December 26, 2009
Liabilities and equity		
Current liabilities:		
Accounts payable	\$ 195.6	\$ 210.3
Accrued expenses and other liabilities	812.8	745.0
Deferred tax liabilities	191.1	167.1
Current portion of long-term debt and short-term borrowings		300.3
Discontinued operations	16.9	158.2
 Total current liabilities	 1,216.4	 1,580.9
Long-term debt	1,447.2	1,412.7
Pension and post-retirement benefits	821.6	823.8
Derivative hedging instruments	388.0	374.2
Deferred tax liabilities	434.9	468.0
Unrecognized tax benefits	67.9	65.0
Other liabilities	90.4	185.0
Discontinued operations	19.4	18.7
 Total liabilities	 4,485.8	 4,928.3
Commitments and contingencies (Note 15)		
Molson Coors Brewing Company stockholders' equity		
Capital stock:		
Preferred stock, non-voting, no par value (authorized: 25.0 shares; none issued)		
Class A common stock, voting, \$0.01 par value per share (authorized: 500.0 shares; issued and outstanding: 2.6 shares at September 25, 2010 and December 26, 2009)		
Class B common stock, non-voting, \$0.01 par value per share (authorized: 500.0 shares; issued and outstanding: 161.1 shares and 159.4 shares at September 25, 2010 and December 26, 2009, respectively)		
	1.6	1.6
Class A exchangeable shares, no par value (issued and outstanding: 3.1 shares and 3.2 shares at September 25, 2010 and December 26, 2009, respectively)		
	115.0	119.1
Class B exchangeable shares, no par value (issued and outstanding: 19.4 shares and 20.2 shares at September 25, 2010 and December 26, 2009, respectively)		
	728.6	761.8
Paid-in capital	3,508.1	3,441.5
Retained earnings	3,184.6	2,734.9
Accumulated other comprehensive income	67.6	20.7
 Total Molson Coors Brewing Company stockholders' equity	 7,605.5	 7,079.6
Noncontrolling interests	47.4	13.2
 Total equity	 7,652.9	 7,092.8
 Total liabilities and equity	 \$ 12,138.7	 \$ 12,021.1

See notes to unaudited condensed consolidated financial statements.

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MOLSON COORS BREWING COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN MILLIONS)
(UNAUDITED)

	Thirty-Nine Weeks Ended	
	September 25, 2010	September 26, 2009
Cash flows from operating activities:		
Net income	\$ 600.7	\$ 500.4
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	133.8	135.3
Share-based compensation	21.4	16.8
Loss on sale and impairment of properties and intangibles	13.7	3.4
Deferred income taxes	59.2	111.8
Equity income in MillerCoors	(389.9)	(332.4)
Distributions from MillerCoors	389.9	351.5
Equity in net income of other unconsolidated affiliates	(8.9)	(2.3)
Distributions from other unconsolidated affiliates	8.6	3.6
Excess tax benefits from share-based compensation	(1.3)	(18.2)
Change in current assets and liabilities and other	(60.2)	(116.0)
(Gain) loss from discontinued operations	(41.1)	12.9
Net cash provided by operating activities	725.9	666.8
Cash flows from investing activities:		
Additions to properties	(77.7)	(71.7)
Proceeds from sales of properties and intangible assets	3.7	3.9
Acquisition of business	(19.8)	(19.6)
Change in restricted cash balances	(14.9)	
Payment on discontinued operations	(96.0)	
Investment in MillerCoors	(863.1)	(346.5)
Return of capital from MillerCoors	848.6	237.3
Deconsolidation of Brewers' Retail, Inc.		(26.1)
Investment in and advances to an unconsolidated affiliate	(6.9)	(8.6)
Trade loan repayments from customers	12.5	17.5
Trade loans advanced to customers	(7.3)	(12.7)
Net cash used in investing activities	(220.9)	(226.5)
Cash flows from financing activities:		
Exercise of stock options under equity compensation plans	13.5	25.5
Excess tax benefits from share-based compensation	1.3	18.2
Dividends paid	(148.7)	(125.8)
Dividends paid to noncontrolling interests holders	(0.9)	
Payments on long-term debt and capital lease obligations	(300.0)	(0.3)
Proceeds from short-term borrowings	3.1	10.0
Payments on short-term borrowings	(8.1)	(10.1)
Payments on settlements of debt-related derivatives	(42.0)	
Change in overdraft balances and other	(3.1)	(9.1)
Net cash used in financing activities	(484.9)	(91.6)

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Cash and cash equivalents:

Net increase in cash and cash equivalents	20.1	348.7
Effect of foreign exchange rate changes on cash and cash equivalents	9.2	0.2
Balance at beginning of year	734.2	216.2
Balance at end of period	\$ 763.5	\$ 565.1

See notes to unaudited condensed consolidated financial statements.

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MOLSON COORS BREWING COMPANY AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THIRTEEN AND THIRTY-NINE WEEKS ENDED SEPTEMBER 25, 2010

1. BASIS OF PRESENTATION

Unless otherwise noted in this report, any description of "we", "us" or "our" includes Molson Coors Brewing Company ("MCBC" or the "Company"), principally a holding company, and its operating subsidiaries: MillerCoors LLC ("MillerCoors") which is accounted for by us under the equity method of accounting, Molson Coors Brewing Company (UK) Limited ("MCBC-UK"), Molson Coors Canada ("MCC") and our other operating entities as further described in Note 1 of the Notes to the Audited Consolidated Financial Statements (the "Notes") included in our Annual Report on Form 10-K for the year ended December 26, 2009 ("Annual Report").

Unless otherwise indicated, information in this report is presented in U.S. dollars ("USD" or "\$").

The accompanying unaudited condensed consolidated interim financial statements reflect all adjustments which are necessary for a fair statement of the financial position, results of operations and cash flows for the periods presented in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). Such unaudited interim financial statements have been prepared in accordance with the instructions to Form 10-Q pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to such rules and regulations.

These unaudited condensed consolidated interim financial statements should be read in conjunction with our Annual Report, supplemented by our 8-K filed on September 28, 2010 and have been prepared on a consistent basis with the accounting policies described in Note 1 of the Notes. The results of operations for the thirteen and thirty-nine week periods ended September 25, 2010, are not necessarily indicative of the results that may be achieved for the full fiscal year. Certain prior period amounts have been reclassified to conform to current period presentation.

MCBC follows a 52/53 week fiscal reporting calendar. The third fiscal quarters of 2010 and 2009 consisted of thirteen weeks ended on September 25, 2010 and September 26, 2009, respectively. The first three fiscal quarters of 2010 and 2009 consisted of thirty-nine weeks ended on September 25, 2010 and September 26, 2009, respectively. Fiscal year 2010 consists of 52 weeks ending on December 25, 2010 and fiscal year 2009 consisted of the 52 weeks ended December 26, 2009.

Unless otherwise indicated, third quarter refers to the thirteen week periods ended September 25, 2010 and September 26, 2009, and the first three quarters refer to the thirty-nine week periods ended September 25, 2010 and September 26, 2009.

Brewers' Retail, Inc. ("BRI"), a consolidated subsidiary through February 28, 2009, and subsequently accounted for under the equity method of accounting reports results one month in arrears in the accompanying unaudited condensed consolidated interim financial statements.

MillerCoors follows a monthly reporting calendar. The third quarter and first three quarters of 2010 and 2009 consisted of three and nine months ended September 30, 2010 and September 30, 2009, respectively.

2. NEW ACCOUNTING PRONOUNCEMENTS

Adoption of New Accounting Pronouncements

Consolidation of Variable Interest Entities

In June 2009, the Financial Accounting Standards Board ("FASB") issued authoritative guidance related to the consolidation of variable interest entities ("VIEs"), which requires an enterprise to determine whether its variable interests give it a controlling financial interest. The primary beneficiary of a VIE is the enterprise that has both (1) the power to direct the activities of a VIE that most significantly impact the entity's economic performance, and (2) the obligation to absorb losses of the

Table of Contents**MOLSON COORS BREWING COMPANY AND SUBSIDIARIES****NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****FOR THE THIRTEEN AND THIRTY-NINE WEEKS ENDED SEPTEMBER 25, 2010****2. NEW ACCOUNTING PRONOUNCEMENTS (Continued)**

entity that could potentially be significant to the VIE or the right to receive benefits from the entity that could potentially be significant to the VIE. This guidance also requires ongoing reassessments of whether an enterprise is the primary beneficiary of a VIE requiring consolidation. The guidance was effective for our first quarter ended March 27, 2010. The adoption of this guidance did not impact our financial results. See also Note 4, "INVESTMENTS" for further disclosure of our VIE.

3. SEGMENT REPORTING

Our reportable segments consist of Canada, the United States ("U.S.") and the United Kingdom ("U.K.") and our non-reportable segment and other business activities include Molson Coors International ("MCI") and Corporate.

The following table sets forth net sales by segment:

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	September 25, 2010	September 26, 2009	September 25, 2010	September 26, 2009
	(In millions)			
Canada	\$ 539.8	\$ 493.8	\$ 1,471.8	\$ 1,289.5
U.K.	313.4	338.5	888.9	867.6
MCI and Corporate	21.8	21.4	58.6	54.5
Consolidated	\$ 875.0	\$ 853.7	\$ 2,419.3	\$ 2,211.6

Across each of our segments, no single customer accounted for more than 10% of our sales. Net sales represent sales to third party external customers and affiliates. Unless otherwise disclosed, intersegment revenues are insignificant and eliminated in consolidation.

The following table sets forth income (loss) from continuing operations before income taxes by segment:

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	September 25, 2010	September 26, 2009	September 25, 2010	September 26, 2009
	(In millions)			
Canada	\$ 161.6	\$ 135.7	\$ 347.8	\$ 322.1
U.S.	135.3	101.2	389.9	332.4
U.K.	34.3	32.4	67.8	65.0
MCI and Corporate	(12.6)	1.4	(121.3)	(134.9)
Consolidated	\$ 318.6	\$ 270.7	\$ 684.2	\$ 584.6

The following table sets forth total assets by segment:

	As of	
	September 25, 2010	December 26, 2009
	(In millions)	

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Canada	\$	6,285.7	\$	6,402.0
U.S.		2,606.7		2,613.6
U.K.		2,342.7		2,359.8
MCI and Corporate		901.5		635.8
Discontinued operations		2.1		9.9

Total assets \$ 12,138.7 \$ 12,021.1

Table of Contents**MOLSON COORS BREWING COMPANY AND SUBSIDIARIES****NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****FOR THE THIRTEEN AND THIRTY-NINE WEEKS ENDED SEPTEMBER 25, 2010****4. INVESTMENTS**

The investments included within this Note 4 include both equity method and consolidated investments. Those entities identified as VIEs have been evaluated to determine whether we are the primary beneficiary. The VIEs included under Equity Investments are those for which we have concluded that we are not the primary beneficiary and accordingly, we account for these investments under the equity method of accounting. The VIEs included under Consolidated Investments are those for which we have concluded that we are the primary beneficiary and accordingly consolidate these entities. We have not provided any financial support to any of our VIEs during the quarter that we were not previously contractually obligated to provide.

Authoritative guidance related to the consolidation of VIEs requires that we continually reassess whether we are the primary beneficiary of VIEs in which we have an interest. As such, the conclusion regarding the primary beneficiary status is subject to change and we continually evaluate circumstances that could require consolidation or deconsolidation.

Equity Investments*MillerCoors*

Summarized U.S. GAAP financial information for MillerCoors is as follows:

Condensed balance sheets

	As of	
	September 30, 2010	December 31, 2009
	(In millions)	
Current assets	\$ 973.4	\$ 808.5
Noncurrent assets	8,886.5	9,025.0
Total assets	\$ 9,859.9	\$ 9,833.5
Current liabilities	\$ 849.2	\$ 885.4
Noncurrent liabilities	1,310.0	1,278.4
Total liabilities	2,159.2	2,163.8
Noncontrolling interests	25.8	28.1
Interest attributable to shareholders'	7,674.9	7,641.6
Total liabilities and equity	\$ 9,859.9	\$ 9,833.5

Results of operations

	For the Three Months Ended		For the Nine Months Ended	
	September 30, 2010	September 30, 2009	September 30, 2010	September 30, 2009
	(In millions)			
Net sales	\$ 2,015.9	\$ 2,009.5	\$ 5,850.9	\$ 5,862.1
Cost of goods sold	(1,226.7)	(1,266.6)	(3,590.1)	(3,618.8)

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Gross profit	\$	789.2	\$	742.9	\$	2,260.8	\$	2,243.3
Operating income	\$	320.8	\$	232.2	\$	930.1	\$	759.4
Net income attributable to MillerCoors	\$	313.0	\$	229.7	\$	912.8	\$	740.6

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The following represents MCBC's proportional share in net income attributable to MillerCoors reported under the equity method:

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	September 25, 2010	September 26, 2009	September 25, 2010	September 26, 2009
	(In millions, except percentages)			
Net income attributable to MillerCoors	\$ 313.0	\$ 229.7	\$ 912.8	\$ 740.6
MCBC economic interest	42%	42%	42%	42%
MCBC proportionate share of MillerCoors net income	131.5	96.5	383.4	311.1
MillerCoors accounting policy elections(1)				7.3
Amortization of the difference between MCBC contributed cost basis and proportional share of the underlying equity in net assets of MillerCoors(2)	2.5	2.4	4.4	9.3
Share-based compensation adjustment(3)	1.3	2.3	2.1	4.7
Equity income in MillerCoors	\$ 135.3	\$ 101.2	\$ 389.9	\$ 332.4

- (1) MillerCoors made its initial accounting policy elections upon formation, impacting certain asset and liability balances contributed by us. Our investment basis in MillerCoors is based upon the book value of the net assets we contributed. These adjustments reflect the favorable impact to our investment as a result of the differences resulting from accounting policy elections, the most significant of which was MillerCoors' election to value contributed Coors Brewing Company ("CBC") inventories using the first in, first out (FIFO) method, rather than the last in, first out (LIFO) method, which had previously been applied. This adjustment has been phased in over the expected turnover of the related inventories; which was concluded in the first quarter of 2009.
- (2) Our net investment in MillerCoors is based on the carrying values of the net assets we contributed to the joint venture which is less than our proportional share of underlying equity (42%) of MillerCoors (contributed by both CBC and Miller Brewing Company) by approximately \$626 million. This difference is being amortized as additional equity income over the remaining useful lives of long-lived assets giving rise to the difference. For non-depreciable assets, such as goodwill, no adjustment is being recorded. This also includes the impact of impairments and other adjustments occurring since formation that affect the basis difference.
- (3) The net adjustment is to record all share-based compensation associated with pre-existing equity awards to be settled in MCBC Class B common stock held by former CBC employees now employed by MillerCoors and to eliminate all share-based compensation impacts related to pre-existing SABMiller plc equity awards held by former Miller Brewing Company employees now employed by MillerCoors.

During the thirteen weeks ended September 25, 2010, we had \$8.7 million of sales of beer to MillerCoors and \$2.1 million of purchases of beer from MillerCoors. During the thirteen weeks ended September 26, 2009, we had \$9.1 million of sales of beer to MillerCoors and \$3.0 million of purchases of beer from MillerCoors.

For the thirty-nine weeks ended September 25, 2010, we had \$27.9 million of sales of beer to MillerCoors and \$6.3 million of purchases of beer from MillerCoors. During the thirty-nine weeks ended September 26, 2009, we had \$30.3 million of sales of beer to MillerCoors and \$7.3 million of purchases of beer from MillerCoors.

Table of Contents**MOLSON COORS BREWING COMPANY AND SUBSIDIARIES****NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****FOR THE THIRTEEN AND THIRTY-NINE WEEKS ENDED SEPTEMBER 25, 2010****4. INVESTMENTS (Continued)**

During the thirteen weeks ended September 25, 2010, we recorded \$1.4 million of service agreement and other charges to MillerCoors and \$0.1 million of service agreement costs from MillerCoors. For the thirteen weeks ended September 26, 2009, we recorded \$2.2 million of service agreement and other charges to MillerCoors and \$0.4 million of service agreement costs from MillerCoors.

For the thirty-nine weeks ended September 25, 2010, we recorded \$3.7 million of service agreement and other charges to MillerCoors and \$1.1 million of service agreement costs from MillerCoors. For the thirty-nine weeks ended September 26, 2009, we recorded \$8.5 million of service agreement and other charges to MillerCoors and \$1.1 million of service agreement costs from MillerCoors.

As of September 25, 2010 and December 26, 2009, we had \$3.9 million and \$5.4 million net receivables due from MillerCoors, included within Accounts receivable, net, related to the activities mentioned above.

Brewers' Retail Inc. and Brewers' Distribution Ltd.

BRI, a VIE, is the beer distribution and retail network for the Ontario Province of Canada, owned by MCC, Labatt and Sleeman brewers. BRI operates on a break-even basis. MCBC had historically consolidated BRI as its primary beneficiary. During the first quarter of 2009, acquisition activity by another BRI owner caused our variable interest to decrease to a level indicating that we are no longer the primary beneficiary, and, as a result, we deconsolidated BRI from our financial statements and applied the equity method of accounting prospectively.

Brewers' Distributor Ltd. ("BDL"), our equity method joint venture, is a distributor owned by MCC and Labatt and, pursuant to an operating agreement, acts as an agent for the distribution of ours, Labatt's and other brewers' products in western provinces of Canada. The owners share 50%/50% voting control.

We are exposed to the risk of funding requirements related to the defined benefit plans of BRI and BDL, as a result of potential changes in the fair value of the respective plan's assets and liabilities. Specifically, the fair value of each entity's plan assets can fluctuate due to changes in the market value of the investments held by the respective plans, and the respective plan liabilities can fluctuate due to changes in discount rates and other actuarial assumptions. These fluctuations would result in a change in the respective plan's funded status and thereby the required contributions of BRI and BDL. Although we are exposed to these changes, we currently expect BRI and BDL to continue to meet the current and future plan funding requirements.

Consolidated Investments

The following summarizes the assets of our consolidated VIEs (including noncontrolling interests). The amounts below exclude receivables from the Company. None of our consolidated VIEs held debt as of September 25, 2010 or December 26, 2009.

	As of			
	September 25, 2010	December 26, 2009		
	(In millions)			
Grolsch	\$ 17.1	\$ 22.7		
Cobra	\$ 34.1	\$ 32.3		

Table of Contents**MOLSON COORS BREWING COMPANY AND SUBSIDIARIES****NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****FOR THE THIRTEEN AND THIRTY-NINE WEEKS ENDED SEPTEMBER 25, 2010****4. INVESTMENTS (Continued)**

The following summarizes the results of operations of our consolidated VIEs (including noncontrolling interests).

	For the Thirteen Weeks Ended				For the Thirty-Nine Weeks Ended			
	September 25, 2010		September 26, 2009		September 25, 2010		September 26, 2009	
	Pre-tax Revenues	Pre-tax income	Pre-tax Revenues	Pre-tax income	Pre-tax Revenues	Pre-tax income	Pre-tax Revenues	Pre-tax income
	(In millions)							
BRI(1)	\$	\$	\$	\$	\$	\$	\$ 40.4	\$
Grolsch(2)	\$ 7.2	\$ 1.0	\$ 9.0	\$ 1.3	\$ 23.0	\$ 3.3	\$ 26.3	\$ 4.1
Cobra	\$ 9.9	\$ 1.8	\$ 10.2	\$ 1.0	\$ 27.8	\$ 5.1	\$ 12.5	\$ 1.4

- (1) The revenues shown for BRI are for the first two months of 2009 as BRI was deconsolidated as of February 28, 2009.
- (2) Substantially all such sales for Grolsch are made to the Company and as such, are eliminated in consolidation.

Granville Island Brewing Co, Ltd.

During the fourth quarter of 2009, our subsidiary, Creemore Springs, entered into an agreement to acquire Granville Island Brewing Company, Ltd. and Mainland Beverage Distribution Ltd (collectively, "Granville Island"). Beginning in the fourth quarter of 2009, Granville Island was classified as a VIE and was consolidated by MCBC as the primary beneficiary. Pursuant to the agreement entered into in 2009, we acquired 100% of the outstanding stock in the second quarter of 2010 and, as a result, Granville Island is no longer classified as a VIE. We continue to consolidate the results and financial position of Granville Island, and it is reported within our Canada segment.

Molson Coors Si'hai Brewing (China) Co., Ltd.

During the third quarter of 2010, MCI paid \$34.7 million for a controlling 51% interest in Molson Coors Si'hai Brewing (China) Co., Ltd. ("MC-Si'hai"), a newly formed venture with the previous owner of the Si'hai beer brand and production facilities, Hebei Si'hai Beer Company. This purchase price included approximately \$14.9 million of cash contributed to MC-Si'hai and designated for certain future capital expenditures of the venture. The acquisition resulted in the recognition of goodwill of \$9.6 million and other intangible assets of \$7.0 million. We consolidate the results and financial position of MC-Si'hai, and it is reported within our MCI and Corporate segment. While at the time of the issuance of our financial statements purchase accounting had not yet been finalized, we do not anticipate any future material adjustments to recorded amounts. We have not presented pro forma information as the acquisition of MC-Si'hai is not material to our financial position or results of operations.

5. SHARE-BASED COMPENSATION

During the first three quarters of 2010 and 2009, we recognized share-based compensation related to the following Class B Common Stock awards to certain directors, officers, and other eligible employees, pursuant to the Molson Coors Brewing Company Incentive Compensation Plan ("Incentive Compensation Plan"): restricted stock units ("RSU"); deferred stock units ("DSU"); performance units ("PU"); stock options; and stock-only stock appreciation rights ("SOSAR").

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The following table summarizes components of the share-based compensation recorded as expense:

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	September 25, 2010	September 26, 2009	September 25, 2010	September 26, 2009
	(In millions)			
Stock options and SOSARs				
Pre-tax compensation expense	\$ 0.8	\$ 0.7	\$ 5.5	\$ 5.3
Tax benefit	(0.2)	(0.2)	(1.5)	(1.6)
After-tax compensation expense	\$ 0.6	\$ 0.5	\$ 4.0	\$ 3.7
RSUs and DSUs				
Pre-tax compensation expense	\$ 3.9	\$ 4.5	\$ 12.2	\$ 11.4
Tax benefit	(1.0)	(1.3)	(3.2)	(3.2)
After-tax compensation expense	\$ 2.9	\$ 3.2	\$ 9.0	\$ 8.2
PU's				
Pre-tax compensation expense	\$ 1.8	\$ 1.8	\$ 5.5	\$ 2.7
Tax benefit	(0.4)	(0.4)	(1.3)	(0.6)
After-tax compensation expense	\$ 1.4	\$ 1.4	\$ 4.2	\$ 2.1
Total after-tax compensation expense	\$ 4.9	\$ 5.1	\$ 17.2	\$ 14.0

During the first three quarters of 2010, we granted 0.7 million stock options, 0.3 million total RSUs and DSUs, and 0.7 million PUs, all of which were outstanding as of September 25, 2010.

The mark-to-market share-based compensation expense before tax, related to MCBC share-based awards granted to former CBC employees now employed by MillerCoors, recorded during the thirteen and thirty-nine weeks ended September 25, 2010, was \$0.7 million and \$1.8 million, respectively. For the thirteen and thirty-nine weeks ended September 26, 2009, the amounts were \$1.3 million and \$2.6 million, respectively. These amounts are included in the table above.

As of September 25, 2010, there was \$34.8 million of total unrecognized compensation expense related to non-vested shares from share-based compensation arrangements granted under the Incentive Compensation Plan. This compensation expense is expected to be recognized over a weighted-average period of approximately 1.6 years. During the thirty-nine weeks ended September 25, 2010, cash received from stock option exercises was \$13.5 million and the total tax benefit to be realized for the tax deductions from these option exercises was \$0.9 million.

As of September 25, 2010, there were 4.7 million shares of our Class B Common Stock available for the issuance of stock options, SOSARs, RSUs, DSUs, PUs and performance share units.

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The following table represents the summary of stock options and SOSARs outstanding as of September 25, 2010, and the activity during the first thirty-nine weeks ended September 25, 2010:

	Outstanding stock options and SOSARs	Weighted-average exercise price per share	Weighted-average remaining contractual life (years)	Aggregate intrinsic value
(In millions, except per share amounts and years)				
Outstanding as of December 26, 2009	7.4	\$ 37.00	4.94	\$ 64.0
Granted	0.7	\$ 43.25		
Exercised	(0.4)	\$ 34.57		
Forfeited	(0.1)	\$ 47.69		
Outstanding as of September 25, 2010	7.6	\$ 37.65	4.74	\$ 75.4
Excercisable at September 25, 2010	6.3	\$ 36.28	3.90	\$ 70.9

The total intrinsic value of stock options exercised during the thirty-nine weeks ended September 25, 2010, and September 26, 2009, was \$4.3 million and \$10.9 million, respectively.

The following table represents non-vested RSUs, PUs and DSUs as of September 25, 2010, and the activity during the first thirty-nine weeks ended September 25, 2010:

	Units (In millions, except per unit amounts)	Weighted-average grant date fair value per unit
Non-vested as of December 26, 2009	3.2	\$ 16.60
Granted	1.0	\$ 20.23
Vested	(1.0)	\$ 16.10
Forfeited	(0.1)	\$ 28.68
Non-vested as of September 25, 2010	3.1	\$ 17.30

The fair values of each option granted in the first three quarters of 2010 and 2009, respectively, were determined on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions:

**For the Thirty-Nine
Weeks Ended(1)**

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	September 25, 2010	September 26, 2009
Risk-free interest rate	2.95%	2.46%
Dividend yield	2.22%	2.28%
Volatility range	27.2% - 29.5%	28.7% - 28.9%
Weighted-average volatility	27.86%	28.88%
Expected term (years)	5.0 - 7.0	5.0 - 7.0
Weighted-average fair market value	\$ 10.95	\$ 10.33

(1) Values primarily relate to options granted during the annual grant which occurred in the first quarter of 2010 and the second quarter of 2009.

The valuation of stock options is a significant accounting estimate which requires us to use judgments and assumptions that are likely to have a material impact on our financial statements.

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MOLSON COORS BREWING COMPANY AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE THIRTEEN AND THIRTY-NINE WEEKS ENDED SEPTEMBER 25, 2010

5. SHARE-BASED COMPENSATION (Continued)

Annually, we make assumptions regarding future stock price volatility, employee exercise behavior, and dividend yield. We estimate our future stock price volatility using the historical volatility over the expected term of the option.

Our expected term represents the period of time that options granted are expected to be outstanding based on historical option exercise activity and employee post-vesting cancellations within the valuation model. Separate groups of employees with differing historical exercise behavior were segregated for valuation purposes. The weighted-average expected term for all employee groups is presented in the table above. Our valuation model assumes that dividends and our share price increase in line with earnings, resulting in a constant dividend yield. The risk-free interest rate for periods during the expected term of the options is based on the yield on a U.S. Treasury zero-coupon bond of comparable duration.

To the extent that actual outcomes differ from our assumptions, we are not required to true up grant-date fair-value-based expense to final intrinsic values. However, these differences can impact the classification of cash tax benefits realized upon exercise of stock options. Furthermore, historical data has a significant bearing on our forward-looking assumptions. Significant variances between actual and predicted experience could lead to prospective revisions in our assumptions, which could then significantly impact the year-over-year comparability of share-based compensation expense.

6. UNUSUAL OR INFREQUENT ITEMS

We have incurred charges or gains that we believe are not indicative of our normal, core operations. As such, we have separately classified these costs as special operating items.

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The table below summarizes special items expense recorded by program:

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	September 25, 2010	September 26, 2009	September 25, 2010	September 26, 2009
	(In millions)			
Canada				
Restructuring, exit and other related costs associated with the Edmonton and Montreal breweries(1)	\$	\$ 3.8	\$ 0.9	\$ 7.5
Ontario Retiree Pension incentive(2)			3.2	
Pension curtailment(3)				5.3
Software abandonment(4)	0.4		12.8	
U.K.				
Restructuring charge(5)	2.4	0.2	3.6	2.2
Costs associated with Cobra Beer partnership(6)				5.7
Other, net			0.1	
MCI and Corporate				
Costs associated with strategic initiatives	0.3	0.3	0.9	0.9
Total special items, net	\$ 3.1	\$ 4.3	\$ 21.5	\$ 21.6

(1) During the first three quarters of 2010 and the third and first three quarters of 2009, the Canada segment recognized expenses for restructuring costs associated with employee terminations and impairment of assets at the Montréal and Edmonton breweries.

(2) During the first three quarters of 2010, the Canada segment recognized special termination benefits related to changes to defined benefit pension plans.

(3) During the first three quarters of 2009, the Canada segment recognized a pension curtailment loss and restructuring costs associated with employee terminations at the Montréal brewery driven by MillerCoors' decision to produce Blue Moon products at its breweries in the U.S.

(4) During the third and first three quarters of 2010, a capital asset write-off and associated costs were recorded related to abandonment of sales support software, which had been under development, as a result of a change in strategic direction relative to the use of the software.

(5) During the third quarters and first three quarters of 2010 and 2009, the U.K. segment recognized employee termination costs primarily related to supply chain restructuring activity resulting from ongoing company-wide efforts to increase efficiency throughout the segment.

(6)

During the second quarter of 2009, the U.K. segment recognized costs associated with the Cobra Beer Partnership, Ltd. acquisition and employee severance costs related to individuals not retained subsequent to the acquisition.

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The table below summarizes the activity in the restructuring accruals:

	Severance and other employee-related costs		
	Canada	U.K.	Total
	(In millions)		
Balance at December 26, 2009	\$ 0.6	\$ 2.3	\$ 2.9
Charges incurred	0.1	3.6	3.7
Payments made	(0.4)	(2.5)	(2.9)
Foreign currency and other adjustments		(0.1)	(0.1)
Balance at September 25, 2010	\$ 0.3	\$ 3.3	\$ 3.6

7. OTHER INCOME AND EXPENSE

The table below summarizes other income and expense:

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	September 25, 2010	September 26, 2009	September 25, 2010	September 26, 2009
	(In millions)			
Gain from Foster's related derivative instruments(1)	\$ 42.3	\$ 59.3	\$ 57.3	\$ 24.8
(Losses) gains from other foreign exchange and derivative activity	(0.3)	(1.7)	(3.1)	5.9
Losses on non-operating leases, net	(0.5)	(0.8)	(0.6)	(1.8)
Environmental litigation provisions			(0.1)	(1.0)
Equity in income of unconsolidated affiliates, net		(1.0)		(3.1)
Other, net	0.1	0.1	0.9	4.3
Other income, net	\$ 41.6	\$ 55.9	\$ 54.4	\$ 29.1

(1) See further discussion in Note 13, "DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES".

8. DISCONTINUED OPERATIONS

In 2006, we sold our equity interest in our Brazilian unit, Cervejarias Kaiser Brasil S.A. ("Kaiser") to FEMSA Cerveza S.A. de C.V. ("FEMSA"). The terms of the sale agreement require us to indemnify FEMSA for exposures related to certain tax, civil and labor contingencies arising prior to FEMSA's purchase of Kaiser. In the third quarters of 2010 and 2009, we recognized losses from discontinued operations of \$0.9 million and \$9.0 million, respectively. During the first three quarters of 2010 and of 2009, we recognized a gain of \$41.1 million and a loss of \$12.9 million, respectively. We recognized a gain of \$42.6 million related to our settlement of a portion of our indemnity liabilities to FEMSA during the first quarter of 2010. See further discussion in Note 15, "COMMITMENTS AND CONTINGENCIES."

9. INCOME TAX

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Our effective tax rate for the third quarter of 2010 was approximately 19%. We anticipate that our 2010 full year effective tax rate will be in the range of 14% to 18%, assuming no changes in tax laws.

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MOLSON COORS BREWING COMPANY AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE THIRTEEN AND THIRTY-NINE WEEKS ENDED SEPTEMBER 25, 2010

9. INCOME TAX (Continued)

Our tax rate is volatile and may fluctuate with changes in, among other things, the amount and source of income or loss, our ability to utilize foreign tax credits, changes in tax laws, and the movement of liabilities established for uncertain tax positions as statutes of limitations expire or positions are otherwise effectively settled. In addition, any changes to current tax laws in the U.S., U.K. or Canada, may impact our effective tax rate.

As of December 26, 2009, we had \$71.5 million of uncertain tax benefits. Since December 26, 2009, uncertain tax benefits increased by \$3.6 million. This addition is net of increases due to additional uncertain tax positions and interest accrued for the current year and decreases primarily due to fluctuation in foreign exchange rates, certain tax positions closing or being effectively settled, payments made to tax authorities with regard to uncertain tax positions during the third quarter of 2010. This results in a total uncertain tax benefit of \$75.1 million as of September 25, 2010. Within the next 12 months, the Company expects to recognize approximately \$3 to \$7 million of income tax expense related to uncertain tax positions.

We file income tax returns in most of the federal, state, and provincial jurisdictions in the U.S., U.K., and Canada. Tax years through 2007 are closed or have been effectively settled through examination in the U.S and in the U.K. The 2008 tax year is currently under examination in the U.S. and is expected to conclude in 2011. Tax years through 2004 are closed or have been effectively settled through examination in Canada. Tax year 2005 is currently under examination in Canada.

10. EARNINGS PER SHARE ("EPS")

Basic net income per share was computed using the weighted average number of shares of common stock outstanding during the period. Diluted net income per share includes the additional dilutive effect of our potentially dilutive securities, which include stock options, SOSARs, RSUs, PUs, and DSUs, calculated using the treasury stock method.

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The following summarizes the effect of dilutive securities on diluted EPS:

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	September 25, 2010	September 26, 2009	September 25, 2010	September 26, 2009
	(In millions)			
Amounts attributable to MCBC				
Income from continuing operations, net of tax	\$ 257.0	\$ 244.3	\$ 556.8	\$ 511.2
(Loss) income from discontinued operations, net of tax	(0.9)	(9.0)	41.1	(12.9)
Net income attributable to MCBC	\$ 256.1	\$ 235.3	\$ 597.9	\$ 498.3
Weighted average shares for basic EPS	186.0	184.6	185.7	184.2
Effect of dilutive securities:				
Stock options and SOSARs	0.9	1.3	0.9	1.0
RSUs, PUs and DSUs	0.5	0.3	0.5	0.4
Weighted average shares for diluted EPS	187.4	186.2	187.1	185.6
Basic income (loss) per share:				
Continuing operations attributable to MCBC	\$ 1.39	\$ 1.32	\$ 3.00	\$ 2.78
Discontinued operations attributable to MCBC	(0.01)	(0.05)	0.22	(0.07)
Net income attributable to MCBC	\$ 1.38	\$ 1.27	\$ 3.22	\$ 2.71
Diluted income (loss) per share:				
Continuing operations attributable to MCBC	\$ 1.38	\$ 1.31	\$ 2.98	\$ 2.75
Discontinued operations attributable to MCBC	(0.01)	(0.05)	0.22	(0.07)
Net income attributable to MCBC	\$ 1.37	\$ 1.26	\$ 3.20	\$ 2.68
Dividends declared and paid per share	\$ 0.28	\$ 0.24	\$ 0.80	\$ 0.68

The following anti-dilutive securities were excluded from the computation of the effect of dilutive securities on earnings per share for the following periods:

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	September 25, 2010	September 26, 2009	September 25, 2010	September 26, 2009
	(In millions)			
Stock options, SOSARs and RSUs(1)	0.7	0.6	0.9	0.7
Shares issuable upon assumed conversion of the 2.5% Convertible Senior Notes to issue Class B common shares(2)	10.5	10.5	10.5	10.5
Warrants to issue Class B common shares(2)	10.5	10.5	10.5	10.5
	21.7	21.6	21.9	21.7

-
- (1) Exercise prices exceed the average market price of the common shares or are anti-dilutive due to the impact of the unrecognized compensation cost on the calculation of assumed proceeds in the application of the treasury stock method.

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(2)

We issued \$575 million of senior convertible notes in June 2007. The impact of a net share settlement of the conversion amount at maturity will begin to dilute earnings per share when our stock price reaches \$54.01. The impact of stock that could be issued to settle share obligations we could have under the warrants we issued simultaneously with the convertible notes issuance will begin to dilute earnings per share when our stock price reaches \$68.95. The potential receipt of MCBC stock from counterparties under our purchased call options when and if our stock price is between \$54.01 and \$68.95 would be anti-dilutive and excluded from any calculations of earnings per share.

We have no outstanding equity share awards that contain non-forfeitable rights to dividends on unvested shares.

11. GOODWILL AND INTANGIBLE ASSETS

The following summarizes the change in goodwill for the thirty-nine weeks ended September 25, 2010 (in millions):

Balance at December 26, 2009	\$ 1,475.0
Foreign currency translation	11.6
Business acquisition	9.6
Other	(0.2)
Balance at September 25, 2010	\$ 1,496.0

Goodwill was attributed to our segments as follows:

	As of	
	September 25, 2010	December 26, 2009
	(In millions)	
Canada	\$ 737.2	\$ 720.7
United Kingdom	749.2	754.3
MCI and Corporate	9.6	
Consolidated	\$ 1,496.0	\$ 1,475.0

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The following table presents details of our intangible assets, other than goodwill, as of September 25, 2010:

	Useful life (Years)	Gross	Accumulated amortization (In millions)	Net
Intangible assets subject to amortization:				
Brands	3 - 40	\$ 293.1	\$ (150.9)	\$ 142.2
Distribution rights	2 - 23	341.7	(214.9)	126.8
Patents and technology and distribution channels	3 - 10	35.4	(25.2)	10.2
Other	2 - 42	6.4		6.4
Intangible assets not subject to amortization:				
Brands	Indefinite	3,319.8		3,319.8
Distribution networks	Indefinite	987.8		987.8
Other	Indefinite	15.5		15.5
Total		\$ 4,999.7	\$ (391.0)	\$ 4,608.7

The following table presents details of our intangible assets, other than goodwill, as of December 26, 2009:

	Useful life (Years)	Gross	Accumulated amortization (In millions)	Net
Intangible assets subject to amortization:				
Brands	3 - 40	\$ 293.5	\$ (140.1)	\$ 153.4
Distribution rights	2 - 23	334.4	(194.3)	140.1
Patents and technology and distribution channels	3 - 10	35.8	(22.4)	13.4
Intangible assets not subject to amortization:				
Brands	Indefinite	3,248.8		3,248.8
Distribution networks	Indefinite	963.5		963.5
Other	Indefinite	15.5		15.5

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Total \$ 4,891.5 \$ (356.8) \$ 4,534.7

The changes in the gross carrying amounts of intangibles from December 26, 2009, to September 25, 2010, are due primarily to the impact of foreign exchange rates, as a significant amount of intangibles are denominated in foreign currencies. Gross carrying amounts were also impacted by business acquisition activities. See Note 4, "INVESTMENTS" for further disclosure.

Based on foreign exchange rates as of September 25, 2010, the following is our estimated amortization expense related to intangible assets for the next five years:

	Amount
	(In millions)
2010 - remaining	\$ 11.3
2011	\$ 43.8
2012	\$ 31.8
2013	\$ 30.7
2014	\$ 30.7

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Amortization expense of intangible assets was \$10.9 million and \$32.9 million for the thirteen and thirty-nine weeks ended September 25, 2010, respectively and \$10.6 and \$29.6 million for the thirteen and thirty-nine weeks ended September 26, 2009, respectively.

We are required to perform goodwill and indefinite-lived intangible asset impairment tests on at least an annual basis and more frequently in certain circumstances. We completed the required annual impairment testing during the third quarter of 2010 and determined that there were no impairments of goodwill or other indefinite-lived intangible assets. No impairment losses were included in the goodwill balances as of September 25, 2010 or December 26, 2009.

12. DEBT

The table below summarizes total debt:

	As of	
	September 25, 2010	December 26, 2009
	(In millions)	
Senior notes:		
U.S. \$300 million 4.85% notes due 2010(1)	\$	\$ 300.0
U.S. \$850 million 6.375% notes due 2012	44.6	44.6
Canadian dollar ("CAD") \$900 million 5.0% notes due 2015	878.8	857.2
U.S. \$575 million 2.5% convertible notes due 2013(2)	575.0	575.0
Less: unamortized debt discounts and other(3)	(51.2)	(63.8)
Total long-term debt (including current portion)	1,447.2	1,713.0
Less: current portion of long-term debt		(300.3)
Total long-term debt	\$ 1,447.2	\$ 1,412.7
Total fair value	\$ 1,623.7	\$ 1,913.6

(1) During the quarter, we repaid our \$300 million 4.85% notes that were due in September 2010. Subsequent to quarter end, our wholly owned subsidiary, Molson Coors International LP, completed a 7-year CAD \$500 million 3.95% fixed rate Series A Notes private placement in Canada. These notes resulted in net proceeds of CAD \$496.6 million after underwriting fees and being issued at a discount of CAD \$1.6 million. The Series A Notes will mature on October 6, 2017. The notes are guaranteed by MCBC and certain United States and Canadian subsidiaries of the Company and rank equally with the Company's other outstanding notes and credit facility.

(2) The original conversion price for each \$1,000 aggregate principal amount of notes was \$54.76 per share of our Class B common stock, which represented a 25% premium above the stock price on the day of issuance of the notes and corresponded to the initial conversion ratio of 18.263 shares per \$1,000 aggregate principal amount of notes. The conversion ratio and conversion price are subject to adjustments for certain events and provisions, as defined in the indenture. As of August 26, 2010 our conversion price and ratio are \$54.01 and 18.515 shares, respectively. Currently, the convertible debt's if-converted value does not exceed the principal.

(3)

During the thirteen weeks ended September 25, 2010, and September 26, 2009, we incurred additional non-cash interest expense of \$4.2 million and \$4.1 million, respectively. For the thirty-nine weeks ended September 25, 2010, and September 26,

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2009, the amounts were \$12.6 million and \$12.2 million, respectively. We also incurred interest expense related to the 2.5% coupon rate on the convertible debt of \$3.6 million for both thirteen week periods ended September 25, 2010, and September 26, 2009. For the thirty-nine weeks ended September 25, 2010, and September 26, 2009 the amount was \$10.8 million for both periods. The combination of non-cash and cash interest resulted in an effective interest rate of 5.95% and 6.01% for the thirteen weeks ended September 25, 2010, and September 26, 2009, respectively. The effective interest rates for the thirty-nine weeks ended September 25, 2010, and September 26, 2009 were 5.95% and 6.03%, respectively. As of September 25, 2010, and December 26, 2009, paid in capital in the equity section of our balance sheet includes \$103.9 million, (\$64.2 million net of tax), representing the equity component of the convertible debt. Further, as of September 25, 2010, and December 26, 2009, \$50.6 million and \$63.3 million respectively of the unamortized debt discount and other balance relates to our \$575 million convertible debt. The unamortized discount will continue to amortize through 2013 resulting in non-cash interest expense of approximately \$16 million to \$18 million annually, thereby increasing the carrying value of the convertible debt to its \$575 million face value at maturity in July 2013. The remaining \$0.6 million as of quarter-end and \$0.5 million as of year-end relates to unamortized debt premiums, discounts, and other on the additional debt balances.

13. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

During the quarter, both our USD \$300million/CAD \$355.5 million cross currency swap and our forward starting interest rate swaps matured and were cash settled in accordance with the terms of each contract. Early in the fourth quarter of 2010, we also entered into, and subsequently settled, a foreign currency forward contract to hedge a portion of our foreign currency risk associated with cash inflows from our CAD \$500 million debt issuance that occurred early in the fourth quarter of 2010.

During the third quarter, we accelerated the maturity dates of our total return swaps related to Foster's stock, a portion of these swaps were settled prior to quarter end. Simultaneously, we entered into a series of option contracts to limit our exposure to future changes in Foster's stock price, effectively fixing a range of settlement values for our remaining open swap positions. The remaining total return swaps and related options will mature throughout the fourth quarter of 2010 and January of 2011.

All of these new strategies were accounted for using mark to market accounting treatment at quarter end.

Derivative Fair Value Measurements

We utilize market approaches to estimate the fair value of our derivative instruments by discounting anticipated future cash flows derived from the derivative's contractual terms and observable market interest, foreign exchange and commodity rates. The fair values of our derivatives also include credit risk adjustments to account for our counterparties' credit risk, as well as MCBC's own non-performance risk. As of September 25, 2010 and December 26, 2009 these adjustments resulted in deferred net gains in accumulated other comprehensive income ("AOCI") of \$2.9 million and \$3.3 million, respectively, as the fair value of our derivatives were in net liability positions at both period ends.

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The table below summarizes our derivative assets and liabilities that were measured at fair value as of September 25, 2010 and December 26, 2009.

	Fair Value Measurements at September 25, 2010			
	Total carrying value at September 25, 2010	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	Using			
	(In millions)			
Cross currency swaps	\$ (392.3)	\$	\$ (392.3)	\$
Foreign currency forwards	(11.9)		(11.9)	
Commodity swaps	(0.4)		(0.4)	
Total return swaps	50.2		50.2	
Option contracts	(0.9)			(0.9)
Total	\$ (355.3)	\$	\$ (354.4)	\$ (0.9)

	Fair Value Measurements at December 26, 2009			
	Total carrying value at December 26, 2009	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	Using			
	(In millions)			
Cross currency swaps	\$ (413.0)	\$	\$ (413.0)	\$
Forward starting interest rate swaps	6.3		6.3	
Foreign currency forwards	(8.5)		(8.5)	
Commodity swaps	(0.9)		(0.9)	
Total return swaps	(1.8)		(1.8)	
Total	\$ (417.9)	\$	\$ (417.9)	\$

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As discussed, during the quarter we had entered into new option contracts that were classified as Level 3 as the valuations were based upon significant unobservable inputs. The table below summarizes our Level 3 activity for the period:

	Rollforward of Level 3 Inputs (In millions)
Balance at December 26, 2009	\$
Total gains or losses (realized/unrealized)	
Included in earnings (or change in net assets)	
Included in AOCI	
Purchases, issuances and settlements	(0.9)
Transfers in/out of Level 3	
Balance at September 25, 2010	\$ (0.9)

Results of Derivative Activity

The tables below include the year to date results of our derivative activity in the Condensed Consolidated Balance Sheet as of September 25, 2010, and December 26, 2009, and the Condensed Consolidated Statement of Operations for the thirteen and thirty-nine weeks ended September 25, 2010, and September 26, 2009.

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	Notional amount	Asset derivatives		Liability derivatives	
		Balance sheet location	Fair value	Balance sheet location	Fair value
Derivatives designated as hedging instruments:					
Cross currency swaps	USD 1,677.6	Other current assets	\$	Accrued expenses	\$ (7.4)
		Other assets		Long term derivative liability	(384.9)
Foreign currency forwards	USD 364.6	Other current assets	1.4	Accrued expenses	(9.6)
		Other assets	0.6	Long term derivative liability	(3.0)
Commodity swaps	Gigajoules 2.1	Other current assets	0.8	Accrued expenses	(1.2)
		Other assets	0.2	Long term derivative liability	(0.1)
Total derivatives designated as hedging instruments			\$ 3.0		\$ (406.2)
Derivatives not designated as hedging instruments:					
Foreign currency forwards	USD 215.3	Other current assets	\$	Accrued expenses	\$ (1.3)
Total return swaps	Australian dollar ("AUD") 408.6	Other current assets	51.2	Accrued expenses	(0.9)
Option contracts	FGL.ASX Shares 74.1	Other current assets	14.5	Accrued expenses	(15.4)
Total derivatives not designated as hedging instruments			\$ 65.7		\$ (17.6)

As of December 26, 2009

	Notional amount	Asset derivatives		Liability derivatives	
		Balance sheet location	Fair value	Balance sheet location	Fair value
Derivatives designated as hedging instruments:					
Cross currency swaps	USD 1,992.4	Other current assets	\$	Accrued expenses	\$ (46.9)

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		Other assets		Long term derivative liability	(366.1)
		Other current assets	6.3	Accrued expenses	
Forward starting interest rate swaps	USD 190.5	Other current assets	4.6	Accrued expenses	(6.1)
Foreign currency forwards	USD 339.3	Other assets	1.1	Long term derivative liability	(8.1)
		Other current assets		Accrued expenses	(0.9)
Commodity swaps	Gigajoules 1.2				
Total derivatives designated as hedging instruments			\$ 12.0		\$ (428.1)
Derivatives not designated as hedging instruments:					
Total return swaps	AUD 496.5	Other current assets	\$	Accrued expenses	\$ (1.8)
Total derivatives not designated as hedging instruments			\$		\$ (1.8)

MCBC allocates the current and non-current portion of each contract to the corresponding derivative account above.

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	For the Thirteen Weeks Ended September 25, 2010					
	Amount of gain (loss) recognized in OCI on derivative (effective portion)	Location of gain (loss) reclassified from AOCI into income (effective portion)	Amount of gain (loss) recognized from AOCI on derivative (effective portion)	Location of gain (loss) recognized in income on derivative (ineffective portion and amount excluded from effectiveness testing)	Amount of gain (loss) recognized in income on derivative (ineffective portion and amount excluded from effectiveness testing)	
Cross currency swaps(1)	\$ 1.3	Other income, net	\$ (10.5)	Other income, net	\$	
		Interest expense, net	(3.0)	Interest expense, net		
Forward starting interest rate swaps	(7.4)	Interest expense, net		Interest expense, net		
Foreign currency forwards	(2.2)	Other income, net	(1.1)	Other income, net		
		Cost of goods sold	0.2	Cost of goods sold		
		Marketing, general and administrative expenses		Marketing, general and administrative expenses		
Commodity swaps	(1.0)	Cost of goods sold	(0.2)	Cost of goods sold		
Total	\$ (9.3)		\$ (14.6)		\$	

	For the Thirteen Weeks Ended September 26, 2009					
	Amount of gain (loss) recognized in OCI on derivative (effective portion)	Location of gain (loss) reclassified from AOCI into income (effective portion)	Amount of gain (loss) recognized from AOCI on derivative (effective portion)	Location of gain (loss) recognized in income on derivative (ineffective portion and amount excluded from effectiveness testing)	Amount of gain (loss) recognized in income on derivative (ineffective portion and amount excluded from effectiveness testing)	
Cross currency swaps(1)	\$ 1.9	Other income, net	\$ 14.9	Other income, net	\$	
		Interest expense, net	(2.0)	Interest expense, net		
Forward starting interest rate swaps	(2.4)	Interest expense, net		Interest expense, net		
Foreign currency forwards	(17.2)	Other income, net	(0.6)	Other income, net		
		Cost of goods sold	2.8	Cost of goods sold		
		Marketing, general and administrative expenses	(0.2)	Marketing, general and administrative expenses		
Commodity swaps	0.6	Cost of goods sold	(1.0)	Cost of goods sold		
Total	\$ (17.1)		\$ 13.9		\$	

For the Thirty-Nine Weeks Ended September 25, 2010

	Amount of gain (loss) recognized in OCI on derivative (effective portion)	Location of gain (loss) reclassified from AOCI into income (effective portion)	Amount of gain (loss) recognized from AOCI on derivative (effective portion)	Location of gain (loss) recognized in income on derivative (ineffective portion and amount excluded from effectiveness testing)	
				Amount of gain (loss) recognized in income	Amount of gain (loss) recognized in income (ineffective portion and amount excluded from effectiveness testing)
Derivatives in cash flow hedge relationships					
Cross currency swaps(1)	\$ 11.5	Other income, net	\$ (25.8)	Other income, net	\$
		Interest expense, net	(8.9)	Interest expense, net	
Forward starting interest rate swaps					