MOLSON COORS BREWING CO
Form 10-Q
August 06, 2013

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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 June 29, 2013
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	80202
1555 Notre Dame Street East, Montréal, Québec, Canada	H2L 2R5
(Address of principal executive offices)	(Zip Code)

303-927-2337 (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 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 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ý No o.
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 the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ý	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company 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 August 1, 2013:
Class A Common Stock— 2,556,894 shares
Class B Common Stock—158,854,539 shares
Exchangeable shares:

As of August 1, 2013, the following number of exchangeable shares were outstanding for Molson Coors Canada, Inc.:
Class A Exchangeable shares—2,896,941 shares
Class B Exchangeable shares—19,136,383 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 each of special Class A and Class B 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 shares, 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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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 under the heading "Outlook for 2013" therein, 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 under the heading "Risk Factors," elsewhere throughout this report, and those described from time to time in our past and future reports filed with the Securities and Exchange Commission, including in our Annual Report on Form 10-K for the year ended December 29, 2012. 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.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

	Thirteen Weeks Ended		Twenty-Six Weeks Ended	
	June 29, 2013	June 30, 2012	June 29, 2013	June 30, 2012
Sales	$1,659.7	$1,440.9	$2,844.5	$2,449.0
Excise taxes	(481.7)	(441.5)	(838.0)	(758.2)
Net sales	1,178.0	999.4	2,006.5	1,690.8
Cost of goods sold	(684.1)	(580.1)	(1,231.2)	(1,018.9)
Gross profit	493.9	419.3	775.3	671.9
Marketing, general and administrative expenses	(304.3)	(304.8)	(589.6)	(553.0)
Special items, net	(1.3)	(21.2)	(2.8)	(22.7)
Equity income in MillerCoors	172.6	185.6	290.0	304.5
Operating income (loss)	360.9	278.9	472.9	400.7
Interest income (expense), net	(41.2)	(84.6)	(116.1)	(108.4)
Other income (expense), net	(7.3)	(70.5)	(3.0)	(71.9)
Income (loss) from continuing operations before income taxes	312.4	123.8	353.8	220.4
Income tax benefit (expense)	(34.1)	(25.9)	(37.6)	(43.2)
Net income (loss) from continuing operations	278.3	97.9	316.2	177.2
Income (loss) from discontinued operations, net of tax	1.7	0.8	0.8	0.9
Net income (loss) including noncontrolling interests	280.0	98.7	317.0	178.1
Less: Net (income) loss attributable to noncontrolling interests	(1.6)	6.4	(3.0)	6.5
Net income (loss) attributable to Molson Coors Brewing Company	$278.4	$105.1	$314.0	$184.6
Basic net income (loss) attributable to Molson Coors Brewing Company per share:				
From continuing operations	$1.51	$0.58	$1.72	$1.02
From discontinued operations	0.01	—	—	—
Basic net income (loss) attributable to Molson Coors Brewing Company per share	$1.52	$0.58	$1.72	$1.02
Diluted net income (loss) attributable to Molson Coors Brewing Company per share:				
From continuing operations	$1.50	$0.57	$1.71	$1.01
From discontinued operations	0.01	—	—	—
Diluted net income (loss) attributable to Molson Coors Brewing Company per share	$1.51	$0.57	$1.71	$1.01
Weighted-average shares—basic	182.9	180.8	182.3	180.6
Weighted-average shares—diluted	184.1	181.6	183.5	181.6
Amounts attributable to Molson Coors Brewing Company				
Net income (loss) from continuing operations	$276.7	$104.3	$313.2	$183.7

Income (loss) from discontinued operations, net of tax	1.7	0.8	0.8	0.9
Net income (loss) attributable to Molson Coors Brewing Company	$278.4	$105.1	$314.0	$184.6

See notes to unaudited condensed consolidated financial statements.

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MOLSON COORS BREWING COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(IN MILLIONS)
(UNAUDITED)

	Thirteen Weeks Ended		Twenty-Six Weeks Ended	
	June 29, 2013	June 30, 2012	June 29, 2013	June 30, 2012
Net income (loss) including noncontrolling interests	$280.0	$98.7	$317.0	$178.1
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments	(79.4)	(64.2)	(340.7)	43.6
Unrealized gain (loss) on derivative instruments	19.6	7.6	32.7	(10.2)
Reclassification of derivative (gains) losses to income	(0.8)	1.7	(0.7)	3.5
Pension and other postretirement benefit adjustments	(2.4)	—	—	—
Amortization of net prior service (benefits) costs and net actuarial (gains) losses to income	13.3	5.6	23.9	15.5
Ownership share of unconsolidated subsidiaries' other comprehensive income (loss)	(2.8)	(0.1)	(9.5)	9.3
Total other comprehensive income (loss), net of tax	(52.5)	(49.4)	(294.3)	61.7
Comprehensive income (loss)	227.5	49.3	22.7	239.8
Less: Comprehensive income (loss) attributable to the noncontrolling interests	(1.6)	6.4	(3.0)	6.5
Comprehensive income (loss) attributable to Molson Coors Brewing Company	$225.9	$55.7	$19.7	$246.3

See notes to unaudited condensed consolidated financial statements.

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

	As of	
	June 29, 2013	December 29, 2012
Assets		
Current assets:		
Cash and cash equivalents	$801.6	$624.0
Accounts receivable, net	693.4	660.5
Other receivables, net	109.8	92.9
Inventories:		
Finished	178.5	139.9
In process	28.3	20.3
Raw materials	41.8	43.5
Packaging materials	16.8	10.2
Total inventories	265.4	213.9
Other current assets, net	134.7	117.5
Deferred tax assets	66.4	39.2
Total current assets	2,071.3	1,748.0
Properties, net	1,910.5	1,995.9
Goodwill	2,325.5	2,453.1
Other intangibles, net	6,947.4	7,234.8
Investment in MillerCoors	2,516.6	2,431.8
Deferred tax assets	119.3	125.4
Notes receivable, net	24.3	26.3
Other assets	202.0	196.9
Total assets	$16,116.9	$16,212.2
Liabilities and equity		
Current liabilities:		
Accounts payable and other current liabilities	$1,363.1	$1,186.9
Derivative hedging instruments	164.9	6.0
Deferred tax liabilities	112.3	152.3
Current portion of long-term debt and short-term borrowings	1,272.4	1,245.6
Discontinued operations	7.2	7.9
Total current liabilities	2,919.9	2,598.7
Long-term debt	3,295.7	3,422.5
Pension and post-retirement benefits	745.7	833.0
Derivative hedging instruments	1.3	222.2
Deferred tax liabilities	937.9	948.5
Unrecognized tax benefits	80.5	81.8
Other liabilities	106.8	93.9
Discontinued operations	18.3	20.0
Total liabilities	8,106.1	8,220.6
Commitments and contingencies (Note 16)		
Molson Coors Brewing Company stockholders' equity		
Capital stock:		
Preferred stock, no par value (authorized: 25.0 shares; none issued)	—	—

Class A common stock, $0.01 par value per share (authorized: 500.0 shares; issued and outstanding: 2.6 shares and 2.6 shares, respectively)	—	—
Class B common stock, $0.01 par value per share (authorized: 500.0 shares; issued: 166.3 shares and 164.2 shares, respectively)	1.7	1.6
Class A exchangeable shares, no par value (issued and outstanding: 2.9 shares and 2.9 shares, respectively)	108.5	110.2
Class B exchangeable shares, no par value (issued and outstanding: 19.1 shares and 19.3 shares, respectively)	720.5	724.4
Paid-in capital	3,709.5	3,623.6
Retained earnings	4,097.7	3,900.5
Accumulated other comprehensive income (loss)	(332.3)	(72.3)
Class B common stock held in treasury at cost (7.5 shares and 7.5 shares, respectively)	(321.1)	(321.1)
Total Molson Coors Brewing Company stockholders' equity	7,984.5	7,966.9
Noncontrolling interests	26.3	24.7
Total equity	8,010.8	7,991.6
Total liabilities and equity	$16,116.9	$16,212.2

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)

	Twenty-Six Weeks Ended	
	June 29, 2013	June 30, 2012
Cash flows from operating activities:		
Net income (loss) including noncontrolling interests	$317.0	$178.1
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	160.9	111.8
Amortization of debt issuance costs and discounts	14.2	25.0
Share-based compensation	15.4	10.1
Loss on sale or impairment of properties and intangibles	6.3	21.1
Deferred income taxes	13.1	5.5
Equity income in MillerCoors	(290.0)	(304.5)
Distributions from MillerCoors	290.0	304.5
Equity in net income of other unconsolidated affiliates	(7.8)	(6.5)
Distributions from other unconsolidated affiliates	13.0	11.8
Excess tax benefits from share-based compensation	(5.4)	(3.5)
Unrealized (gain) loss on foreign currency fluctuations and derivative instruments	28.9	(4.1)
Change in current assets and liabilities (net of assets acquired and liabilities assumed in business combinations) and other:	36.2	49.0
(Gain) loss from discontinued operations	(0.8)	(0.9)
Net cash provided by operating activities	591.0	397.4
Cash flows from investing activities:		
Additions to properties	(149.7)	(81.4)
Proceeds from sales of properties and other long-lived assets	4.9	1.3
Acquisition of businesses, net of cash acquired	—	(2,257.4)
Proceeds from sale of business	2.0	—
Investment in MillerCoors	(615.3)	(565.7)
Return of capital from MillerCoors	515.2	459.9
Payments on settlement of derivative instruments	—	(110.6)
Investment in and advances to an unconsolidated affiliate	(2.8)	(3.7)
Loan repayments	4.5	9.5
Loan advances	(3.7)	(4.6)
Net cash used in investing activities	(244.9)	(2,552.7)
Cash flows from financing activities:		
Exercise of stock options under equity compensation plans	63.1	20.8
Excess tax benefits from share-based compensation	5.4	3.5
Dividends paid	(116.8)	(115.9)
Dividends paid to noncontrolling interests holders	(1.2)	(2.9)
Payments for purchase of noncontrolling interest	(0.2)	—
Debt issuance costs	(0.2)	(39.2)
Proceeds from issuances of long-term debt	—	2,195.4
Payments on long-term debt and capital lease obligations	(52.4)	(44.8)
Payments on debt assumed in acquisition	—	(424.3)
Proceeds from short-term borrowings	9.3	2.5

Payments on short-term borrowings	(15.1)	(13.5)
Payments on settlement of derivative instruments	(35.1)	(4.0)
Net proceeds from (payments on) revolving credit facilities	(2.9)	3.9
Change in overdraft balances and other	2.0	2.1
Net cash (used in) provided by financing activities	(144.1)	1,583.6
Cash and cash equivalents:		
Net increase (decrease) in cash and cash equivalents	202.0	(571.7)
Effect of foreign exchange rate changes on cash and cash equivalents	(24.4)	8.8
Balance at beginning of year	624.0	1,078.9
Balance at end of period	$801.6	$516.0

See notes to unaudited condensed consolidated financial statements. See Note 3, "Acquisition of StarBev" for non-cash activity related to the acquisition.

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MOLSON COORS BREWING COMPANY AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation and Summary of Significant Accounting Policies

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 and non-operating subsidiaries included within our reporting segments and Corporate. Our reporting segments include: Molson Coors Canada, operating in Canada; MillerCoors LLC ("MillerCoors"), which is accounted for by us under the equity method of accounting, operating in the United States ("U.S."); Molson Coors Europe, operating in Czech Republic, Serbia, Croatia, Romania, Bulgaria, Hungary, Montenegro, Bosnia-Herzegovina and Slovakia (collectively, "Central Europe"), as well as the United Kingdom ("U.K.") and the Republic of Ireland; Molson Coors International ("MCI"), operating in various other countries. Effective for the first day of our 2013 fiscal year, we combined our U.K. and Ireland business with our Central Europe operations, which resulted in our Europe segment, and we have recast the historical presentation of segment information accordingly.

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 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 on Form 10-K for the year ended December 29, 2012 ("Annual Report") and have been prepared on a consistent basis with the accounting policies described in Note 1 of the Notes to the Audited Consolidated Financial Statements ("Notes") included in our Annual Report. Our accounting polices did not change in the second quarter or first half of 2013. The results of operations for the thirteen and twenty-six weeks ended June 29, 2013, are not necessarily indicative of the results that may be achieved for the full fiscal year.

We follow a 52/53 week fiscal reporting calendar. Unless otherwise indicated, the second quarter of 2013 and 2012 refers to the thirteen weeks ended June 29, 2013, and June 30, 2012, respectively. The first half of 2013 and 2012 refers to the twenty-six weeks ended June 29, 2013, and June 30, 2012, respectively. Fiscal year 2013 refers to the 52 weeks ending December 28, 2013, and fiscal year 2012 refers to the 52 weeks ended December 29, 2012. MillerCoors and Central Europe follow a monthly reporting calendar. The second quarter and first half of 2013 and 2012 refer to the three and six months ended June 30, 2013, and June 30, 2012, respectively, except for Central Europe where the second quarter and first half of 2012 refer to the two week period from the acquisition date of June 15, 2012 through June 30, 2012.

2. New Accounting Pronouncements

Adoption of New Accounting Pronouncements

Disclosure about Offsetting Assets and Liabilities

In December 2011, the Financial Accounting Standards Board ("FASB") issued authoritative guidance enhancing the disclosure requirements related to offsetting asset and liability positions. The update creates new disclosure requirements about the nature of an entity's rights of offset and related arrangements associated with its financial instruments and derivative instruments. The new disclosures are designed to better facilitate comparison between financial statements prepared under U.S. GAAP and International Financial Reporting Standards ("IFRS") by requiring entities to provide financial statement users information about both gross and net exposures. The guidance was effective for our quarter ended March 30, 2013. The adoption of this guidance does not have an impact on our financial position or results from operations, although we have included additional disclosure noting that our derivative agreements do not allow us to net positions with the same counterparty and therefore, we present our derivative positions gross in our condensed consolidated balance sheets. See Note 14, "Derivative Instruments and

Hedging Activities."

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Reclassification of Items from Accumulated Other Comprehensive Income (Loss)

In February 2013, the FASB issued authoritative guidance which adds new disclosure requirements for items reclassified out of accumulated other comprehensive income (loss) ("AOCI"). The update requires that an entity present either in a single note or parenthetically on the face of the financial statements, the effect of significant amounts reclassified from each component of AOCI based on its source and the income statement line items affected by the reclassification. The guidance was effective for our quarter ended March 30, 2013. We have separately disclosed the required information related to reclassification adjustments within Note 13, "Accumulated Other Comprehensive Income (Loss)." The adoption of this guidance does not have an impact on our financial position or results from operations.

New Accounting Pronouncements Not Yet Adopted

Joint and Several Liability Arrangements

In February 2013, the FASB issued authoritative guidance for the recognition, measurement and disclosure of obligations resulting from joint and several liability arrangements for which the total amount of the obligation is fixed at the reporting date. The guidance is effective for annual reporting periods beginning on or after December 15, 2013, and interim reporting periods thereafter. We do not anticipate that this guidance will have an impact on our financial position or results of operations.

Cumulative Translation Adjustment

In March 2013, the FASB issued authoritative guidance on a parent's accounting for the cumulative translation adjustment upon derecognition of certain subsidiaries or groups of assets within a foreign entity or of an investment in a foreign entity. This update will also resolve the diversity in practice for the treatment of business combinations achieved in stages (sometimes also referred to as step acquisitions) involving a foreign entity. The guidance is effective for annual reporting periods beginning on or after December 15, 2013, and interim reporting periods thereafter. We do not anticipate that this guidance will have an impact on our financial position or results of operations.

Liquidation Basis of Accounting

In April 2013, the FASB issued authoritative guidance to clarify when it is appropriate to apply the liquidation basis of accounting. Additionally, the update provides guidance for recognition and measurement of assets and liabilities and requirements for financial statements prepared using the liquidation basis of accounting. Under the amendment, entities are required to prepare their financial statements under the liquidation basis of accounting when a liquidation becomes imminent. The guidance is effective for annual reporting periods beginning after December 15, 2013, and interim reporting periods therein. We do not anticipate that this guidance will have an impact on our financial position or results of operations.

Presentation of Unrecognized Tax Benefits

In July 2013, the FASB issued authoritative guidance related to the presentation of unrecognized tax benefits. The update requires that the entity present an unrecognized tax benefit, or a portion of an unrecognized tax benefit, as a reduction to a deferred tax asset for a net operating loss carryforward or a tax credit carryforward in the statement of financial position. The guidance does not apply to the extent that a net operating loss carryforward or tax credit carryforward at the reporting date is not available under the tax law of the applicable jurisdiction to settle any additional income taxes that would result from the disallowance of a tax position. The guidance is effective for annual reporting periods beginning after December 15, 2013, and interim reporting periods thereafter. We expect to present deferred tax assets net of unrecognized tax benefits in the statement of financial position. We do not anticipate that this guidance will have a material impact on our financial position or results of operations.

3. Acquisition of StarBev

General

In accordance with our strategy to increase our portfolio of premium brands and deepen our reach into growth markets around the world, we completed the acquisition (the "Acquisition") of StarBev Holdings S.à r.l. ("StarBev") from StarBev L.P. (the "Seller") on June 15, 2012, for €2.7 billion (or $3.4 billion), including the assumption and payoff of pre-existing StarBev indebtedness. Headquartered in Prague, this business is one of the largest brewers in Central Europe. The operating results of Central Europe are reported in our Europe segment and our MCI segment as further

described in Note 4, "Segment Reporting." We incurred acquisition and integration costs of $2.1 million and $25.3 million in the second quarters of 2013 and 2012, respectively, and $3.9 million and $31.4 million in the first half of 2013 and 2012, respectively, in connection with the Acquisition. We also incurred financing-related expenses as further described in Note 8, "Other Income and Expense."

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Unaudited Pro Forma Financial Information

Central Europe contributed net sales of $262.5 million and $403.9 million, of which $255.3 million and $390.4 million is included in our Europe segment, for the second quarter and first half of 2013, respectively. Central Europe contributed income from continuing operations before income taxes of $49.9 million and $38.9 million, of which $46.3 million and $32.7 million is included in our Europe segment, for the second quarter and first half of 2013, respectively. This compares to contributed net sales of $57.3 million and income from continuing operations before income taxes of $12.4 million for the second quarter of 2012. The incremental portion not included in our Europe segment results is our Central Europe export and license business reflected in our MCI segment results effective July 1, 2012. The following unaudited pro forma summary presents our condensed consolidated statements of operations as if Central Europe had been acquired on December 26, 2010, the first day of our 2011 fiscal year. These amounts were calculated after conversion of StarBev's historical operating results to U.S. GAAP, conforming to our accounting policies, and adjusting StarBev's results to reflect the depreciation and amortization that would have been charged assuming the fair value adjustments to properties and other intangibles resulting from the purchase had it been applied from December 26, 2010, together with the consequential tax effects. These adjustments also reflect the removal of StarBev historical interest expense on debt that was repaid at the time of the Acquisition, the addition of interest expense to be prospectively incurred on the debt issued to finance the Acquisition and the removal of the previously mentioned acquisition-related costs of $25.3 million and $31.4 million incurred in the second quarter and first half of 2012, respectively. Additional significant adjustments for 2012 include the removal of the following non-recurring, transaction-related costs included in the historical operating results: a $57.9 million Euro currency loss, a $39.2 million loss related to standard pre-issuance U.S. Treasury interest rate hedges ("Treasury Locks"), and bridge facility costs of $13.0 million, as further described in Note 8, "Other Income and Expense" and Note 12, "Debt", as well as expense of $8.6 million related to the fair value adjustment to acquisition date inventory that was recorded in the post-acquisition condensed consolidated statements of operations. The adjustments recorded in the first half of 2013 upon finalizing purchase accounting, as further described below, did not result in an adjustment to our previously filed pro forma information. These adjustments do not reflect changes in fair value of the embedded conversion feature or foreign exchange movements of the convertible note issued to the Seller as part of the Acquisition. This unaudited pro forma financial information is not intended to reflect the performance which would have actually resulted had the Acquisition been effected on the dates indicated. Further, the unaudited pro forma results of operations are not necessarily indicative of the results of operations that may be obtained in the future.

	Thirteen Weeks Ended June 30, 2012	Twenty-Six Weeks Ended June 30, 2012
	(In millions)	
Net sales	$1,200.5	$2,031.3
Income from continuing operations before income taxes	$280.6	$349.1
Net income attributable to MCBC	$242.1	$300.6
Net income per common share attributable to MCBC:		
Basic	$1.33	$1.66
Diluted	$1.33	$1.65

The following table represents the classifications of the cash flows used, which are included within our condensed consolidated statement of cash flows for the twenty-six weeks ended June 30, 2012:

	(In millions)
Operating activities(1)	$1.4
Investing activities(2)	2,257.4
Financing activities(1)	424.3
Total cash used	$2,683.1
Non-cash(3)	$645.9

(1) Includes the subordinated deferred payment obligation ("SDPO") with third-party creditors, which was assumed in the Acquisition and was subsequently repaid on June 29, 2012 for $425.7 million including the $1.4 million of interest incurred subsequent to the close of the Acquisition noted as "Operating activities" in the table above.

(2) Includes $1,816.0 million of cash consideration to the Seller for shares acquired and release of StarBev's pre-existing obligations to the Seller. Also, included is $585.0 million of pre-existing third-party debt immediately repaid in

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accordance with our agreement with the Seller and the terms of the senior debt facility agreement. This amount is presented net of cash acquired of $143.6 million.

(3) Reflects the $645.9 million fair value of the convertible note issued to the Seller upon close of the Acquisition. See Note 12, "Debt" for further discussion.

Allocation of Consideration Transferred

The following table represents the finalized allocation of the total consideration to the identifiable net assets, fair value of the noncontrolling interest, and resulting residual goodwill as of June 15, 2012. These allocated amounts were updated for immaterial changes in the first half of 2013 and are now finalized. During the second quarter of 2013 we recorded liabilities in several Central European countries primarily related to local country regulatory matters associated with pre-acquisition periods. Additionally, some of these items, if materialized, are subject to various claims with the previous owners of the Central Europe business. We also made adjustments to the brand intangible assets, and related deferred tax impacts, as we completed our brand intangible asset valuation.

	Fair Value
	(In millions)
Cash and cash equivalents	$143.6
Current assets(1)	263.5
Properties	571.7
Other intangibles(2)	2,481.0
Other assets	36.7
Total assets acquired	$3,496.5
Current liabilities(3)	849.0
Non-current liabilities(4)	456.1
Total liabilities assumed	$1,305.1
Total identifiable net assets	$2,191.4
Noncontrolling interest measured at fair value	40.6
Goodwill(5)	896.1
Total consideration	$3,046.9

(1) Includes trade receivables of $167.5 million and inventory of $57.3 million.

(2) See Note 11, "Goodwill and Intangible Assets" for further discussion.

(3) Includes the $423.4 million subordinated deferred payment obligation assumed, which was subsequently repaid for $425.7 million on June 29, 2012.

(4) Includes $404.0 million of deferred tax liabilities.

(5) The goodwill resulting from the Acquisition is primarily attributable to Central Europe's licensed brand brewing, distribution and import business, anticipated synergies and the assembled workforce. We assigned the majority of the goodwill to our Europe reporting unit with a portion allocated to the Canada reporting unit resulting from synergies. The goodwill is not deductible for tax purposes. See Note 11, "Goodwill and Intangible Assets" for further discussion.

4. Segment Reporting

Our reporting segments are based on the key geographic regions in which we operate, which are the basis on which our chief operating decision maker evaluates the performance of the business. Our reporting segments consist of Canada, the U.S., Europe and MCI. Corporate is not a segment and includes interest and certain other general and administrative costs that are not allocated to any of the operating segments.

Effective for the first day of our 2013 fiscal year, we changed the way in which we monitor performance and manage our operations in Europe and as a result, we combined our U.K. and Ireland business with our Central Europe organization, which resulted in our Europe segment and we have recast the historical presentation of segment information accordingly.

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No single customer accounted for more than 10% of our consolidated or segmented sales in the second quarter or first half of 2013 or 2012. Net sales represent sales to third-party external customers. Inter-segment sales revenues, other than sales to MillerCoors (see Note 5, "Investments" for additional detail), are insignificant and eliminated in consolidation.

Net sales and income (loss) from continuing operations before income taxes below for the second quarter and first half of 2012, include results from our Central European operations reported within our Europe segment from the Acquisition date of June 15, 2012 through June 30, 2012.

The following table presents net sales by segment:

	Thirteen Weeks Ended		Twenty-Six Weeks Ended	
	June 29, 2013	June 30, 2012	June 29, 2013	June 30, 2012
	(In millions)			
Canada	$558.2	$582.9	$953.8	$985.2
Europe	586.2	383.5	992.6	646.9
MCI	34.7	37.1	61.7	65.2
Corporate	0.3	0.4	0.6	0.7
Eliminations(1)	(1.4)	(4.5)	(2.2)	(7.2)
Consolidated	$1,178.0	$999.4	$2,006.5	$1,690.8

(1) Represents inter-segment sales from the Europe segment to the MCI segment.

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

	Thirteen Weeks Ended		Twenty-Six Weeks Ended	
	June 29, 2013	June 30, 2012	June 29, 2013	June 30, 2012
	(In millions)			
Canada	$137.3	$139.9	$173.7	$183.8
U.S.	172.6	185.6	290.0	304.5
Europe	81.6	28.7	77.9	30.0
MCI	(3.3)	(24.3)	(9.4)	(32.9)
Corporate	(75.8)	(206.1)	(178.4)	(265.0)
Consolidated	$312.4	$123.8	$353.8	$220.4

The following table presents total assets by segment:

	As of	
	June 29, 2013	December 29, 2012
	(In millions)	
Canada	$6,228.8	$6,547.1
U.S.	2,516.6	2,431.8
Europe	6,661.5	6,742.4
MCI	78.2	92.0
Corporate	631.8	398.9
Consolidated	$16,116.9	$16,212.2

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5. Investments

Our investments include both equity method and consolidated investments. Those entities identified as variable interest entities ("VIEs") have been evaluated to determine whether we are the primary beneficiary. The VIEs included under "Consolidated VIEs" below are those for which we have concluded that we are the primary beneficiary and accordingly, consolidate these entities. None of our consolidated VIEs held debt as of June 29, 2013, or December 29, 2012. We have not provided any financial support to any of our VIEs during the quarter that we were not previously contractually obligated to provide. Amounts due to and due from our equity method investments are recorded as affiliate accounts payable and affiliate accounts receivable.

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. As of June 29, 2013, and December 29, 2012, our consolidated VIEs are Cobra Beer Partnership, Ltd. ("Cobra U.K.") and Grolsch and our unconsolidated VIEs are Brewers' Retail Inc. ("BRI"), Brewers' Distributor Ltd. ("BDL") and Modelo Molson Imports, L.P. ("MMI").

Equity Investments

Investment in MillerCoors

Summarized financial information for MillerCoors is as follows:

Condensed Balance Sheets

	As of	
	June 30, 2013	December 31, 2012
	(In millions)	
Current assets	$1,069.0	$841.4
Non-current assets	8,910.5	8,949.9
Total assets	$9,979.5	$9,791.3
Current liabilities	$952.3	$958.5
Non-current liabilities	1,498.1	1,537.5
Total liabilities	2,450.4	2,496.0
Noncontrolling interests	28.6	28.4
Owners' equity	7,500.5	7,266.9
Total liabilities and equity	$9,979.5	$9,791.3

The following represents our proportional share in MillerCoors' equity:

	As of	
	June 30, 2013	December 31, 2012
	(In millions, except percentages)	
MillerCoors owners' equity	$7,500.5	$7,266.9
MCBC economic interest	42 %	42 %
MCBC proportionate share in MillerCoors' equity	3,150.2	3,052.1
Difference between MCBC contributed cost basis and proportional share of the underlying equity in net assets of MillerCoors(1)	(668.6)	(670.8)
Accounting policy elections	35.0	35.0
Timing differences of cash contributions and distributions as a result of different fiscal periods	—	15.5
Investment in MillerCoors	$2,516.6	$2,431.8

(1) Our net investment in MillerCoors is based on the carrying values of the net assets contributed to the joint venture which is less than our proportional share of underlying equity (42%) of MillerCoors (contributed by both Coors Brewing Company ("CBC") and Miller Brewing Company ("Miller")). This basis difference, with the exception of

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certain non-amortizing items (goodwill, land, etc.) is being amortized as additional equity income over the remaining useful lives of the contributed long-lived amortizing assets.

Results of Operations

	Three Months Ended		Six Months Ended	
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
	(In millions)			
Net sales	$2,159.0	$2,224.0	$3,947.3	$3,983.8
Cost of goods sold	(1,270.1)	(1,311.8)	(2,358.8)	(2,381.8)
Gross profit	$888.9	$912.2	$1,588.5	$1,602.0
Operating income	$417.9	$444.4	$692.4	$723.4
Net income attributable to MillerCoors	$412.7	$438.3	$684.6	$713.6

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

	Thirteen Weeks Ended		Twenty-Six Weeks Ended	
	June 29, 2013	June 30, 2012	June 29, 2013	June 30, 2012
	(In millions, except percentages)			
Net income attributable to MillerCoors	$412.7	$438.3	$684.6	$713.6
MCBC economic interest	42 %	42 %	42 %	42 %
MCBC proportionate share of MillerCoors net income	173.3	184.1	287.5	299.7
Amortization of the difference between MCBC contributed cost basis and proportional share of the underlying equity in net assets of MillerCoors	1.0	1.5	2.2	1.9
Share-based compensation adjustment(1)	(1.7)	—	0.3	2.9
Equity income in MillerCoors	$172.6	$185.6	$290.0	$304.5

(1) The net adjustment is to eliminate all share-based compensation impacts related to pre-existing SABMiller plc equity awards held by former Miller employees now employed by MillerCoors.

The following table summarizes our transactions with MillerCoors:

	Thirteen Weeks Ended		Twenty-Six Weeks Ended	
	June 29, 2013	June 30, 2012	June 29, 2013	June 30, 2012
	(In millions)			
Beer sales to MillerCoors	$4.5	$5.3	$8.9	$10.2
Beer purchases from MillerCoors	$3.9	$3.1	$7.0	$5.4
Service agreement costs and other charges to MillerCoors	$0.7	$0.9	$1.3	$2.0
Service agreement costs and other charges from MillerCoors	$—	$0.4	$0.2	$0.6

As of June 29, 2013, and December 29, 2012, we had $0.9 million and $0.8 million of net payables due to MillerCoors, respectively.

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Consolidated VIEs

The following summarizes the assets and liabilities of our consolidated VIEs (including noncontrolling interests):

	As of June 29, 2013		December 29, 2012	
	Total Assets	Total Liabilities	Total Assets	Total Liabilities
	(In millions)			
Grolsch	$7.2	$2.2	$10.0	$5.6
Cobra U.K.	$31.5	$1.8	$33.2	$3.3

6. Share-Based Payments

During the first half of 2013 and 2012, we recognized share-based compensation expense 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 share units ("PSU"), performance units ("PU") and stock options. As part of our annual grant in the first quarter of 2013, we issued PSUs in place of PUs that had previously been granted in each of the past three years. The settlement amount of the PSUs is determined based on market and performance metrics, which include our total shareholder return performance relative to the S&P 500 and specified adjusted earnings per share. PSU compensation expense is based on a fair value assigned to the market metric using a Monte Carlo model, which will remain constant throughout the vesting period of three years, and a performance multiplier, which will vary due to changing estimates of adjusted earnings per share.

The following table summarizes share-based compensation expense:

	Thirteen Weeks Ended		Twenty-Six Weeks Ended	
	June 29, 2013	June 30, 2012	June 29, 2013	June 30, 2012
	(In millions)			
Pre-tax compensation expense	$4.3	$5.1	$15.4	$10.1
Tax benefit	(1.1)	(1.4)	(4.5)	(3.0)
After-tax compensation expense	$3.2	$3.7	$10.9	$7.1

The increase in expense during the first half of 2013 was primarily driven by accelerated expense related to certain RSUs and PSUs granted in the first quarter of 2013.

As of June 29, 2013, there was $26.5 million of total unrecognized compensation cost from all share-based compensation arrangements granted under the Incentive Compensation Plan, related to unvested shares. This compensation expense is expected to be recognized over a weighted-average period of approximately 1.6 years.

The following table represents the summary of stock options and stock-only stock appreciation rights ("SOSAR") outstanding as of June 29, 2013, and the activity during the first half of 2013:

	Shares outstanding	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 29, 2012	6.0	$40.55	4.05	$23.2
Granted	0.2	$45.22		
Exercised	(1.8)	$36.04		
Forfeited	—	$—		
Outstanding as of June 29, 2013	4.4	$42.56	4.35	$27.8
Exercisable at June 29, 2013	3.8	$42.32	3.68	$25.4

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The total intrinsic values of stock options exercised during the first half of 2013 and 2012 were $23.5 million and $9.6 million, respectively. During the first half of 2013 and 2012, cash received from stock option exercises was $63.1 million and $20.8 million, respectively, and the total tax benefit for the tax deductions from these stock option exercises and other awards was $5.4 million and $3.5 million, respectively.

The following table represents non-vested RSUs, DSUs, PSUs and PUs as of June 29, 2013, and the activity during the first half of 2013:

	RSUs and DSUs		PUs		PSUs	
	Units	Weighted-average grant date fair value per unit	Units	Weighted-average grant date fair value per unit	Units	Weighted-average grant date fair value per unit
	(In millions, except per unit amounts)					
Non-vested as of December 29, 2012	0.7	$43.06	1.7	$10.90	—	$—
Granted	0.3	$42.58	—	$—	0.2	$43.10
Vested	(0.2)	$43.15	(0.6)	$11.64	—	$—
Forfeited	—	$—	(0.1)	$7.53	—	$—
Non-vested as of June 29, 2013	0.8	$42.92	1.0	$6.91	0.2	$43.10

The fair value of each option granted in the first half of 2013 and 2012 was determined on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions:

	Twenty-Six Weeks Ended	
	June 29, 2013	June 30, 2012
Risk-free interest rate	1.43%	1.56%
Dividend yield	2.88%	2.98%
Volatility range	22.39%-25.90%	25.80%-27.56%
Weighted-average volatility	25.02%	25.84%
Expected term (years)	7.7	4.0-7.7
Weighted-average fair market value	$8.39	$8.18

The risk-free interest rates utilized for periods throughout the contractual life of the stock options are based on a zero-coupon U.S. Treasury security yield at the time of grant. Expected volatility is based on a combination of historical and implied volatility of our stock. The expected term of stock options is estimated based upon observations of historical employee option exercise patterns and trends. The range on the expected term in 2012 results from awards granted to separate groups of employees who exhibit different historical exercise behavior.

The fair value of the market metric for each PSU granted in the first quarter of 2013 was determined on the date of grant using a Monte Carlo model to simulate total shareholder return for MCBC and peer companies. This value was calculated at $43.10 using a term of 2.83 years as the time between grant date and the end of the performance period. Specific inputs into this valuation, derived using the specified term include a volatility of 21.13% for MCBC and between a range of 12% and 69% for our peers, a risk-free interest rate of 0.33% and a dividend yield of 2.88%.

As of June 29, 2013, there were 7.8 million shares of the Company's stock available for issuance as awards under the Incentive Compensation Plan.

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7. Special Items

We have incurred charges or recognized gains that we do not believe to be indicative of our core operations. As such, we have separately classified these amounts as special items. The table below summarizes special items recorded by segment:

	Thirteen Weeks Ended		Twenty-Six Weeks Ended	
	June 29, 2013	June 30, 2012	June 29, 2013	June 30, 2012
	(In millions)			
Employee related charges				
Restructuring(1)				
Canada	$0.1	$—	$1.4	$1.6
Europe	(0.3)	4.5	3.0	6.3
MCI	0.1	—	0.1	—
Corporate	—	—	0.3	1.1
Special termination benefits				
Canada(2)	0.6	1.4	1.4	1.9
Impairments or asset abandonment charges				
Europe - Asset abandonment(3)	—	7.2	—	7.2
MCI - China impairments and related costs(4)	0.8	10.4	0.8	10.4
Unusual or infrequent items				
Canada - Flood insurance loss (reimbursement)(5)	—	(2.3)	—	(2.3)
Europe - Release of non-income-related tax reserve(6)	—	—	(4.2)	(3.5)
Total Special items, net	$1.3	$21.2	$2.8	$22.7

(1) During 2013 and 2012, we recognized expenses associated with restructuring programs focused on labor savings and organizational effectiveness across all functions. As a result, we have reduced headcount by approximately 660 employees since the start of 2012.

(2) During the second quarter and first half of 2013 and 2012, we recognized charges related to special termination benefits as eligible employees elected early retirement offered as a result of the ratification of collective bargaining agreements with MCC's brewery groups.

(3) During the second quarter of 2012, we recognized an asset abandonment charge related to the discontinuation of primary packaging in the U.K. We determined that our Home Draft package was not meeting expectations driven by a lack of demand in the U.K. market and as a result, we recognized a loss related to the write-off of the Home Draft packaging line, tooling equipment and packaging materials inventory.

(4) See Note 11, "Goodwill and Intangible Assets" for detail related to the impairment of goodwill and definite-lived intangible assets in our joint venture in China recorded in the second quarter of 2012.

(5) In the second quarter and first half of 2012, we received insurance proceeds in excess of expenses incurred related to the flood damages at our Toronto offices.

(6) During 2009, we established a non-income-related tax reserve of $10.4 million that was recorded as a special item. The amounts recorded in 2013 and 2012 represent the release of this reserve as a result of a change in estimate. As a result, the remaining amount of this non-income-related tax reserve was fully released in the first quarter of 2013.

During the second quarter of 2013, we recorded losses of $3.3 million on inventory and returnable packaging in our Europe business related to significant flooding in Czech Republic. These losses were entirely offset by insurance proceeds received.

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The table below summarizes the activity in the restructuring accruals by segment:

	Canada	Europe	MCI	Corporate	Total
	(In millions)				
Total at December 29, 2012	$7.1	$13.4	$2.8	$1.5	$24.8
Charges incurred	1.4	3.0	0.1	0.3	4.8
Payments made	(4.8)	(7.4)	(2.1)	(1.4)	(15.7)
Foreign currency and other adjustments	5.1	(0.6)	—	—	4.5
Total at June 29, 2013	$8.8	$8.4	$0.8	$0.4	$18.4

8. Other Income and Expense

The table below summarizes other income and expense:

	Thirteen Weeks Ended		Twenty-Six Weeks Ended	
	June 29, 2013	June 30, 2012	June 29, 2013	June 30, 2012
	(In millions)			
Bridge facility fees(1)	$—	$(13.0)	$—	$(13.0)
Euro currency purchase loss(2)	—	(57.9)	—	(57.9)
Gain on sale of non-operating asset(3)	—	—	1.2	—
Gain (loss) from other foreign exchange and derivative activity(4)	(8.8)	(0.6)	(6.1)	(2.3)
Other, net	1.5	1.0	1.9	1.3
Other income (expense), net	$(7.3)	$(70.5)	$(3.0)	$(71.9)

(1) We incurred costs in connection with the issuance and subsequent termination of the bridge loan agreement entered into concurrent with the announcement of the Acquisition during the second quarter of 2012.

(2) In connection with the Acquisition, we used the proceeds from our issuance of the $1.9 billion senior notes to purchase Euros. As a result of a negative foreign exchange movement between the Euro and USD prior to using these proceeds to fund the Acquisition, we realized a foreign exchange loss on our Euro cash holdings during the second quarter of 2012.

(3) During the first quarter of 2013, we realized a gain for proceeds received related to a non-income-related tax settlement resulting from historical activity within our former investment in the Montreal Canadiens.

(4) Included in this amount are unrealized losses of $10.1 million and gains of $10.0 million for the second quarter and first half of 2013, respectively, and unrealized losses of $3.2 million for the second quarter and first half of 2012, related to foreign currency movements on foreign-denominated financing instruments entered into in conjunction with the closing of the Acquisition. These amounts were partially offset by unrealized gains of $3.9 million and losses of $6.7 million for the second quarter and first half of 2013, respectively, related to foreign exchange contracts to hedge our risk associated with payments of this foreign-denominated debt. See Note 12, "Debt" and Note 14, "Derivative Instruments and Hedging Activities" for further discussion of financing activities related to the Acquisition. Additionally, we recorded losses related to other foreign exchange and derivative activity of $2.6 million and $9.4 million for the second quarter and first half of 2013, respectively. We recorded gains related to other foreign exchange and derivative activity of $2.6 million and $0.9 million for the second quarter and half of 2012, respectively.

9. Income Tax

Our effective tax rates for the second quarters of 2013 and 2012 were approximately 11% and 21%, respectively. For the first half of 2013 and 2012, our effective tax rates were approximately 11% and 20%, respectively. The second quarter 2013 tax rate decreased versus 2012 due primarily to the favorable resolution of unrecognized tax positions related to Canada tax law changes enacted in the second quarter, which decreased our second quarter effective tax rate by approximately 5%. This also created a discrete tax benefit in the quarter.

Our tax rate is volatile and may move up or down 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.

There are proposed or pending tax law changes in various jurisdictions that, if enacted, may have an impact on our effective tax rate.

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As of June 29, 2013, and December 29, 2012, we had unrecognized tax benefits including interest, penalties and offsetting positions of $80.6 million and $82.1 million, respectively. For the first half of 2013, our unrecognized tax benefits decreased due to the changes in Canada tax law. This decrease was primarily offset by adjustments to our unrecognized tax benefits in Europe upon finalization of purchase accounting related to the Acquisition. The allocation of these balances between current and noncurrent has not changed materially since December 29, 2012.

10. Earnings Per Share

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, PSUs, PUs, and DSUs. The dilutive effects of our potentially dilutive securities are calculated using the treasury stock method. Diluted income per share could also be impacted by our convertible debt and related warrants outstanding to the extent dilutive. The following summarizes the effect of dilutive securities on diluted EPS:

	Thirteen Weeks Ended		Twenty-Six Weeks Ended	
	June 29, 2013	June 30, 2012	June 29, 2013	June 30, 2012
	(In millions, except per share amounts)			
Amounts attributable to MCBC				
Net income (loss) from continuing operations	$276.7	$104.3	$313.2	$183.7
Income (loss) from discontinued operations, net of tax	1.7	0.8	0.8	0.9
Net income (loss) attributable to MCBC	$278.4	$105.1	$314.0	$184.6
Weighted-average shares for basic EPS	182.9	180.8	182.3	180.6
Effect of dilutive securities:				
Stock options and SOSARs	0.7	0.4	0.7	0.5
RSUs, PSUs, PUs and DSUs	0.5	0.4	0.5	0.5
Weighted-average shares for diluted EPS	184.1	181.6	183.5	181.6
Basic net income (loss) per share:				
Continuing operations attributable to MCBC	$1.51	$0.58	$1.72	$1.02
Discontinued operations attributable to MCBC	0.01	—	—	—
Basic net income (loss) attributable to MCBC	$1.52	$0.58	$1.72	$1.02
Diluted net income (loss) per share:				
Continuing operations attributable to MCBC	$1.50	$0.57	$1.71	$1.01
Discontinued operations attributable to MCBC	0.01	—	—	—
Diluted net income (loss) attributable to MCBC	$1.51	$0.57	$1.71	$1.01
Dividends declared and paid per share	$0.32	$0.32	$0.64	$0.64

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

	Thirteen Weeks Ended		Twenty-Six Weeks Ended	
	June 29, 2013	June 30, 2012	June 29, 2013	June 30, 2012
	(In millions)			
Stock options, SOSARs and RSUs	0.2	2.1	0.2	1.4
Shares of Class B common stock issuable upon assumed conversion of the 2.5% Convertible Senior Notes(1)	11.1	10.9	11.1	10.9
Warrants to issue shares of Class B common stock(1)	11.1	10.9	11.1	10.9
Shares of Class B common stock issuable upon assumed conversion of the €500 million Convertible Note(2)	0.7	0.4	0.4	0.2
Total anti-dilutive securities	23.1	24.3	22.8	23.4

(1)

In June 2007, we issued $575 million of senior convertible notes due July 2013. The impact of a net share settlement of the conversion amount at maturity will begin to dilute earnings per share if and when our stock price reaches $51.83. The impact of stock that could be issued to settle share obligations we could have under the warrants we issued simultaneously with the senior convertible notes issuance will begin to dilute earnings per share when our stock

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price reaches $66.35. The potential receipt of our stock from counterparties under our purchased call options when and if our stock price is between $51.83 and $66.35 would be anti-dilutive and excluded from any calculations of earnings per share. These notes were repaid in July 2013, and related call options will expire in the third quarter of 2013 following the completion of the conversion period. The warrants expire on February 20, 2014. See further discussion in Note 12, "Debt".

(2) Upon closing of the Acquisition in June 2012, we issued a €500 million Zero Coupon Senior Unsecured Convertible Note due 2013 to the Seller. The impact of a net share settlement of the conversion amount at maturity will begin to dilute earnings per share if and when our stock price reaches $50.61 based on foreign exchange rates at June 29, 2013. See further discussion in Note 12, "Debt".

11. Goodwill and Intangible Assets

The following summarizes the change in goodwill for the first half of 2013:

	Canada	Europe	MCI	Consolidated
	(In millions)			
Balance at December 29, 2012	$764.0	$1,680.9	$8.2	$2,453.1
Foreign currency translation	(38.7)	(72.8)	(0.7)	(112.2)
Purchase price adjustment(1)	—	(15.4)	—	(15.4)
Balance at June 29, 2013	$725.3	$1,592.7	$7.5	$2,325.5

(1) On June 15, 2012, we completed the Acquisition. See Note 3, "Acquisition of StarBev" for further discussion. During the second quarter of 2013, we finalized purchase accounting with a resulting reduction to Europe goodwill in the first half of 2013 of $15.4 million. We assigned the majority of the goodwill resulting from the Acquisition to our Europe reporting unit with a portion allocated to the Canada reporting unit resulting from synergies. The allocation of goodwill to our Canada reporting unit was not impacted by the changes made in the first half of 2013 and is now final.

The following table presents details of our intangible assets, other than goodwill, as of June 29, 2013:

	Useful life	Gross	Accumulated amortization	Net
	(Years)	(In millions)		
Intangible assets subject to amortization:				
Brands	3 - 40	$459.6	$(205.9)	$253.7
Distribution rights	2 - 23	332.3	(248.5)	83.8
Patents and technology and distribution channels	3 - 10	33.2	(29.7)	3.5
Favorable contracts, land use rights and other	2 - 42	12.3	(8.4)	3.9
Intangible assets not subject to amortization:				
Brands	Indefinite	5,625.4	—	5,625.4
Distribution networks	Indefinite	961.7	—	961.7
Other	Indefinite	15.4	—	15.4
Total		$7,439.9	$(492.5)	$6,947.4

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The following table presents details of our intangible assets, other than goodwill, as of December 29, 2012:

	Useful life	Gross	Accumulated amortization	Net
	(Years)	(In millions)		
Intangible assets subject to amortization:				
Brands	3 - 40	$480.6	$(205.7)	$274.9
Distribution rights	2 - 23	350.8	(255.0)	95.8
Patents and technology and distribution channels	3 - 10	35.3	(31.1)	4.2
Favorable contracts, land use rights and other	2 - 42	13.6	(5.4)	8.2
Intangible assets not subject to amortization:				
Brands	Indefinite	5,821.6	—	5,821.6
Distribution networks	Indefinite	1,014.7	—	1,014.7
Other	Indefinite	15.4	—	15.4
Total		$7,732.0	$(497.2)	$7,234.8

The changes in the gross carrying amounts of intangibles from December 29, 2012, to June 29, 2013, are primarily driven by the impact of foreign exchange rates, as a significant amount of intangibles are denominated in foreign currencies, as well as the adjustments recorded on brand intangible assets during the first half of 2013 related to the finalization of the purchase price allocation. See Note 3, "Acquisition of StarBev" for further discussion.

The balances as of June 29, 2013, and December 29, 2012, include the fair values, using a foreign exchange rate at the date of Acquisition, of $145.6 million for brand intangibles with a 30 year useful life, $2,323.4 million for brand intangibles with an indefinite-life ($2,281.0 million at December 29, 2012) and a fair value of a favorable supply contract and other intangibles of $12.0 million with a 1.5 year useful life as a result of the Acquisition. See Note 3, "Acquisition of StarBev" for total allocation of consideration and discussion of change in brand intangible valuation in the second quarter of 2013.

Based on foreign exchange rates as of June 29, 2013, the estimated future amortization expense of intangible assets is as follows:

Fiscal year	Amount
	(In millions)
2013 - remaining	$22.9
2014	$37.9
2015	$35.4
2016	$35.4
2017	$22.0

Amortization expense of intangible assets was $11.7 million and $9.3 million for the second quarters of 2013 and 2012, respectively, and $23.6 million and $18.6 million for the first half of 2013 and 2012, respectively. This expense is presented within marketing, general and administrative expenses.

We completed our required 2012 annual impairment testing as of July 1, 2012, the first day of our fiscal third quarter, and concluded there were no impairments of goodwill or other indefinite-lived intangible assets. Given the timing of our Acquisition, the Central Europe reporting unit and the associated indefinite-lived intangibles were not part of our 2012 annual impairment testing as we relied upon the fair value as of the Acquisition date and performed a qualitative assessment to ensure no significant changes between the Acquisition and July 1, 2012. Given the change in our operating segments effective the first day of our fiscal year 2013 to combine our U.K. and Ireland business with our Central Europe organization, which resulted in a single European segment, we re-evaluated our reporting units during the first quarter of 2013. This re-evaluation resulted in an aggregation of our U.K. and Central Europe businesses into one Europe reporting unit. As part of this re-evaluation, we also determined that a goodwill impairment trigger did not exist at either of the previous U.K. or Central Europe reporting unit levels prior to or upon aggregation. The discussion below focuses on results of our 2012 annual impairment testing of goodwill, which references our historical U.K. and Central Europe reporting units. Effective for our 2013 annual impairment testing of goodwill to occur during the third quarter of 2013, we will perform testing at the Europe reporting unit level.

Through our annual impairment testing of goodwill performed in the third quarter of 2012, we determined that the fair value of our U.K. and Canada reporting units were close to failing step one of the goodwill impairment test, with the fair values estimated at approximately 7% and 15% in excess of carrying value, respectively. Additionally, our annual impairment testing of indefinite-lived intangibles in the third quarter of 2012 determined that the fair value of our Molson core brands were close to failing step one of the impairment test, with the fair value of the Molson core brands estimated at approximately 14% in excess of its carrying value (of which $2,903.9 million is indefinite-lived intangibles as of June 29, 2013).

Subsequent to our testing in the third quarter of 2012, our Europe reporting unit and our indefinite-lived brands in Europe ($2,702.1 million as of June 29, 2013) have been adversely impacted by the weak economy in Europe. In addition, our Canada reporting unit and our indefinite-lived Molson core brands have continued to face significant competitive pressures and challenging macroeconomic conditions.

The Europe and Canada reporting units' goodwill and certain indefinite-lived intangibles are therefore at risk of a future impairment in the event of significant unfavorable changes in the forecasted cash flows, terminal growth rates, market transaction multiples and/or weighted-average cost of capital utilized in the discounted cash flow analysis. For testing purposes, management's best estimates of the expected future results are the primary driver in determining the fair value. Current projections reflect continued challenging environments that have been adversely impacted by a weak economy across all industries as well as weakened consumer demand, partially offset by anticipated cost savings and specific brand-building and innovation activities. Fair value determinations require considerable judgment and are sensitive to changes in underlying assumptions and factors. As a result, there can be no assurance that the estimates and assumptions made for purposes of the annual goodwill impairment test will prove to be an accurate prediction of the future. Examples of events or circumstances that could reasonably be expected to negatively affect the underlying key assumptions and ultimately impact the estimated fair value of our Europe and Canada reporting units and Molson core and European brands may include such items as: (i) a decrease in expected future cash flows, specifically, an increase in required pension contributions, a decrease in sales volume driven by continued weakening of consumer demand or other competitive pressures adversely affecting our long term volume trends, unfavorable working capital changes and an inability to successfully achieve our cost savings targets, (ii) an economic recovery that significantly differs from our assumptions in timing and/or degree, (iii) volatility in the equity and debt markets which could result in a higher discount rate; and (iv) sensitivity to market transaction multiples.

While historical performance and current expectations have resulted in fair values of our reporting units in excess of carrying values, if our assumptions are not realized, it is possible that an impairment charge may need to be recorded in the future.

During the second quarter of 2012, we recorded an impairment charge for the full amount of our previous China reporting unit goodwill and definite-lived brand and distribution rights intangible assets of $9.5 million and $0.9 million, respectively, recorded as Special items in our condensed consolidated statements of operations.

Regarding definite-lived intangibles, we continuously monitor the performance of the underlying asset for potential triggering events suggesting an impairment review should be performed. No such triggering events were identified in the second quarter of 2013. However, recent litigation related to the licensing agreement with Miller in Canada, for which we have a definite-lived intangible asset with a carrying value of $61.9 million as of June 29, 2013, could result in a possible future impairment. See Note 16, "Commitments and Contingencies" for further discussion.

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12. Debt

Debt obligations

Our total borrowings as of June 29, 2013, and December 29, 2012, were composed of the following:

	As of	
	June 29, 2013	December 29, 2012
	(In millions)	
Senior notes:		
$575 million 2.5% convertible notes due 2013(1)	$575.0	$575.0
€500 million 0.0% convertible note due 2013(2)	685.2	668.7
Canadian Dollar ("CAD") 900 million 5.0% notes due 2015	855.6	902.7
CAD 500 million 3.95% Series A notes due 2017	475.3	501.5
$300 million 2.0% notes due 2017	300.0	300.0
$500 million 3.5% notes due 2022	500.0	500.0
$1.1 billion 5.0% notes due 2042	1,100.0	1,100.0
€120 million term loan due 2016(3)	69.9	123.9
Other long-term debt	0.5	0.5
Commercial paper(4)	—	—
Credit facilities(4)	—	—
Less: unamortized debt discounts and other	(7.2)	(17.4)
Total long-term debt (including current portion)	4,554.3	4,654.9
Less: current portion of long-term debt	(1,258.6)	(1,232.4)
Total long-term debt	$3,295.7	$3,422.5
Short-term borrowings	$13.8	$13.2
Current portion of long-term debt	1,258.6	1,232.4
Current portion of long-term debt and short-term borrowings	$1,272.4	$1,245.6

(1) Our $575 million convertible notes matured and were repaid on July 30, 2013, for their face value of $575 million. Any required premium payment, based on our weighted average stock price exceeding the then-applicable conversion price during each of the 25 trading days following the maturity date, will be payable in September 2013. However, this payable is hedged by call options that mitigate our exposure up to our stock price reaching $66.35. Separately, the warrants entered into concurrent with these call options, pursuant to which we may be required to issue Class B common stock to the counterparty when our stock price reaches $66.35, remain outstanding and will expire on February 20, 2014. On June 29, 2013, and at maturity, the convertible notes' if-converted value did not exceed the principal. 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 each $1,000 aggregate principal amount of notes. The conversion ratio and conversion price were subject to adjustments for certain events and provisions, as defined in the indenture, including adjustments reflected for exceeding defined thresholds related to our dividend payments. At the maturity date our conversion price and ratio were $51.8284 and 19.2944 shares, respectively.

During the second quarters of 2013 and 2012, we incurred additional non-cash interest expense of $4.6 million and $4.5 million, respectively. For the first half of 2013 and 2012, the amounts were $9.3 million and $9.0 million, respectively. We also incurred interest expense related to the 2.5% convertible coupon rate of $3.6 million and $3.6 million during the second quarters of 2013 and 2012, respectively. For the first half of 2013 and 2012, the interest expenses incurred were $7.2 million and $7.3 million, respectively. The combination of non-cash and cash interest resulted in an effective interest rate of 5.75% and 5.83% for the second quarters of 2013 and 2012, respectively. The effective interest rates for the first half of 2013 and 2012 were 5.75% and 5.84%, respectively. As of June 29, 2013, and December 29, 2012, $1.6 million and $10.8 million, respectively, of the unamortized debt discount and other

balance relates to our $575 million convertible debt. We recorded the remaining discount of $1.6 million during the third quarter of 2013 thereby increasing the carrying value of the convertible debt to its $575 million face value at maturity. As the notes matured in July 2013, the carrying value at June 29, 2013, is included within the current portion of long-term debt.

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(2) On June 15, 2012, we issued a €500 million Zero Coupon Senior Unsecured Convertible Note due 2013 (the "Convertible Note") to the Seller in conjunction with the closing of the Acquisition. The Convertible Note matures on December 31, 2013, and is a senior unsecured obligation guaranteed by MCBC. The Seller has the ability to exercise a put right with respect to the Convertible Note as of March 14, 2013, (the "First Redemption Date") and ending on December 19, 2013, for the greater of the principal amount of the Convertible Note or the aggregate cash value of 12,894,044 shares of our Class B Common Stock, as adjusted for certain corporate events. The Convertible Note's embedded conversion feature was determined to meet the definition of a derivative required to be bifurcated and separately accounted for at fair value with changes in fair value recorded in earnings. At issuance, we recorded a liability of $15.2 million related to the conversion feature. The Convertible Note was issued at a discount of $1.3 million, which has been recognized as interest expense over the period from issuance to the First Redemption Date.

The carrying value of the Convertible Note and fair value of the conversion feature at June 29, 2013, were $650.5 million and $34.7 million, respectively. We recognized an unrealized gain of $2.7 million and an unrealized loss of $26.8 million during the second quarter and first half of 2013, respectively, related to changes in the fair value of the conversion feature. The non-cash interest, excluding the change in fair value of the convertible feature, resulted in an immaterial impact to our effective interest rate for the second quarter and first half of 2013. See Note 14, "Derivative Instruments and Hedging Activities" for further discussion of the conversion feature.

(3) During the second quarter of 2013, we made principal repayments of $52.0 million (€40.0 million) on the remaining balance of our €120 million term loan, resulting in an outstanding carrying balance of $69.9 million (€53.7 million) at June 29, 2013.

(4) In the first quarter of 2013, a $950 million commercial paper program was approved and implemented. The commercial paper program is supported by our $550 million and $400 million revolving credit facilities. As of June 29, 2013, there were no outstanding borrowings under the commercial paper program.

In the third quarter of 2012, we entered into a revolving credit agreement ("Euro Credit Agreement") to support our operations in Central Europe within our Europe segment. The Euro Credit Agreement provides for a 1-year revolving credit facility of €150 million on an uncommitted basis.

In the second quarter of 2012, we entered into a revolving credit agreement (the "Credit Agreement"). The Credit Agreement provides for a 4-year revolving credit facility of $550 million. The Credit Agreement contains customary events of default and specified representations and warranties and covenants, including, among other things, covenants that limit our subsidiaries' ability to incur certain additional priority indebtedness, create or permit liens on assets, or engage in mergers or consolidations.

In the second quarter of 2011, we entered into an agreement for a 4-year revolving multicurrency credit facility of $400 million, which provides a $100 million sub-facility available for the issuance of letters of credit.

There were no outstanding borrowings on any of our credit facilities as of June 29, 2013.

Debt Fair Value Measurements

We utilize market approaches to estimate the fair value of certain outstanding borrowings by discounting anticipated future cash flows derived from the contractual terms of the obligations and observable market interest and foreign exchange rates. As of June 29, 2013, and December 29, 2012, the fair value of our outstanding long-term debt (including current portion) was $4,668.4 million and $4,993.0 million, respectively. Our €120 million term loan and all senior notes are valued based on significant observable inputs and would be classified as Level 2 in the fair value hierarchy. The fair value measurement of the conversion feature embedded in the Convertible Note includes significant unobservable inputs and is classified as Level 3 in the fair value hierarchy. See Note 14, "Derivative Instruments and Hedging Activities" for further discussion regarding the fair value of the conversion feature related to the Convertible Note. The carrying values of all other outstanding long-term borrowings and our short-term borrowings approximate their fair values.

Other

Under the terms of each of our debt facilities, we must comply with certain restrictions. These include restrictions on priority indebtedness (certain threshold percentages of secured consolidated net tangible assets), leverage thresholds, liens, and restrictions on certain types of sale lease-back transactions and transfers of assets. As of June 29, 2013, and

December 29, 2012, we were in compliance with all of these restrictions and have met all debt payment obligations.

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13. Accumulated Other Comprehensive Income (Loss)

Changes in accumulated other comprehensive income (loss) for the first half of 2013 were as follows:

	MCBC shareholders				
	Foreign currency translation adjustments	Gain (loss) on derivative instruments	Pension and postretirement benefit adjustments	Equity method investments	Accumulated other comprehensive income (loss)
	(In millions)				
As of December 29, 2012	$1,187.5	$(17.7)	$(844.1)	$(398.0)	$(72.3)
Foreign currency translation adjustments	(367.9)	—	—	—	(367.9)
Unrealized gain (loss) on derivative instruments	—	53.2	—	—	53.2
Reclassification of derivative (gains) losses to income	—	(1.3)	—	—	(1.3)
Amortization of net prior service (benefits) costs and net actuarial (gains) losses to income	—	—	26.8	—	26.8
Ownership share of unconsolidated subsidiaries' other comprehensive income (loss)	—	—	—	(15.3)	(15.3)
Tax adjustment related to investment in MillerCoors AOCI reclassification(1)	—	—	—	34.3	34.3
Tax benefit (expense)	27.2	(19.9)	(2.9)	5.8	10.2
As of June 29, 2013	$846.8	$14.3	$(820.2)	$(373.2)	$(332.3)

(1) During the first quarter of 2013, we recorded a tax adjustment related to the reclassification of amounts from the investment in MillerCoors to AOCI that was recorded in the fourth quarter of 2012, to reflect our proportional share of MillerCoors AOCI at formation. We made this reclassification in 2012 as we believe the new presentation provides improved transparency of our share of MillerCoors AOCI. This tax adjustment, which should have been made in 2012 with the reclassification, was not material to either the current or prior period financial statements taken as a whole and therefore prior periods do not reflect the adjustment.

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Reclassifications from AOCI to income for the second quarter and first half of 2013 were as follows:

	Thirteen Weeks Ended June 29, 2013 Reclassifications from AOCI	Twenty-Six Weeks Ended June 29, 2013 Reclassifications from AOCI	Location of gain (loss) recognized in income
	(In millions)		
Gains/(losses) on cash flow hedges:			
Forward starting interest rate swaps	$(0.4)	$(0.8)	Interest expense, net
Foreign currency forwards	0.5	0.4	Other income (expense), net
Foreign currency forwards	1.2	1.7	Cost of goods sold
Commodity swaps	0.2	—	Cost of goods sold
Total income (loss) reclassified, before tax	1.5	1.3	
Income tax benefit (expense)	(0.7)	(0.6)	
Net income (loss) reclassified, net of tax	$0.8	$0.7	
Amortization of defined benefit pension and other postretirement benefit plan items:			
Prior service benefit (cost)	$0.7	$1.4	(1)
Net actuarial gains (losses)	(14.0)	(28.2)	(1)
Total income (loss) reclassified, before tax	(13.3)	(26.8)	
Income tax benefit (expense)	—	2.9	
Net income (loss) reclassified, net of tax	$(13.3)	$(23.9)	
Total income (loss) reclassified, net of tax	$(12.5)	$(23.2)	

(1) These components of AOCI are included in the computation of net periodic pension and other postretirement benefit cost. See Note 15, "Pension and Other Postretirement Benefits" for additional details.

14. Derivative Instruments and Hedging Activities

Our risk management and derivative accounting policies are presented in Notes 1 and 18 of the Notes included in our Annual Report and did not significantly change during the first half of 2013. As noted in Note 18 of the Notes included in our Annual Report, due to the nature of our counterparty agreements, and that we are not subject to master netting arrangements, we are not able to net positions with the same counterparty and therefore present our derivative positions gross in our condensed consolidated balance sheets. Our significant derivative/hedge positions have not changed significantly since year-end, except as noted below.

Significant Derivative/Hedge Positions

Derivative Activity Related to the Acquisition

In the first quarter of 2013, we began executing a series of financial foreign exchange forward contracts to hedge our risk associated with payments of our Euro-denominated Convertible Note issued to the Seller simultaneous with the closing of the Acquisition in June 2012. These contracts are not designated in hedge accounting relationships. As such, changes in fair value of these swaps are recorded in other income (expense) in our condensed consolidated statement of operations.

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Cross Currency Swaps

In the second quarter of 2013, we cash settled CAD 100 million notional of our outstanding cross currency swaps designated as a net investment hedge of our Canadian operations for $31.4 million. The remaining outstanding cross currency swaps are due to mature March 31, 2014, and were in a net liability position of $155.8 million as of June 29, 2013.

Commodity Swaps

In the second quarter of 2013, we entered into financial commodity swap contracts to hedge our exposure to changes in the prices of corn and aluminum, including surcharges relating to our aluminum exposures. These contracts allow us to swap our floating exposure to changes in these commodity prices for a fixed rate. These contracts are not designated in hedge accounting relationships. As such, changes in fair value of these swaps are recorded in cost of goods sold in the condensed consolidated statements of operations.

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 our own non-performance risk. The table below summarizes our derivative assets and liabilities that were measured at fair value as of June 29, 2013, and December 29, 2012.

	Total at June 29, 2013	Fair value measurements as of June 29, 2013 Using		
		Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	(In millions)			
Cross currency swaps	$(155.8)	$—	$(155.8)	$—
Foreign currency forwards	13.1	—	13.1	—
Commodity swaps	(3.1)	—	(3.1)	—
Equity conversion feature of debt	(34.7)	—	—	(34.7)
Total	$(180.5)	$—	$(145.8)	$(34.7)

	Total at December 29, 2012	Fair value measurements as of December 29, 2012 Using		
		Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	(In millions)			
Cross currency swaps	$(220.4)	$—	$(220.4)	$—
Foreign currency forwards	(1.7)	—	(1.7)	—
Commodity swaps	(2.5)	—	(2.5)	—
Equity conversion feature of debt	(7.9)	—	—	(7.9)
Total	$(232.5)	$—	$(224.6)	$(7.9)

The following tables present additional information about Level 3 assets and liabilities measured at fair value on a recurring basis for the quarter ended June 29, 2013. Both observable and unobservable inputs may be used to determine the fair value of positions that we have classified within the Level 3 category. As a result, the unrealized gains (losses) during the period for assets and liabilities within the Level 3 category presented in the tables below may include changes in fair value during the period that were attributable to both observable (e.g., changes in market interest rates) and unobservable (e.g., changes in unobservable long-dated volatilities) inputs.

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The table below summarizes derivative valuation activity using significant unobservable inputs (Level 3):

	Rollforward of Level 3 Inputs (In millions)
Total at December 29, 2012	$(7.9)
Total losses (realized/unrealized)	
Included in earnings	(26.8)
Included in other comprehensive income	—
Purchases	—
Sales	—
Issuances	—
Settlements	—
Net transfers in/out of Level 3	—
Total at June 29, 2013	$(34.7)
Unrealized losses for Level 3 assets/liabilities outstanding at June 29, 2013	$(26.8)

We had no significant transfers between Level 1 and 2 during the second quarter or first half of 2013. As of June 29, 2013, and December 29, 2012, the conversion feature related to the Convertible Note was classified as a Level 3 derivative due to valuations based upon significant unobservable inputs. New derivative contracts transacted during the second quarter and first half of 2013 were all included in Level 2.

Quantitative information regarding significant unobservable inputs used for recurring Level 3 fair value measurements of financial instruments carried at fair value, were as follows:

	Balance at June 29, 2013	Valuation Technique	Significant Unobservable Input(s)/Sensitivity of the Fair Value to Changes in the Unobservable Inputs	Range
	(In millions)			
Equity conversion feature of debt	$(34.7)	Option model	Implied volatility(1)	21-30%

(1) Significant increase (decrease) in the unobservable input in isolation would result in a significantly higher (lower) fair value measurement.

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Results of Period Derivative Activity

The tables below include the year to date results of our derivative activity in the condensed consolidated balance sheets as of June 29, 2013, and December 29, 2012, and the condensed consolidated statements of operations for the second quarter and first half ended June 29, 2013, and June 30, 2012.

Fair Value of Derivative Instruments in the Condensed Consolidated Balance Sheet (in millions, except for certain commodity swaps with notional amounts measured in Metric Tonnes, as noted)

	June 29, 2013					
			Asset derivatives		Liability derivatives	
	Notional amount		Balance sheet location	Fair value	Balance sheet location	Fair value
Derivatives designated as hedging instruments:						
Cross currency swaps	CAD	501.3	Other current assets	$—	Current derivative hedging instruments	$(155.8)
Foreign currency forwards	USD	466.6	Other current assets	11.1	Current derivative hedging instruments	(0.1)
			Other non-current assets	9.1	Non-current derivative hedging instruments	(0.1)
Commodity swaps	kWh	737.7	Other current assets	0.2	Current derivative hedging instruments	(0.6)
			Other non-current assets	—	Non-current derivative hedging instruments	(0.3)
Total derivatives designated as hedging instruments				$20.4		$(156.9)
Derivatives not designated as hedging instruments:						
Equity conversion feature of debt	EUR	500.0			Current portion of long-term debt and short-term borrowings	$(34.7)
Foreign currency forwards	EUR	296.0	Other current assets	$—	Current derivative hedging instruments	(6.9)
Commodity swaps	Metric tonnes (actual)	47,117	Other current assets	—	Current derivative hedging instruments	(1.5)
			Other non-current assets	—	Non-current derivative hedging instruments	(0.9)
Total derivatives not designated as hedging instruments				$—		$(44.0)
Non-derivative financial instruments in net investment hedge relationships:						
€120 million term loan due 2016	EUR	53.7			Long-term debt	$(69.9)
Total non-derivative financial instruments in net investment hedge relationships						$(69.9)

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	December 29, 2012					
			Asset derivatives		Liability derivatives	
	Notional amount		Balance sheet location	Fair value	Balance sheet location	Fair value
Derivatives designated as hedging instruments:						
Cross currency swaps	CAD	601.3	Other non-current assets	$—	Non-current derivative hedging instruments	$(220.4)
Foreign currency forwards	USD	507.3	Other current assets	2.0	Current derivative hedging instruments	(3.4)
			Other non-current assets	1.4	Non-current derivative hedging instruments	(1.7)
Commodity swaps	kWh	486.1	Other current assets	—	Current derivative hedging instruments	(1.0)
			Other non-current assets	0.2	Non-current derivative hedging instruments	(0.1)
Total derivatives designated as hedging instruments				$3.6		$(226.6)
Derivatives not designated as hedging instruments:						
Equity conversion feature of debt	EUR	500.0			Current portion of long-term debt and short-term borrowings	$(7.9)
Commodity swaps	Metric tonnes (actual)	8,343	Other current assets	$—	Current derivative hedging instruments	(1.6)
Total derivatives not designated as hedging instruments				$—		$(9.5)
Non-derivative financial instruments in net investment hedge relationships:						
€120 million term loan due 2016	EUR	93.7			Long-term debt	$(123.9)
Total non-derivative financial instruments in net investment hedge relationships						$(123.9)

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

The Effect of Derivative Instruments on the Condensed Consolidated Statement of Operations (in millions)

For the Thirteen Weeks Ended June 29, 2013

Derivatives in cash flow hedge relationships	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)
Forward starting interest rate swaps	$—	Interest expense, net	$(0.4)	Interest expense, net	$—
Foreign currency forwards	14.8	Other income (expense), net	0.5	Other income (expense), net	—
		Cost of goods sold	1.2	Cost of goods sold	—
Commodity swaps	(0.6)	Cost of goods sold	0.2	Cost of goods sold	—
Total	$14.2		$1.5		$—

For the Thirteen Weeks Ended June 29, 2013

Derivatives and non-derivative financial instruments in net investment hedge relationships	Amount of gain (loss) recognized in OCI (effective portion)	Location of gain (loss) reclassified from AOCI into income (effective portion)	Amount of gain (loss) recognized from AOCI (effective portion)	Location of gain (loss) recognized in income (ineffective portion and amount excluded from effectiveness testing)	Amount of gain (loss) recognized in income (ineffective portion and amount excluded from effectiveness testing)
Cross currency contracts	$15.3	Other income (expense), net	$—	Other income (expense), net	$—
€120 million term loan due 2016	(1.7)	Other income (expense), net	—	Other income (expense), net	—
Total	$13.6		$—		$—

Note: Amounts recognized in AOCI related to cash flow and net investment hedges are presented gross of taxes
During the period we recorded no significant ineffectiveness related to these cash flow and net investment hedges.

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For the Thirteen Weeks Ended June 30, 2012

Derivatives in cash flow hedge relationships	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)
Forward starting interest rate swaps	$—		Interest expense, net	$(0.4	)	Interest expense, net	$—
Foreign currency forwards	5.2		Other income (expense), net	(0.4	)	Other income (expense), net	—
			Cost of goods sold	(1.3	)	Cost of goods sold	—
Commodity swaps	(0.6	)	Cost of goods sold	(0.4	)	Cost of goods sold	—
Total	$4.6			$(2.5	)		$—

For the Thirteen Weeks Ended June 30, 2012

Derivatives and non-derivative financial instruments in net investment hedge relationships	Amount of gain (loss) recognized in OCI (effective portion)	Location of gain (loss) reclassified from AOCI into income (effective portion)	Amount of gain (loss) recognized from AOCI (effective portion)	Location of gain (loss) recognized in income (ineffective portion and amount excluded from effectiveness testing)	Amount of gain (loss) recognized in income (ineffective portion and amount excluded from effectiveness testing)
Cross currency contracts	$7.3	Other income (expense), net	$—	Other income (expense), net	$—
Total	$7.3		$—		$—

Note: Amounts recognized in AOCI are presented gross of taxes

During the period we recorded no significant ineffectiveness related to these cash flow and net investment hedges.

For the Twenty-Six Weeks Ended June 29, 2013

Derivatives in cash flow hedge relationships	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)
	$—	Interest expense, net	$(0.8	)	Interest expense, net	$—

Forward starting interest rate swaps					
Foreign currency forwards	23.7	Other income (expense), net	0.4	Other income (expense), net	—
		Cost of goods sold	1.7	Cost of goods sold	—
Commodity swaps	—	Cost of goods sold	—	Cost of goods sold	—
Total	$23.7		$1.3		$—

For the Twenty-Six Weeks Ended June 29, 2013

Derivatives and non-derivative financial instruments in net investment hedge relationships	Amount of gain (loss) recognized in OCI (effective portion)	Location of gain (loss) reclassified from AOCI into income (effective portion)	Amount of gain (loss) recognized from AOCI (effective portion)	Location of gain (loss) recognized in income (ineffective portion and amount excluded from effectiveness testing)	Amount of gain (loss) recognized in income (ineffective portion and amount excluded from effectiveness testing)
Cross currency contracts	$29.5	Other income (expense), net	$—	Other income (expense), net	$—
€120 million term loan due 2016	2.0	Other income (expense), net	—	Other income (expense), net	—
Total	$31.5		$—		$—

Note: Amounts recognized in AOCI related to cash flow and net investment hedges are presented gross of taxes
During the period we recorded no significant ineffectiveness related to these cash flow and net investment hedges.

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For the Twenty-Six Weeks Ended June 30, 2012

Derivatives in cash flow hedge relationships	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)
Forward starting interest rate swaps	$—	Interest expense, net	$(0.8)	Interest expense, net	$—
Foreign currency forwards	(2.8)	Other income (expense), net	(1.0)	Other income (expense), net	—
		Cost of goods sold	(2.4)	Cost of goods sold	—
Commodity swaps	0.7	Cost of goods sold	(0.7)	Cost of goods sold	—
Total	$(2.1)		$(4.9)		$—

For the Twenty-Six Weeks Ended June 30, 2012

Derivatives and non-derivative financial instruments in net investment hedge relationships	Amount of gain (loss) recognized in OCI (effective portion)	Location of gain (loss) reclassified from AOCI into income (effective portion)	Amount of gain (loss) recognized from AOCI (effective portion)	Location of gain (loss) recognized in income (ineffective portion and amount excluded from effectiveness testing)	Amount of gain (loss) recognized in income (ineffective portion and amount excluded from effectiveness testing)
Cross currency contracts	$(13.2)	Other income (expense), net	$—	Other income (expense), net	$—
Total	$(13.2)		$—		$—

Note: Amounts recognized in AOCI are presented gross of taxes

During the period we recorded no significant ineffectiveness related to these cash flow and net investment hedges.

We expect net gains of approximately $10.6 million (pre-tax) recorded in AOCI at June 29, 2013, will be reclassified into earnings within the next 12 months. The maximum length of time over which forecasted transactions are hedged at June 29, 2013, is 3.5 years, and such transactions relate to foreign exchange, interest rate and commodity exposures.

Other Derivatives (in millions)

For the Thirteen Weeks Ended June 29, 2013

Derivatives not in hedging relationships	Location of gain (loss) recognized in income on derivative	Amount of gain (loss) recognized in income on derivative
Equity conversion feature of debt	Interest expense, net	$3.2
	Other income (expense), net	(0.5)
Commodity swaps	Cost of goods sold	(1.5)
Foreign currency forwards	Other income (expense), net	3.9

Total		$5.1
For the Thirteen Weeks Ended June 30, 2012		
Derivatives not in hedging relationships	Location of gain (loss) recognized in income on derivative	Amount of gain (loss) recognized in income on derivative
Equity conversion feature of debt	Interest expense, net	$(5.6)
Commodity swaps	Cost of goods sold	0.5
Treasury locks(1)	Interest expense, net	(39.2)
Total		$(44.3)

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For the Twenty-Six Weeks Ended June 29, 2013

Derivatives not in hedging relationships	Location of gain (loss) recognized in income on derivative	Amount of gain (loss) recognized in income on derivative
Equity conversion feature of debt	Interest expense, net	$(26.5)
	Other income (expense), net	(0.3)
Commodity swaps	Cost of goods sold	(1.5)
Foreign currency forwards	Other income (expense), net	(6.7)
		$(35.0)

For the Twenty-Six Weeks Ended June 30, 2012

Derivatives not in hedging relationships	Location of gain (loss) recognized in income on derivative	Amount of gain (loss) recognized in income on derivative
Equity conversion feature of debt	Interest expense, net	$(5.6)
Commodity swaps	Cost of goods sold	0.6
Treasury locks(1)	Interest expense, net	(39.2)
		$(44.2)

(1) Entered into to remove a portion of our interest rate market risk in connection with debt issued to fund the Acquisition.

15. Pension and Other Postretirement Benefits

Net Periodic Pension and Other Postretirement Benefits ("OPEB") Cost

	For the Thirteen Weeks Ended					
	June 29, 2013			June 30, 2012		
	Pension	OPEB	Consolidated	Pension	OPEB	Consolidated
	(In millions)					
Net periodic pension and OPEB cost:						
Service cost - benefits earned during the year	$4.0	$0.9	$ 4.9	$4.2	$0.7	$ 4.9
Interest cost on projected benefit obligation	38.8	1.8	40.6	41.4	1.9	43.3
Expected return on plan assets	(44.0)	—	(44.0)	(43.7)	—	(43.7)
Amortization of prior service cost (benefit)	0.2	(0.9)	(0.7)	0.2	(0.9)	(0.7)
Amortization of net actuarial loss (gain)	14.1	(0.1)	14.0	9.8	(0.1)	9.7
Less: expected participant contributions	(0.3)	—	(0.3)	(0.4)	—	(0.4)
Net periodic pension and OPEB cost	$12.8	$1.7	$ 14.5	$11.5	$1.6	$ 13.1

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	For the Twenty-Six Weeks Ended					
	June 29, 2013			June 30, 2012		
	Pension	OPEB	Consolidated	Pension	OPEB	Consolidated
	(In millions)					
Net periodic pension and OPEB cost:						
Service cost - benefits earned during the year	$8.0	$1.8	$9.8	$8.4	$1.4	$9.8
Interest cost on projected benefit obligation	78.2	3.6	81.8	82.5	3.9	86.4
Expected return on plan assets	(88.7)	—	(88.7)	(87.2)	—	(87.2)
Amortization of prior service cost (benefit)	0.4	(1.8)	(1.4)	0.4	(1.8)	(1.4)
Amortization of net actuarial loss (gain)	28.4	(0.2)	28.2	19.6	(0.2)	19.4
Less: expected participant contributions	(0.6)	—	(0.6)	(0.8)	—	(0.8)
Net periodic pension and OPEB cost	$25.7	$3.4	$29.1	$22.9	$3.3	$26.2

During the first half of 2013, employer contributions to the defined benefit plans were $48.6 million. Expected total fiscal year 2013 employer contributions to the defined benefit plans are approximately $110 million. MillerCoors, Brewers' Retail Inc. ("BRI") and Brewers' Distributor Limited ("BDL") contributions to their defined benefit pension and other postretirement benefit plans are not included above, as they are not consolidated in our financial statements.

16. Commitments and Contingencies

Discontinued Operations

Kaiser

In 2006, we sold our entire 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 addition, we provided an indemnity to FEMSA for losses Kaiser may incur with respect to tax claims associated with certain previously utilized purchased tax credits. The discontinued operations balances within the current and non-current liabilities of our condensed consolidated balance sheets consist entirely of our estimates of these liabilities. These liabilities are denominated in Brazilian Reais and are therefore subject to foreign exchange gains or losses, which are recognized in the discontinued operations section of the condensed consolidated statement of operations. There have been no changes in the underlying liabilities from the year ended December 29, 2012, therefore all changes in the current and non-current liabilities of discontinued operations during the first quarter of 2013 are due to fluctuations in foreign exchange rates from December 29, 2012, to June 29, 2013. In the second quarters of 2013 and 2012, we recognized gains of $1.7 million and $2.3 million, respectively, from discontinued operations associated with foreign exchange gains and losses related to indemnities we provided to FEMSA. During the first half of 2013 and 2012, we recognized gains of $0.8 million and $2.4 million, respectively. Our exposure related to the tax, civil and labor indemnity claims is capped at the amount of the sales price of the 68% equity interest of Kaiser, which was $68.0 million. Separately, the maximum potential claims amount remaining for the purchased tax credits was $156.8 million as of June 29, 2013.

Future settlement procedures and related negotiation activities associated with these contingencies are largely outside of our control. 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 been recorded to date, and additional future adjustments may be required.

Distributorship Litigation

During the second quarter and first half of 2012, we recognized a loss of $1.5 million related to an increase in the legal reserve for a distributorship litigation which was settled in the third quarter of 2012.

Guarantees

We guarantee indebtedness and other obligations to banks and other third parties for some of our equity method investments and consolidated subsidiaries.

Rocky Mountain Metal Container ("RMMC"), a Colorado limited liability company, is a joint venture with Ball Corporation in which MillerCoors holds and consolidates a 50% interest. As of June 29, 2013, and December 29, 2012, we guaranteed $4.5 million of RMMC debt, which is due in the fourth quarter of 2013.
Related to our previous ownership in the Montréal Canadiens, we guarantee its obligations under a ground lease for the Bell Centre Arena (the "Ground Lease Guarantee"). Upon sale of our interest, the new owners agreed to indemnify us in connection with the liabilities we may incur under the Ground Lease Guarantee and provided us with a CAD 10 million letter of credit to guarantee such indemnity. This transaction did not materially affect our risk exposure related to the Ground Lease Guarantee, which continues to be recognized as a liability on our balance sheet.
Related to guarantees, other liabilities in the accompanying condensed consolidated balance sheets include $5.9 million as of June 29, 2013, and $6.2 million as of December 29, 2012, both of which are non-current.

Litigation and Other Disputes and Environmental

Related to litigation, other disputes and environmental issues, we have accrued an aggregate of $14.4 million as of June 29, 2013, and $14.5 million as of December 29, 2012. We believe that any reasonably possible losses in excess of the amounts accrued are immaterial to our condensed consolidated financial statements.
In addition to the specific cases discussed below, we are involved in other disputes and legal actions arising in the ordinary course of our business. Additionally, during the first quarter of 2013 we became aware of potential liabilities in several Central European countries primarily related to local country regulatory matters. See Note 3, "Acquisition of StarBev" for further discussion. 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 business, 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 may arise from time to time that may harm our business.
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 results from operations, cash flows or our financial or competitive position. We believe adequate reserves have been provided for losses that are probable and estimable.

Litigation and Other Disputes

In December 2012, Miller Brewing Company (“Miller”) orally informed us of its intent to terminate the license agreement between Miller and us whereby we have exclusive rights to distribute certain Miller products in Canada (the “License Agreement”) including Miller Lite, Miller High Life, Milwaukee's Best, Mickey's, Olde English, Miller Genuine Draft, and Miller Chill. Miller alleges that we failed to meet certain volume sales targets under the License Agreement. We do not believe Miller has any right under the License Agreement or otherwise to terminate the License Agreement. Following this communication, we filed a lawsuit in Ontario, Canada (Molson Canada 2005 v. Miller Brewing Company, Sup. Ct. of Justice-Ontario, CV-12-470589) seeking an injunction preventing Miller from terminating the License Agreement and ordering Miller to abide by its contractual terms. On January 18, 2013, Miller sent written notice to us purporting to terminate the License Agreement. In our lawsuit, we also assert that Miller breached the License Agreement by attempting to terminate the License Agreement. On June 20, 2013, we were granted an injunction preventing Miller's termination of the License Agreement, pending a trial on the merits, which is scheduled for December 2013.
We intend to vigorously assert and defend our rights in this lawsuit. At this time, we are unable to predict the outcome of this litigation or the impact, if any, of an adverse outcome on our business and results of operations, including any possible future asset impairment. We recognized net sales related to the License Agreement of $29.9 million and $29.5 million for the second quarter of 2013 and 2012, respectively, and net sales of $47.1 million and $46.2 million for the first half of 2013 and 2012, respectively. Additionally, as of June 29, 2013, we had a definite-lived intangible asset related to the License Agreement with a carrying value of $61.9 million and a remaining life of approximately 7 years.

Environmental

Canada

Our Canada brewing operations are subject to provincial environmental regulations and local permit requirements. Our Montréal and Toronto breweries have water treatment facilities to pre-treat waste water before it goes to the respective local governmental facility for final treatment. We have environmental programs in Canada including organization, monitoring and verification, regulatory compliance, reporting, education and training, and corrective action.

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We sold a chemical specialties business in 1996. The Company is still responsible for certain aspects of environmental remediation, undertaken or planned, at those chemical specialties business locations. We have established provisions for the costs of these remediation programs.

United States

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 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.

Lowry

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 pre-tax 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 review 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 3.02% risk-free rate of return.

Based on these assumptions, the present value and gross amount of the costs at June 29, 2013, are approximately $2.9 million and $7.3 million, respectively. 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 is reached, the estimate of our liability may change as further facts develop. We cannot predict the amount of any such change, but additional accruals in the future are possible.

Other

In prior years, we have been notified by the EPA and certain state environmental divisions that we are a PRP, along with other parties, at the Cooper Drum site in southern California, the East Rutherford and Berry's Creek sites in New Jersey and the Chamblee and Smyrna sites in Georgia. Certain former non-beer business operations, which we discontinued use of and sold (excluding the property of the former Chamblee site) in the mid-1990s, were involved at these sites. Potential losses associated with these sites could increase as remediation planning progresses.

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.

Europe and MCI

We are subject to the requirements of governmental and local environmental and occupational health and safety laws and regulations within each of the countries in which we operate. Compliance with these laws and regulations did not materially affect our second quarter of 2013 capital expenditures, results of operations or our financial or competitive position, and we do not anticipate that they will do so during the remainder of the year.

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17. Supplemental Guarantor Information

For purposes of this Note 17, including the tables, "Parent Guarantor, 2007 and 2012 Issuer" shall mean MCBC and "Subsidiary Guarantors" shall mean certain U.S., European and Canadian subsidiaries reflecting the substantial operations of each of our U.S. and Canadian segments, as well as our U.K. operations of our European segment.

SEC Registered Securities

On June 15, 2007, MCBC issued $575 million of 2.5% convertible senior notes due July 30, 2013, in a registered public offering (see Note 12, "Debt"). The convertible notes are guaranteed on a senior unsecured basis by the Subsidiary Guarantors, each of which is 100% owned by the Parent Guarantor. The guarantees are full and unconditional and joint and several. These notes matured and were repaid in cash on July 30, 2013, for their face value of $575 million.

On May 3, 2012, MCBC issued $1.9 billion of senior notes, in a registered public offering, consisting of $300 million 2.0% senior notes due 2017, $500 million 3.5% senior notes due 2022, and $1.1 billion 5.0% senior notes due 2042. These senior notes are guaranteed on a senior unsecured basis by the Subsidiary Guarantors. Each of the Subsidiary Guarantors is 100% owned by the Parent Guarantor. The guarantees are full and unconditional and joint and several.

Other Debt

On September 22, 2005, MC Capital Finance ULC ("MC Capital Finance") issued $1.1 billion of senior notes consisting of $300 million 4.85% U.S. publicly registered notes due 2010 and CAD 900 million 5.0% privately placed notes maturing on September 22, 2015. These CAD 900 million senior notes were subsequently exchanged for substantially identical CAD 900 million senior notes which were quantified by way of a prospectus in Canada. In connection with an internal corporate reorganization, Molson Coors International LP ("MCI LP") was subsequently added as a co-issuer of the CAD 900 million senior notes in 2007. The $300 million senior notes were repaid in 2010. The continuous disclosure requirements applicable to MC Capital Finance in Canada are satisfied through the consolidating financial information in respect of MC Capital Finance, MCI LP and other subsidiary guarantors of the CAD 900 million senior notes as currently presented within the Subsidiary Guarantors column.

None of our other outstanding debt is publicly registered, and it is all guaranteed on a senior and unsecured basis by the Parent Guarantor and certain Subsidiary Guarantors. These guarantees are full and unconditional and joint and several. See Note 12, "Debt" for details of all debt issued and outstanding as of June 29, 2013.

Presentation

During the first quarter of 2013, we identified necessary corrections to our historical treatment of certain intercompany transactions included as a component of the net investment in and advances to subsidiaries within total assets and MCBC stockholders' equity of the Parent Guarantor. While consolidated totals were not impacted, our December 29, 2012, guarantor condensed consolidating balance sheet presented within this note has been adjusted to reflect the impact of this change, which is limited to the Parent Guarantor column. This revision resulted in a reduction to the amounts attributable to the Parent Guarantor for net investment in and advances to subsidiaries from $11,342.2 million as previously reported, to $10,465.2 million as adjusted, with the offsetting adjustment to the "eliminations" column. This resulted in an equal reduction to MCBC stockholders' equity attributable to the Parent Guarantor from $8,843.9 million as previously reported, to $7,966.9 million as adjusted, with the offsetting adjustment to the "eliminations" column. The changes to our historical guarantor condensed consolidating balance sheet are not material to the financial statements taken as a whole for any periods impacted.

The following information sets forth the condensed consolidating statements of operations for the second quarter and first half of 2013 and 2012, condensed consolidating balance sheets as of June 29, 2013, and December 29, 2012, and condensed consolidating statements of cash flows for the first half of 2013 and 2012. Investments in subsidiaries are accounted for on the equity method; accordingly, entries necessary to consolidate the Parent Guarantor and all of our guarantor and non-guarantor subsidiaries are reflected in the eliminations column. In the opinion of management, separate complete financial statements of MCBC and the Subsidiary Guarantors would not provide additional material information that would be useful in assessing their financial composition.

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MOLSON COORS BREWING COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS
FOR THE THIRTEEN WEEKS ENDED JUNE 29, 2013
(IN MILLIONS)
(UNAUDITED)

	Parent Guarantor, 2007 and 2012 Issuer	Subsidiary Guarantors	Subsidiary Non Guarantors	Eliminations	Consolidated
Sales	$9.6	$1,310.9	$406.6	$ (67.4)	$ 1,659.7
Excise taxes	—	(391.5)	(90.2)	—	(481.7)
Net sales	9.6	919.4	316.4	(67.4)	1,178.0
Cost of goods sold	—	(521.7)	(219.3)	56.9	(684.1)
Gross profit	9.6	397.7	97.1	(10.5)	493.9
Marketing, general and administrative expenses	(27.8)	(187.1)	(99.9)	10.5	(304.3)
Special items, net	(0.7)	(0.2)	(0.4)	—	(1.3)
Equity income (loss) in subsidiaries	252.2	(119.2)	152.1	(285.1)	—
Equity income in MillerCoors	—	172.6	—	—	172.6
Operating income (loss)	233.3	263.8	148.9	(285.1)	360.9
Interest income (expense), net	(27.7)	84.0	(97.5)	—	(41.2)
Other income (expense), net	15.0	(10.2)	(12.1)	—	(7.3)
Income (loss) from continuing operations before income taxes	220.6	337.6	39.3	(285.1)	312.4
Income tax benefit (expense)	57.8	(88.5)	(3.4)	—	(34.1)
Net income (loss) from continuing operations	278.4	249.1	35.9	(285.1)	278.3
Income (loss) from discontinued operations, net of tax	—	—	1.7	—	1.7
Net income (loss) including noncontrolling interests	278.4	249.1	37.6	(285.1)	280.0
Add back (less): Loss (net income) attributable to noncontrolling interests	—	—	(1.6)	—	(1.6)
Net income (loss) attributable to MCBC	$278.4	$249.1	$36.0	$ (285.1)	$ 278.4
Comprehensive income attributable to MCBC	$225.9	$179.3	$53.3	$ (232.6)	$ 225.9

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MOLSON COORS BREWING COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS
FOR THE THIRTEEN WEEKS ENDED JUNE 30, 2012
(IN MILLIONS)
(UNAUDITED)

	Parent Guarantor, 2007 and 2012 Issuer	Subsidiary Guarantors	Subsidiary Non Guarantors	Eliminations	Consolidated
Sales	$7.7	$1,328.9	$162.9	$(58.6)	$1,440.9
Excise taxes	—	(410.8)	(30.7)	—	(441.5)
Net sales	7.7	918.1	132.2	(58.6)	999.4
Cost of goods sold	—	(508.2)	(120.7)	48.8	(580.1)
Gross profit	7.7	409.9	11.5	(9.8)	419.3
Marketing, general and administrative expenses	(50.9)	(219.7)	(44.0)	9.8	(304.8)
Special items, net	—	(10.8)	(10.4)	—	(21.2)
Equity income (loss) in subsidiaries	205.3	(181.6)	123.7	(147.4)	—
Equity income in MillerCoors	—	185.6	—	—	185.6
Operating income (loss)	162.1	183.4	80.8	(147.4)	278.9
Interest income (expense), net	(55.4)	64.1	(93.3)	—	(84.6)
Other income (expense), net	(19.2)	3.8	(55.1)	—	(70.5)
Income (loss) from continuing operations before income taxes	87.5	251.3	(67.6)	(147.4)	123.8
Income tax benefit (expense)	17.6	(52.8)	9.3	—	(25.9)
Net income (loss) from continuing operations	105.1	198.5	(58.3)	(147.4)	97.9
Income (loss) from discontinued operations, net of tax	—	—	0.8	—	0.8
Net income (loss) including noncontrolling interests	105.1	198.5	(57.5)	(147.4)	98.7
Add back (less): Loss (net income) attributable to noncontrolling interests	—	—	6.4	—	6.4
Net income (loss) attributable to MCBC	$105.1	$198.5	$(51.1)	$(147.4)	$105.1
Comprehensive income attributable to MCBC	$55.7	$125.6	$(4.5)	$(121.1)	$55.7

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MOLSON COORS BREWING COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS
FOR THE TWENTY-SIX WEEKS ENDED JUNE 29, 2013
(IN MILLIONS)
(UNAUDITED)

	Parent Guarantor, 2007 and 2012 Issuer	Subsidiary Guarantors	Subsidiary Non Guarantors	Eliminations	Consolidated
Sales	$13.5	$2,283.7	$647.0	$(99.7)	$2,844.5
Excise taxes	—	(695.3)	(142.7)	—	(838.0)
Net sales	13.5	1,588.4	504.3	(99.7)	2,006.5
Cost of goods sold	—	(949.4)	(366.0)	84.2	(1,231.2)
Gross profit	13.5	639.0	138.3	(15.5)	775.3
Marketing, general and administrative expenses	(64.9)	(366.1)	(174.1)	15.5	(589.6)
Special items, net	(1.0)	(1.0)	(0.8)	—	(2.8)
Equity income (loss) in subsidiaries	355.7	(265.6)	193.5	(283.6)	—
Equity income in MillerCoors	—	290.0	—	—	290.0
Operating income (loss)	303.3	296.3	156.9	(283.6)	472.9
Interest income (expense), net	(53.7)	132.1	(194.5)	—	(116.1)
Other income (expense), net	1.4	20.6	(25.0)	—	(3.0)
Income (loss) from continuing operations before income taxes	251.0	449.0	(62.6)	(283.6)	353.8
Income tax benefit (expense)	63.0	(96.5)	(4.1)	—	(37.6)
Net income (loss) from continuing operations	314.0	352.5	(66.7)	(283.6)	316.2
Income (loss) from discontinued operations, net of tax	—	—	0.8	—	0.8
Net income (loss) including noncontrolling interests	314.0	352.5	(65.9)	(283.6)	317.0
Add back (less): Loss (net income) attributable to noncontrolling interests	—	—	(3.0)	—	(3.0)
Net income (loss) attributable to MCBC	$314.0	$352.5	$(68.9)	$(283.6)	$314.0
Comprehensive income attributable to MCBC	$19.7				