MOLSON COORS BREWING CO
Form 10-Q
May 09, 2007

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MOLSON COORS BREWING COMPANY AND SUBSIDIARIES INDEX

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the Quarterly period ended April 1, 2007

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	**84-0178360**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1225 17th Street, Denver, Colorado, USA	**80202**
1555 Notre Dame Street East, Montréal, Québec, Canada	**H2L 2R5**
(Address of principal executive offices)	(Zip Code)

303-279-6565 (Colorado)
514-521-1786 (Québec)
(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 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 ý No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ý Accelerated filer o Non-accelerated filer o

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

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of April 27, 2007:

Class A Common Stock	1,337,386 shares
Class B Common Stock	70,452,459 shares

Exchangeable shares:

As of April 27, 2007, the following number of exchangeable shares was outstanding for Molson Coors Canada, Inc.:

Class A Exchangeable shares	1,657,110
Class B Exchangeable shares	15,889,841

In addition, 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.

MOLSON COORS BREWING COMPANY AND SUBSIDIARIES

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PART I. FINANCIAL INFORMATION

ITEM I. FINANCIAL STATEMENTS

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

	Thirteen Weeks Ended	
	April 1, 2007	March 26, 2006
Sales	$ 1,651,195	$ 1,543,946
Excise taxes	(422,584)	(390,100)
Net sales	1,228,611	1,153,846
Cost of goods sold	(770,162)	(726,668)
Gross profit	458,449	427,178
Marketing, general and administrative expenses	(396,798)	(388,858)
Special items, net	(8,231)	(26,831)
Operating income	53,420	11,489
Interest expense, net	(26,318)	(31,955)
Other income (expense), net	1,251	(2,241)
Income (loss) from continuing operations before income taxes	28,353	(22,707)
Income tax (expense) benefit	(5,313)	7,438
Income (loss) from continuing operations before minority interests	23,040	(15,269)
Minority interests in net income of consolidated entities	(3,803)	(3,301)
Income (loss) from continuing operations	19,237	(18,570)
Loss from discontinued operations, net of tax	(14,830)	(11,667)
Net income (loss)	$ 4,407	$ (30,237)
Basic and diluted income (loss) per share:		
From continuing operations	$ 0.22	$ (0.22)
From discontinued operations	(0.17)	(0.13)
Basic and diluted net income (loss) per share	$ 0.05	$ (0.35)
Weighted average shares basic	88,071	85,683
Weighted average shares diluted	89,120	85,683

See notes to unaudited condensed consolidated financial statements

MOLSON COORS BREWING COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS)
(UNAUDITED)

	As of	
	April 1, 2007	**December 31, 2006**
Assets		
Current assets:		
Cash and cash equivalents	$ 119,364	$ 182,186
Accounts receivable, net	595,140	683,509
Other receivables, net	134,313	145,090
Inventories:		
Finished, net	165,157	138,449
In process	53,143	38,692
Raw materials	71,144	80,918
Packaging materials, net	75,883	61,479
Total inventories, net	365,327	319,538
Other assets, net	115,271	116,916
Deferred tax assets	6,624	6,477
Discontinued operations	4,688	4,640
Total current assets	1,340,727	1,458,356
Properties, net	2,560,609	2,421,484
Goodwill	2,983,210	2,968,676
Other intangibles, net	4,422,381	4,395,294
Deferred tax assets	113,739	131,349
Notes receivable, net	68,408	75,243
Other assets	146,475	148,694
Discontinued operations	4,362	4,317
Total assets	$ 11,639,911	$ 11,603,413

See notes to unaudited condensed consolidated financial statements.

MOLSON COORS BREWING COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARE DATA)
(UNAUDITED)

	As of	
	April 1, 2007	**December 31, 2006**
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	$ 293,960	$ 419,650
Accrued expenses and other liabilities	978,663	1,225,406
Deferred tax liabilities	74,948	116,329
Short-term borrowings and current portion of long-term debt	85,794	4,441
Discontinued operations	34,137	34,290
Total current liabilities	1,467,502	1,800,116
Long-term debt	2,139,835	2,129,845
Pension and post-retirement benefits	714,401	753,697
Derivative hedging instruments	263,866	269,253
Deferred tax liabilities	615,680	607,000
Unrecognized tax benefits	274,608	
Other liabilities	91,420	93,721
Discontinued operations	102,056	85,643
Total liabilities	5,669,368	5,739,275
Minority interests	49,241	46,782
Stockholders' equity		
Capital stock:		
Preferred stock, non-voting, no par value (authorized: 25,000,000 shares; none issued)		
Class A common stock, voting, $0.01 par value (authorized: 500,000,000 shares; issued and outstanding: 1,337,386 shares at April 1, 2007 and December 31, 2006)	13	13
Class B common stock, non-voting, $0.01 par value (authorized: 500,000,000 shares; issued and outstanding: 70,364,218 shares and 66,608,483 shares at April 1, 2007 and December 31, 2006, respectively)	704	666
Class A exchangeable shares (issued and outstanding: 1,657,112 shares and 1,657,125 shares at April 1, 2007 and December 31, 2006, respectively)	124,698	124,699
Class B exchangeable shares (issued and outstanding: 15,930,914 shares and 17,421,768 shares at April 1, 2007 and December 31, 2006, respectively)	1,198,805	1,310,989
Total capital stock	1,324,220	1,436,367
Paid-in capital	2,669,628	2,390,556
Retained earnings	1,544,014	1,673,455
Accumulated other comprehensive income	383,440	316,978
Total stockholders' equity	5,921,302	5,817,356
Total liabilities and stockholders' equity	$ 11,639,911	$ 11,603,413

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 THOUSANDS)
(UNAUDITED)

	Thirteen Weeks Ended	
	April 1, 2007	**March 26, 2006**
Cash flows from operating activities:		
Net income (loss)	$ 4,407	$ (30,237)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation and amortization	83,399	111,224
Share-based compensation	6,751	4,338
Loss on sale or impairment of properties and intangibles	585	3,063
Deferred income taxes	1,135	(2,997)
Equity in net (income) loss of unconsolidated affiliates	(2,603)	217
Minority interest in net income of consolidated entities	3,803	3,301
Excess tax benefits from share-based compensation	(15,771)	(60)
Change in current assets and liabilities and other	(269,205)	(111,774)
Discontinued operations	14,830	12,550
Net cash used in operating activities	(172,669)	(10,375)
Cash flows from investing activities:		
Additions to properties and intangible assets	(106,967)	(87,115)
Proceeds from sales of properties and intangible assets	1,013	853
Trade loan repayments from customers	7,125	6,109
Trade loans advanced to customers	(5,215)	(5,610)
Other	201	
Discontinued operations proceeds from sale of majority stake in Kaiser, net of costs to sell		63,813
Net cash used in investing activities	(103,843)	(21,950)
Cash flows from financing activities:		
Issuances of stock under equity compensation plans	144,922	13,986
Excess tax benefits from share-based compensation	15,771	60
Dividends paid	(28,439)	(27,408)
Dividends paid to minority interest holders		(2,866)
Payments on long-term debt and capital lease obligations	(138)	(1,098)
Proceeds from short-term borrowings	86,382	45,858
Payments on short-term borrowings	(66,097)	(44,807)
Net proceeds from commercial paper		132,143
Net proceeds from (payments on) revolving credit facilities	60,165	(68,816)
Change in overdraft balances and other	753	8,253
Discontinued operations		(884)
Net cash provided by financing activities	213,319	54,421
Cash and cash equivalents:		
Net (decrease) increase in cash and cash equivalents	(63,193)	22,096
Effect of foreign exchange rate changes on cash and cash equivalents	371	(2,220)
Balance at beginning of year	182,186	39,413
Balance at end of period	$ 119,364	$ 59,289

	Thirteen Weeks Ended	

See notes to unaudited condensed consolidated financial statements.

MOLSON COORS BREWING COMPANY AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THIRTEEN WEEKS ENDED APRIL 1, 2007

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

On February 9, 2005, Adolph Coors Company merged with Molson Inc. (the Merger). In connection with the Merger, Adolph Coors Company became the parent of the merged company and changed its name to Molson Coors Brewing Company. Unless otherwise noted in this report, any description of us includes Molson Coors Brewing Company (MCBC or the Company) (formerly Adolph Coors Company), principally a holding company, and its operating subsidiaries: Coors Brewing Company (CBC), operating in the United States (U.S.); Coors Brewers Limited (CBL), operating in the United Kingdom (U.K.); Molson Canada (Molson), operating in Canada; and our other corporate entities. Any reference to "Coors" means the Adolph Coors Company prior to the Merger. Any reference to Molson Inc. means Molson prior to the Merger. Any reference to "Molson Coors" means MCBC, after the Merger.

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

Unaudited Condensed Consolidated Financial Statements

The accompanying unaudited condensed consolidated financial statements reflect all adjustments, consisting of normal recurring accruals, which are necessary for a fair statement of the financial position, results of operations and cash flows for the periods presented. The accompanying condensed consolidated financial statements include our accounts, the accounts of our majority-owned subsidiaries and certain variable interest entities of which we are the primary beneficiary. All intercompany transactions and balances have been eliminated in consolidation. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements, including the notes thereto, contained in our Annual Report on Form 10-K for the year ended December 31, 2006. The results of operations for the thirteen week period ended April 1, 2007, are not necessarily indicative of the results that may be achieved for the full fiscal year and cannot be used to indicate financial performance for the entire year.

The December 31, 2006 condensed consolidated balance sheet data was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America (U.S. GAAP).

Reporting Periods Presented

MCBC follows a 52/53 week fiscal reporting calendar. The first fiscal quarter of 2007 and 2006 consisted of 13 weeks ending on April 1, 2007 and March 26, 2006, respectively. Fiscal year 2007 will consist of 52 weeks ending on December 30, 2007. Fiscal year 2006 consisted of 53 weeks ending on December 31, 2006, with the extra week falling in the fourth quarter of 2006.

Since the Merger, the results of Cervejarias Kaiser Brasil S.A. (Kaiser) (now reported as discontinued operations) and Brewers Retail Inc. (BRI) are reported one month in arrears in the accompanying unaudited condensed consolidated financial statements.

Use of estimates

Our consolidated financial statements are prepared in accordance with U.S. GAAP. These accounting principles require us to make certain estimates, judgments and assumptions. We believe that the estimates, judgments and assumptions are reasonable, based on information available at the time they are made. To the extent there are material differences between these estimates and actual results, our consolidated financial statements may be affected.

Properties

In the first quarter of 2007, we completed a re-evaluation of the estimated useful lives of a substantial portion of our property, plant and equipment on a global basis, in light of improvements in maintenance, new technology and changes in expected patterns of usage.

The following table details the ranges of the useful economic life ranges assigned to depreciable property, plant and equipment:

	Useful Economic Lives as of April 1, 2007	Useful Economic Lives as of December 31, 2006
Buildings and improvements	20 - 40 years	10 - 40 years
Machinery and equipment	3 - 25 years	3 - 20 years
Furniture and fixtures	3 - 10 years	3 - 10 years

These changes in depreciable lives are reflected as a change in estimate and are being recognized prospectively beginning in the first quarter of 2007. These changes resulted in a reduction of approximately $4.5 million in our consolidated depreciation expense for the first quarter of 2007.

Statement of Cash Flows Supplemental Data

During the first quarter of 2007, CBL became legally obligated to purchase the keg population it was using for its beer after our third-party logistics provider that had previously owned and managed the kegs was placed in receivership. The addition of the kegs resulted in increases to "Properties, net" and "Accrued expenses and other liabilities" of approximately $90 million. Cash consideration for the kegs was paid in the second quarter of 2007 and will be presented as "Additions to properties and intangible assets" in the Consolidated Statements of Cash Flows in the second quarter of 2007.

Reclassifications

Certain prior period amounts have been reclassified to conform to the current period presentation.

Adoption of New Accounting Pronouncements

SFAS No. 155 "Accounting for Certain Hybrid Financial Instruments"

SFAS 155 was issued in February 2006 and became effective for us in the first quarter of 2007. Among other factors, SFAS 155 simplifies the accounting for certain hybrid financial instruments by permitting fair value accounting for any hybrid financial instrument that contains an embedded derivative that otherwise would require bifurcation. The adoption of this standard had no material impact on our results of operations or financial position.

SFAS No. 156 "Accounting for Servicing of Financial Assets an amendment of FASB Statement No. 140"

SFAS 156 was issued in February 2006 and became effective for us in the first quarter 2007. The new standard, which is an amendment to SFAS 140, simplifies the accounting for servicing assets and liabilities by addressing the recognition and measurement of separately recognized servicing assets and liabilities and providing an approach to simplify efforts to obtain hedge-like accounting. The adoption of this standard had no material impact on our results of operations or financial position.

FASB's Emerging Issue Task Force Issue No. 06-03 "How Taxes Collected from Customers and Remitted to Governmental Authorities Should Be Presented in the Income Statement (That Is, Gross Versus Net Presentation)"

In June 2006, the FASB ratified a consensus on EITF Issue No. 06-03 (EITF 06-03) related to the classification of certain sales, value added and excise taxes within the income statement. The adoption of this standard had no material impact in the first quarter of 2007 and is not expected to have a material impact on our results of operations.

FASB Interpretation No. 48 "Accounting for Uncertainty in Income Taxes an Interpretation of FASB Statement No. 109"

On January 1, 2007, we adopted the FASB's Interpretation No. 48, "Accounting for Uncertainty in Income Taxes an Interpretation of FASB Statement No. 109" (FIN 48). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements. FIN 48 prescribes a two-step process to determine the amount of tax benefit to be recognized. First, the tax position must be evaluated to determine the likelihood that it will be sustained upon examination. If the tax position is deemed "more-likely-than-not" to be sustained, the tax position is then valued to determine the amount of benefit to be recognized in the financial statements. As a result of the adoption of FIN 48, we have increased tax-related liabilities by a total of $132.1 million and recorded $3.9 million as a current unrecognized tax benefit and $128.2 million as a non-current unrecognized tax benefit. The cumulative effect of applying the new requirement has been recorded as a reduction to the beginning balance of retained earnings in the amount of $105.4 million, an increase to goodwill in the amount of $2.3 million (See Note 7) and an increase to deferred tax assets of $24.4 million. The adjustment to goodwill reflects changes to liabilities for uncertain tax positions established in the opening balance sheet of the acquisition of CBL in 2002 and the Merger in 2005. See Note 5 for further discussion.

As the adoption of FIN 48 impacted Retained Earnings, the following summarizes the activity in Retained Earnings from December 31, 2006 to April 1, 2007 (in thousands):

		Retained earnings
Balance at December 31, 2006	$	1,673,455
Adjustment to adopt FIN 48		(105,409)
Net income		4,407
Cash dividends		(28,439)
Balance at April 1, 2007	$	1,544,014

New Accounting Pronouncements

SFAS No. 157 "Fair Value Measurements"

SFAS 157 was issued in September 2006 and will be effective for us in the first quarter of our 2008 fiscal year. This standard clarifies the definition of fair value, establishes a framework for measuring fair value and expands disclosure about fair value measurements. We are still in the process of reviewing the impact, if any, that SFAS 157 will have on our financial statements.

SFAS No. 159 "The Fair Value Option for Financial Assets and Financial Liabilities, Including an amendment of FASB Statement No. 115"

SFAS 159 was issued in February 2007 which permits entities to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value. The objective of this Statement is to reduce both complexity in accounting for financial instruments and the volatility in earnings caused by measuring related assets and liabilities using different measurement techniques. The fair value measurement provisions are elective and can be applied to individual financial instruments. SFAS 159 requires additional disclosures related to the fair value measurements included in the entity's financial statements. This Statement is effective for us as of the beginning of our 2008 fiscal year. We have not yet determined if we will elect to adopt the fair value measurement provisions of this Statement and what impacts such adoption might have on our financial statements.

2. BUSINESS SEGMENTS

The Company has three reporting segments: Canada, United States (U.S.) and Europe. Our reporting segments are driven by geographic regions which is the basis on which our chief operating decision maker evaluates the performance of the business. Corporate includes interest and certain other general and administrative costs that are not allocated to any of the operating segments.

No single customer accounted for more than 10% of our sales. Net sales represent sales to third party external customers. Intersegment revenues are insignificant and eliminated in consolidation.

The following tables represent net sales and reconciliations of amounts shown as income (loss) before income taxes for each segment, to income (loss) from continuing operations shown on the condensed consolidated statements of operations:

	Thirteen Weeks Ended April 1, 2007				
	Canada	**U.S.**	**Europe**	**Corporate**	**Consolidated**
			(In thousands)		
Net sales(1)	$ 337,853	$ 588,059	$ 301,564	$ 1,135	$ 1,228,611
Income (loss) before income taxes	$ 41,186	$ 45,237	$ (8,654)	$ (49,416)	$ 28,353
Income tax expense					(5,313)
Income before minority interests					23,040
Minority interests					(3,803)
Income from continuing operations					$ 19,237

(1) Corporate amounts are reflective of revenues associated with the marketing of the Company's intellectual property, including trademarks and brands.

	Thirteen Weeks Ended March 26, 2006				
	Canada	**U.S.**	**Europe**	**Corporate**	**Consolidated**
			(In thousands)		
Net sales(1)	$ 329,319	$ 551,274	$ 272,579	$ 674	$ 1,153,846
Income (loss) before income taxes	$ 45,317	$ 15,024	$ (21,172)	$ (61,876)	$ (22,707)
Income tax benefit					7,438
Loss before minority interests					(15,269)

		Thirteen Weeks Ended March 26, 2006
Minority interests		(3,301)
Loss from continuing operations	$	(18,570)

(1) Corporate amounts are reflective of revenues associated with the marketing of the Company's intellectual property, including trademarks and brands.

3. SPECIAL ITEMS, NET

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

Summary of Special Items

The table below details special items recorded in the first quarters of 2007 and 2006, by program:

	Thirteen Weeks Ended	
	April 1, 2007	March 26, 2006
	(In thousands)	
Canada Restructuring charge	$ 4,079	$
U.S. Memphis brewery accelerated depreciation		19,610
U.S. Restructuring and other costs associated with the Golden and Memphis breweries		4,522
U.S. Insurance recovery environmental		(2,408)
Europe Restructuring charge	4,152	6,667
Europe Other exit costs		1,136
Corporate Gain on change in control agreements for Coors executives		(2,696)
Total special items	$ 8,231	$ 26,831

Canada Segment

In the first quarter of 2007, the Canada segment began a restructuring program focused on labor savings across production and sales, general and administrative functions, and also on the reduction of overhead expenses. This restructuring program will cost approximately $7.8 million in 2007, with $4.1 million expensed in the first quarter of 2007. The restructuring program impacted approximately 50 employees in the first quarter of 2007, and we expect to realize the restructuring program benefits in slightly over one year.

The following summarizes the activity in the Canada segment restructuring accruals:

	Severance and other employee-related costs
	(In thousands)
Balance at December 31, 2006	$ 608
Charges incurred	4,079
Payments made	(1,140)
Foreign currency and other adjustments	45
Balance at April 1, 2007	$ 3,592

U.S. Segment

The U.S. segment recognized no special items in 2007 and $21.7 million of net special items in the first quarter of 2006. In the first quarter of 2006, $19.6 million of these charges related to accelerated depreciation, and the remaining $4.5 million included employee termination costs and other incremental costs that were the direct result of the Memphis plant closure. The Memphis plant was closed and sold during the third quarter of 2006. The first quarter 2006 special items were partially offset by the receipt of a $2.4 million cash distribution from bankruptcy proceedings of a former insurance carrier for a claim related to our environmental obligations at the Lowry Superfund site in Denver, Colorado. We recorded the cash receipt as a special benefit consistent with the classification of

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the charge in a previous year. The cash received did not impact our estimated environmental liability associated with this site.

The following summarizes the activity in the U.S. segment restructuring accruals:

	Severance and other employee-related costs	Closing and other costs	Total
	(In thousands)		
Balance at December 31, 2006	$ 27,645	$ 441	$ 28,086
Charges incurred			
Payments made	(790)	(157)	(947)
Other adjustments		(129)	(129)
Balance at April 1, 2007	$ 26,855	$ 155	$ 27,010

The liability for severance and other employee-related costs represents a $26.9 million estimated payment required for our withdrawal from the hourly workers multi-employer pension plan associated with our former Memphis location and is expected to be paid by September 2007.

Europe Segment

The Europe segment recognized $4.2 million and $7.8 million of net special items in the first quarters of 2007 and 2006, respectively. The 2007 and 2006 net items were predominantly employee termination costs associated with supply chain and back-office restructuring efforts in the U.K.

During 2006, there were supply chain and back-office restructuring efforts impacting approximately 250 and 120 employees, respectively. As of April 1, 2007, 273 employees had terminated employment under this restructuring plan. The remaining supply chain and back-office terminations are expected through 2008. In the first quarter of 2007, an additional 10 employees were terminated, of the total employees terminated under this restructuring plan, resulting in a cost of $1.0 million.

Additionally, during the first quarter of 2007, the Europe segment implemented further cost reduction efforts in the segment as a part of a supply chain restructuring program. We have reduced headcount by approximately 30 employees and recognized $3.2 million of special charges in the first quarter of 2007 and we expect to realize the restructuring plan benefits in just over one year.

The following summarizes the activity in the Europe segment restructuring accruals:

	Severance and other employee-related costs
	(In thousands)
Balance at December 31, 2006	$ 4,016
Charges incurred	4,152
Payments made	(4,085)
Foreign currency and other adjustments	54
Balance at April 1, 2007	$ 4,137

Corporate

The Corporate segment recognized no special items in the first quarter of 2007 compared to a $2.7 million special benefit in 2006. The 2006 special benefit reflects the result of adjusting to the floor provided on the exercise price of stock options held by former Coors officers who left the Company under change in control agreements following the Merger.

4. DISCONTINUED OPERATIONS

On January 13, 2006, we sold a 68% equity interest in the entity that comprised our previously-reported Brazil operating segment, Kaiser, to FEMSA Cerveza S.A. de C.V. ("FEMSA") for $68 million cash, less $4.2 million of transaction costs, including the assumption by FEMSA of Kaiser-related debt and certain contingencies. As discussed in Note 9, we indemnified FEMSA with respect to certain tax and other liabilities. Another brewer held a 17% equity interest in the Kaiser business at the time of this transaction. During the fourth quarter of 2006, we exercised a put option on our remaining 15% interest which had a carrying value of $2 million at the time of the sale, and received a cash payment of $15.7 million, including $0.6 million of accrued interest. We have reflected the results of operations, financial position, and cash flows for the former Brazil segment in our financial statements as discontinued operations.

During a portion of the first quarter of 2006, when we had a controlling interest, Kaiser had $57.8 million of net sales and $2.3 million of pre-tax losses. The 2006 period included the month of December 2005 and the first thirteen days of January 2006, as we reported Kaiser's results one month in arrears. The accounting for our interest in Kaiser changed after the reduction in our ownership in January 2006, resulting in accounting for our interest under the cost method until the exercise of our put option of our remaining ownership interest in the fourth quarter of 2006. Amounts impacting the gain or loss from discontinued operations in the first quarter of 2007 and in 2006 following the sale are associated with changes in estimates of the carrying value of the liabilities related to indemnities we provided to FEMSA with regard to contingent tax and other liabilities, which are discussed further in Note 9.

The table below summarizes the loss from discontinued operations, net of tax, presented on our condensed consolidated statements of operations:

	Thirteen Weeks Ended	
	April 1, 2007	March 26, 2006
	(In thousands)	
Loss from operations of Kaiser prior to sale on January 13, 2006	$	$ (2,293)
Loss on sale of 68% of Kaiser		(2,797)
Adjustments to indemnity liabilities due to changes in estimates, foreign exchange gains and losses and accretion expense	(14,830)	(6,577)
Loss from discontinued operations, tax affected	$ (14,830)	$ (11,667)

5. INCOME TAXES

Our effective tax rate for the first quarter of 2007 was 19%. We anticipate that our 2007 full year effective tax rate will be in the range of 25% to 28%. Our first quarter effective tax rate is lower than our anticipated full year rate primarily due to the settlement of certain prior year tax audits in the U.S. and Canada, the effects of which were recognized as a discrete benefit in the first quarter 2007 income tax provision.

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 pursuant to FIN 48 for uncertain tax positions as statutes of limitations expire or positions are otherwise effectively settled. We note that there are pending tax law changes in Canada and the U.K. that, if enacted, may result in significant changes to existing deferred income tax balances and the range of our 2007 effective tax rate.

The tax technical correction bill enacted in Canada on February 21, 2007, did not result in the approximate $90 million income tax benefit previously disclosed by us. It is reasonably possible that the pending change in Canadian tax law will be enacted in the next 12 months. If enacted, it would result in an approximate $90 to $100 million decrease to the unrecognized tax benefits that would be recognized as an income tax benefit to the statement of operations. We do not anticipate that the net amount of unrecognized tax benefits will change significantly during the next twelve months, other than the pending change in Canadian tax law. That one-time, non-cash income tax benefit depends upon another, related, tax technical correction bill in Canada that is still pending enactment and will be recorded in the quarter in which that bill is enacted.

On January 1, 2007, we adopted the provisions of FIN 48 and we recognized an approximate $132.1 million increase in liabilities for uncertain tax positions. As a result, as of January 1, 2007, we had $297.4 million unrecognized tax benefits, of which approximately $257 million would, if recognized, affect the effective tax rate. Since January 1, 2007, these uncertain tax benefits decreased by $12.5 million primarily due to certain tax years being effectively settled during the first quarter of 2007 resulting in total unrecognized tax benefits of $284.9 million as of April 1, 2007.

We file income tax returns in most of the federal, state, and provincial jurisdictions in the U.S., U.K., Canada and the Netherlands. Tax years through 2004 are closed or have been effectively settled through examination in the U.S. The Internal Revenue Service intends to commence examination of the 2005 and 2006 tax years in 2007 and expects the examination to conclude in late 2008. In addition, we have entered into the Compliance Assurance Process (CAP) program whereby the Internal Revenue Service will be examining certain 2007 transactions in the current year. Tax years through 2002 are closed or have been effectively settled through examination in Canada. We are currently under examination for tax year 2003 in Canada and expect the examination to conclude in late 2007. Tax years through 2001 are closed or have been effectively settled through examination in the U.K. We are currently under examination for tax years 2002 through 2004 in the U.K. and expect the examination of tax years 2002 and 2003 to conclude in late 2007 and tax year 2004 to conclude in early 2008. Tax years through 2003 are closed or have been effectively settled through examination in the Netherlands. We are currently under examination for tax year 2004 in the Netherlands and expect the examination to conclude in 2007.

The Company recognizes interest and penalties related to unrecognized tax benefits as a component of income tax expense. Approximately $77.8 million of anticipated interest and penalty payments were accrued at January 1, 2007 in unrecognized tax benefits.

6. EARNINGS PER SHARE (EPS)

Basic income per common share is computed using the weighted average number of shares of common stock outstanding during the period. Diluted income per share includes the additional dilutive effect of our potentially dilutive securities, which include certain stock options, restricted stock awards and deferred stock awards, calculated using the treasury stock method. The following summarizes the effect of dilutive securities on earnings per share:

	Thirteen Weeks Ended	
	April 1, 2007	March 26, 2006
	(In thousands, except per share amounts)	
Income (loss) from continuing operations	$ 19,237	$ (18,570)
Loss from discontinued operations, net of tax	(14,830)	(11,667)
Net income (loss)	$ 4,407	$ (30,237)
Weighted average shares for basic EPS	88,071	85,683
Effect of dilutive securities:		
Employee stock options	990	
Restricted and deferred stock units	59	
Weighted average shares for diluted EPS	89,120	85,683
Basic and diluted income (loss) per share:		
From continuing operations	$ 0.22	$ (0.22)
From discontinued operations	(0.17)	(0.13)
Basic and diluted income (loss) per share	$ 0.05	$ (0.35)
Dividends per share	$ 0.32	$ 0.32

Anti-dilutive securities totaling 0.1 million and 4.1 million in the thirteen weeks ended April 1, 2007 and March 26, 2006, respectively, were not included in our calculation due to the fact that the stock options' exercise prices were greater than the average market price of the common shares or were anti-dilutive due to the impact of unrecognized compensation cost on the calculation of assumed proceeds in the application of the treasury stock method. Excess windfall tax benefits or shortfalls, calculated pursuant to the provisions of SFAS 123R, are included as a component of the assumed proceeds calculation using the treasury stock method.

Outstanding performance stock awards, totaling 1.1 million on April 1, 2007, were excluded from dilutive shares as all necessary conditions required to be satisfied had not been met as of quarter-end. For the period ended March 26, 2006, options to purchase an additional 0.6 million of common stock (based on 5.2 million in-the-money stock options) whose exercise prices were below the average fair market value of the our common stock were excluded from the dilutive stock option calculation due to the net loss for that period. Also, 0.2 million restricted stock units and 0.1 million contingently issuable performance shares were excluded from the dilutive calculation in the thirteen weeks ended March 26, 2006, due to the net loss in that period.

7. GOODWILL AND OTHER INTANGIBLES

The following summarizes the change in goodwill for the thirteen weeks ended April 1, 2007 (in thousands):

Balance at December 31, 2006	$ 2,968,676
Deferred tax purchase accounting adjustments	(11,381)
Adoption of FIN 48 (See Notes 1 and 5)	2,278
Foreign currency translation	23,637
Balance at April 1, 2007	$ 2,983,210

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The following summarizes goodwill allocated between our reportable segments as follows:

	As of	
	April 1, 2007	December 31, 2006
	(In thousands)	
Canada	$ 739,902	$ 724,196
United States	1,345,048	1,350,571
Europe	898,260	893,909
Consolidated	$ 2,983,210	$ 2,968,676

The following table presents details of our intangible assets, other than goodwill, as of April 1, 2007:

	Useful life	Gross	Accumulated amortization	Net
	(Years)		(In thousands)	
Intangible assets subject to amortization:				
Brands	3 - 35	$ 290,887	$ (100,014)	$ 190,873
Distribution rights	2 - 23	337,564	(115,386)	222,178
Patents and technology and distribution channels	3 - 10	32,437	(18,038)	14,399
Other	5 - 34	11,738	(5,129)	6,609
Intangible assets not subject to amortization:				
Brands	Indefinite	3,083,385		3,083,385
Distribution networks	Indefinite	876,617		876,617
Other	Indefinite	28,320		28,320
Total		$ 4,660,948	$ (238,567)	$ 4,422,381

The following table presents details of our intangible assets, other than goodwill, as of December 31, 2006:

	Useful life	Gross	Accumulated amortization	Net
	(Years)		(In thousands)	
Intangible assets subject to amortization:				
Brands	3 - 35	$ 288,681	$ (94,465)	$ 194,216
Distribution rights	2 - 23	334,342	(104,595)	229,747
Patents and technology and distribution channels	3 - 10	32,289	(17,754)	14,535
Other	5 - 34	11,737	(5,053)	6,684
Intangible assets not subject to amortization:				
Brands	Indefinite	3,054,144		3,054,144
Distribution networks	Indefinite	867,672		867,672
Other	Indefinite	28,296		28,296
Total		$ 4,617,161	$ (221,867)	$ 4,395,294

The incremental change in the gross carrying amounts of intangibles from December 31, 2006 to April 1, 2007 is primarily due to the impact of foreign exchange rates, as a significant amount of intangibles are denominated in foreign currencies.

We received notification from the Foster's Group (Foster's) during the fourth quarter of 2006 that they believe they have the right to terminate our U.S. License Agreement, effective in the fourth quarter of 2007. See Note 9, Contingencies, under *Litigation and Other Disputes*, for a discussion of this item and the potential impact to intangible assets.

Based on foreign exchange rates as of April 1, 2007, the estimated future amortization expense of finite-lived intangible assets is as follows for the next five years:

	Amount (In thousands)
2007 - remaining	$ 42,844
2008	$ 57,125
2009	$ 51,151
2010	$ 34,692
2011	$ 31,898

Amortization expense of intangible assets was $14.9 million and $19.0 million for the thirteen weeks ended April 1, 2007 and March 26, 2006, respectively.

8. EMPLOYEE RETIREMENT AND POST-EMPLOYMENT PLANS

The Company offers retirement plans in the United States, Canada and the United Kingdom that cover substantially all of its employees. Additionally, the Company offers other postretirement benefits to the majority of its U.S. and Canadian employees. The Company's net periodic pension costs under retirement plans and other postretirement benefits are as follows:

	Thirteen Weeks Ended April 1, 2007			
	Canada plans	U.S. plans	U.K. plan	Consolidated
	(In thousands)			
Defined Benefit Plans				
Service cost	$ 7,797	$ 4,337	$ 9,904	$ 22,038
Interest cost	20,258	14,340	27,952	62,550
Expected return on plan assets	(25,463)	(17,484)	(39,646)	(82,593)
Amortization of prior service cost (benefit)	353	11	(1,589)	(1,225)
Amortization of net actuarial loss	6	3,458	1,295	4,759
Less expected participant contributions	(857)		(2,567)	(3,424)
Net periodic pension cost (benefit)	$ 2,094	$ 4,662	$ (4,651)	$ 2,105
Other Postretirement Benefits				
Service cost benefits earned during the period	$ 2,158	$ 659	$	$ 2,817
Interest cost on projected benefit obligation	3,295	1,977		5,272
Amortization of prior service cost	14	76		90
Amortization of net actuarial loss	321	830		1,151
Net periodic postretirement benefit cost	$ 5,788	$ 3,542	$	$ 9,330

The U.K. plan net periodic pension benefit is a result of a pension curtailment recognized in the second quarter of 2006.

	Thirteen Weeks Ended March 26, 2006			
	Canada plans	U.S. plans	U.K. plan	Consolidated
	(In thousands)			
Defined Benefit Plans				
Service cost	$ 8,036	$ 4,915	$ 9,785	$ 22,736
Interest cost	20,186	13,654	23,686	57,526
Expected return on plan assets	(24,975)	(16,063)	(32,839)	(73,877)
Amortization of prior service cost (benefit)	533	11	(1,565)	(1,021)
Amortization of net actuarial loss		4,732	4,730	9,462
Less expected participant contributions	(867)		(2,499)	(3,366)
Net periodic pension cost	$ 2,913	$ 7,249	$ 1,298	$ 11,460
Other Postretirement Benefits				
Service cost benefits earned during the period	$ 1,694	$ 784	$	$ 2,478
Interest cost on projected benefit obligation	3,065	1,846		4,911
Amortization of prior service cost		52		52
Amortization of net actuarial loss	199	711		910
Net periodic postretirement benefit cost	$ 4,958	$ 3,393	$	$ 8,351

During the first quarter of 2007, employer contributions paid to the defined benefit plans were $24.0 million, $10.0 million and $6.6 million for the Canada, U.S. and U.K. plans, respectively. Expected total fiscal year 2007 employer contributions to Canada, U.S. and U.K. defined benefits plans are approximately $163 million.

9. CONTINGENCIES

Indemnity Obligations Sale of Kaiser

As discussed in Note 4, we sold our entire equity interest in Kaiser during 2006 to FEMSA. The terms of the sale agreement require us to indemnify FEMSA for certain exposures related to tax, civil and labor contingencies arising prior to FEMSA's purchase of Kaiser. First, we provided a full indemnity for any losses Kaiser may incur with respect to tax claims associated with certain previously utilized purchased tax credits. The total base amount of potential claims in this regard, plus estimated accumulated penalties and interest, was $286 million on the date of sale. As of April 1, 2007, the fair value of the indemnity liability associated with the purchase tax credits on the balance sheet was $95 million, $4 million of which was classified as a current liability and $91 million of which was classified as non-current. Our fair value estimates consider a number of scenarios for the ultimate resolution of these issues, the probabilities of which are influenced not only by legal developments in Brazil but also by management's intentions with regard to various alternatives that could present themselves leading to the ultimate resolution of these issues. Our indemnity obligations related to previously purchased tax credits increased by $17.5 million during the first quarter of 2007 as a result of changes in estimates regarding amounts that could be paid, the timing of such payments and adjustments to the probabilities assigned to various scenarios.

We also provided indemnity related to all other tax, civil and labor contingencies existing at the date of sale. In this regard, however, FEMSA assumed their full share of all contingent liabilities that had been previously recorded and disclosed by us prior to the sale on January 13, 2006. However, we may have to provide indemnity to FEMSA if those contingencies settle at amounts greater than those amounts previously recorded or disclosed by us. We will be able to offset any indemnity exposures in these circumstances with amounts that settle favorably to amounts previously recorded. Our exposure related to these indemnity claims is capped at the amount of the sales price of the 68% equity interest of Kaiser, which was $68 million. As a result of these contract provisions, our fair value estimates include not only probability-weighted potential cash outflows associated with indemnity provisions, but also probability-weighted cash inflows that could result from favorable settlements, which could occur through negotiation or settlement programs that could arise from the federal or any of the various state governments in Brazil. The recorded fair value of the total tax, civil and labor indemnity liability was $32 million as of April 1, 2007, $21 million of which is classified as a current liability and $11 million of which is classified as non-current.

Future settlement procedures and related negotiation activities associated with these contingencies are largely outside of our control and will be handled by FEMSA. The sale agreement requires annual cash settlements relating to the tax, civil and labor indemnities, the first of which will occur during the first half of 2007. Indemnity obligations related to purchased tax credits must be settled upon notification of FEMSA's settlement. Due to the uncertainty involved with the ultimate outcome and timing of these contingencies, significant adjustments to the carrying values of the indemnity obligations have resulted in the past and could result in the future. These liabilities are denominated in Brazilian reals and have been stated at present value and will, therefore, be subject in the future to foreign exchange gains or losses and to accretion cost, both of which will be recognized in the discontinued operations section of the statement of operations.

The table below provides a summary of contingency reserve balances from December 31, 2006, through April 1, 2007:

	Purchase tax credits indemnity reserve	Tax, civil and labor indemnity reserve	Total indemnity reserves
		(In thousands)	
Balance at December 31, 2006	$ 77,715	$ 33,260	$ 110,975
Adjustments to indemnity liabilities due to changes in estimates, foreign exchange gains and losses and accretion expense	17,480	(1,312)	16,168
Balance at April 1, 2007	$ 95,195	$ 31,948	$ 127,143

Current liabilities of discontinued operations also include current tax liabilities of $9.0 million. Included in current and non-current assets of discontinued operations on the balance sheet are $4.7 million and $4.4 million, respectively, of deferred tax assets associated with the indemnity liabilities.

Litigation and Other Disputes

Beginning in May 2005, several purported class actions were filed in the United States and Canada, including Federal courts in Delaware and Colorado and provincial courts in Ontario and Québec, alleging, among other things, that the Company and its affiliated entities, including Molson Inc., and certain officers and directors misled stockholders by failing to disclose first quarter (January-March) 2005 U.S. business trends prior to the Merger vote in January 2005. The Colorado case has since been transferred to Delaware and consolidated with those cases. One of the lawsuits filed in Delaware federal court also alleges that the Company failed to comply with U.S. GAAP. The Company will vigorously defend the lawsuits.

In December 2005, Miller Brewing Company sued the Company and several subsidiaries in a Wisconsin federal court. Miller sought to invalidate a licensing agreement (the Agreement) allowing Molson Canada the sole distribution of Miller products in Canada. Miller also sought damages for U.S. and Canadian antitrust violations, and violations of the Agreement's confidentiality provisions. Miller also claimed that the Agreement's purposes had been frustrated as a result of the Merger. We filed a claim against Miller and certain related entities in Ontario, Canada, seeking a declaration that the licensing agreement remains in full force and effect. We reached an agreement with Miller in the first quarter of 2007 resolving the dispute, resulting in amended agreements that extend our relationship and alter the financial terms of the arrangements. Based on the resolution reached, we have evaluated the carrying value of the intangible asset associated with the Miller arrangements and concluded that there is no potential impairment as of April 1, 2007.

In late October 2006, Molson Canada received a letter from Foster's Group Limited purporting to provide twelve months' notice of its intention to terminate the Foster's U.S. License Agreement due to the Merger. The Agreement provides Molson Canada with the right to produce Foster's beer for the U.S. marketplace. In November 2006, Molson Canada filed a notice of action in Ontario, Canada disputing the validity of the termination notice. In December 2006, Foster's filed a separate application in Ontario, Canada seeking termination of the Agreement. A termination of this contract could result in an impairment of a significant portion of our distribution right intangible associated with the Foster's intangible, which has a carrying value of approximately $24.6 million at April 1, 2007. Molson Canada will vigorously defend its rights in these matters, although an adverse ruling is possible. A hearing on the merits of this dispute will take place during May 2007 and we expect the trial court to rule shortly thereafter on the validity of the Foster's termination notice.

Molson Coors and many other brewers and distilled spirits manufacturers have been sued in several courts regarding advertising practices and underage consumption. The suits have all been brought by the same law firm and allege that each defendant intentionally marketed its products to "children and other underage consumers." In essence, each suit seeks, on behalf of an undefined class of parents and guardians, an injunction and unspecified money damages. In each suit, the manufacturers have advanced motions for dismissal to the court. Several of the lawsuits have been dismissed on appeal. There have been no appellate decisions. We will vigorously defend these cases and it is not possible at this time to estimate the possible loss or range of loss, if any, related to these lawsuits.

We are involved in other disputes and legal actions arising in the ordinary course of our business. While it is not feasible to predict or determine the outcome of these proceedings, in our opinion, based on a review with legal counsel, none of these disputes and legal actions is expected to have a material impact on our consolidated financial position, results of operations or cash flows. However, litigation is subject to inherent uncertainties, and an adverse result in these or other matters, including the above-described advertising practices case, may arise from time to time that may harm our business.

Environmental

When we determine that it is probable that a liability for environmental matters or other legal actions exists and the amount of the loss is reasonably estimable, an estimate of the future costs are recorded as a liability in the financial statements. Costs that extend the life, increase the capacity or improve the safety or efficiency of Company-owned assets or are incurred to mitigate or prevent future environmental contamination may be capitalized. Other environmental costs are expensed when incurred.

From time to time, we have been notified that we are or may be a potentially responsible party (PRP) under the Comprehensive Environmental Response, Compensation and Liability Act or similar state laws for the cleanup of other sites where hazardous substances have allegedly been released into the environment. We cannot predict with certainty the total costs of cleanup, our share of the total cost, the extent to which contributions will be available from other parties, the amount of time necessary to complete the cleanups or insurance coverage.

We are one of a number of entities named by the Environmental Protection Agency (EPA) as a PRP at the Lowry Superfund site. This landfill is owned by the City and County of Denver (Denver) and is managed by Waste Management of Colorado, Inc. (Waste Management). In 1990, we recorded a pretax charge of $30 million, a portion of which was put into a trust in 1993 as part of a settlement with Denver and Waste Management regarding the then-outstanding litigation. Our settlement was based on an assumed remediation cost of $120 million (in 1992 adjusted dollars). We are obligated to pay a portion of future costs, if any, in excess of that amount.

Waste Management provides us with updated annual cost estimates through 2032. We reviewed these cost estimates in the assessment of our accrual related to this issue. We use certain assumptions that differ from Waste Management's estimates to assess our expected liability. Our expected liability (based on the $120 million threshold being met) is based on our best estimates available.

The assumptions used are as follows:

- trust management costs are included in projections with regard to the $120 million threshold, but are expensed only as incurred;
- income taxes, which we believe are not an included cost, are excluded from projections with regard to the $120 million threshold;
- a 2.5% inflation rate for future costs; and
- certain operations and maintenance costs were discounted using a 4.70% risk-free rate of return.

Based on these assumptions, the present value and gross amount of the costs at April 1, 2007, are approximately $2.3 million and $3.8 million, respectively. Accordingly, we believe that the existing liability is adequate as of April 1, 2007. We did not assume any future recoveries from insurance companies in the estimate of our liability, and none are expected.

Considering the estimates extend through the year 2032 and the related uncertainties at the site, including what additional remedial actions may be required by the EPA, new technologies and what costs are included in the determination of when the $120 million threshold is reached, the estimate of our liability may change as facts further develop. We cannot predict the amount of any such change, but additional accruals in the future are possible.

We are aware of groundwater contamination at some of our properties in Colorado resulting from historical, ongoing or nearby activities. There may also be other contamination of which we are currently unaware.

In October 2006 we were notified by the EPA that we are a PRP, along with approximately 60 other parties, at the Cooper Drum site in southern California. Certain of Molson's former non-beer business operations, which were discontinued and sold in the mid-1990s prior to the Merger, were involved at this site. We responded to the EPA with information regarding our past involvement with the site. We are not yet able to estimate any potential liability associated with this site.

While we cannot predict the eventual aggregate cost for environmental and related matters in which we are currently involved, we believe that any payments, if required, for these matters would be made over a period of time in amounts that would not be material in any one year to our operating results, cash flows or our financial or competitive position. We believe adequate reserves have been provided for losses that are probable and estimable.

10. OTHER COMPREHENSIVE INCOME (LOSS)

The following summarizes the components of other comprehensive income (loss):

	Thirteen Weeks Ended	
	April 1, 2007	March 26, 2006
	(In thousands)	
Net income (loss)	$ 4,407	$ (30,237)
Other comprehensive income (loss):		
Foreign currency translation adjustments, net of tax	55,170	255
Currency effect on pension liability	(957)	3,289
Amortization of net prior service costs and net actuarial losses, net of tax	2,417	
Unrealized gain (loss) on derivative instruments, net of tax	11,299	(199)
Reclassification adjustment derivative instruments, net of tax	(1,467)	(5,552)
Other comprehensive income (loss)	$ 70,869	$ (32,444)

11. FINANCIAL INSTRUMENTS

On April 10, 2007, the Company made certain internal transfers of assets, liabilities and subsidiaries as part of an internal reorganization. Concurrent with the reorganization, we entered into several cross currency swaps to hedge the foreign currency impact of inter-company GBP debt at a CAD functional subsidiary. The cross currency swaps are designated as cash flow hedges of forecasted CAD cash flows related to GBP interest and principal payments on the inter-company loans that may fluctuate or be uncertain due to changes in the GBP to CAD exchange rate. The notional amount of the swaps is GBP 530 million. The fair value of the new cross currency swaps will depend on the relationship between GBP and CAD foreign exchange rates and interest rates. Generally, after April 10, 2007, the fair value of the new cross currency swaps will be stated as a liability if CAD strengthens against GBP, and will be stated as an asset if CAD weakens against GBP. The net effect of this swap eliminates our GBP interest expense, replacing it with CAD interest expense.

12. SUPPLEMENTAL GUARANTOR INFORMATION

In 2002, our wholly-owned subsidiary, CBC (2002 Issuer), completed a placement of $850 million principal amount of $6^3/_8$% Senior notes due 2012. The notes are guaranteed on a senior and unsecured basis by MCBC (Parent Guarantor), Molson Coors Capital Finance ULC and certain domestic subsidiaries (Subsidiary Guarantors). The guarantees are full and unconditional and joint and several. A significant amount of the 2002 Issuer's income and cash flow is generated by its subsidiaries. As a result, funds necessary to meet the 2002 Issuer's debt service obligations are provided in large part by distributions or advances from its subsidiaries. Under certain circumstances, contractual and legal restrictions, as well as our financial condition and operating requirements and those of certain domestic subsidiaries, could limit the 2002 Issuer's ability to obtain cash for the purpose of meeting its debt service obligation, including the payment of principal and interest on the notes.

On September 22, 2005, our wholly-owned subsidiary, Molson Coors Capital Finance ULC (2005 Issuer), completed a private placement of approximately $1.1 billion principal amount of Senior notes due as follows:

USD $300 million 4.85% notes due 2010

CAD $900 million 5.00% notes due 2015

The notes were issued with registration rights and are guaranteed on a senior and unsecured basis by Parent Guarantor and certain domestic subsidiaries, including 2002 Issuer and Subsidiary

Guarantors. The guarantees are full and unconditional and joint and several. Funds necessary to meet the 2005 Issuer's debt service obligations are provided in large part by distributions or advances from MCBC's other subsidiaries, including Molson, a non-guarantor. Under certain circumstances, contractual and legal restrictions, as well as our financial condition and operating requirements, could limit the 2005 Issuer's ability to obtain cash for the purpose of meeting its debt service obligation, including the payment of principal and interest on the notes.

The following information sets forth our Condensed Consolidating Statements of Operations for the thirteen weeks ended April 1, 2007, and March 26, 2006, our Condensed Consolidating Balance Sheets as of April 1, 2007, and December 31, 2006, and our Condensed Consolidating Statements of Cash Flows for the thirteen weeks ended April 1, 2007, and March 26, 2006. Investments in our subsidiaries are accounted for on the equity method; accordingly, entries necessary to consolidate the Parent Guarantor, the Issuers and all of our subsidiaries are reflected in the eliminations column. In the opinion of management, separate complete financial statements of the Issuers and the Subsidiary Guarantors would not provide additional material information that would be useful in assessing their financial composition.

Consolidated stockholders' equity derives from MCBC, which is the Parent Guarantor