

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

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

FORM 10-Q

(Mark One)

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

For the Quarterly period ended September 28, 2013

OR

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 No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 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 No

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

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

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

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of November 1, 2013:

Class A Common Stock— 2,565,894 shares

Class B Common Stock—159,330,264 shares

Exchangeable shares:

As of November 1, 2013, the following number of exchangeable shares were outstanding for Molson Coors Canada, Inc.:

Class A Exchangeable shares—2,887,941 shares

Class B Exchangeable shares—19,071,061 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.

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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		Thirty-Nine Weeks Ended	
	September 28, 2013	September 29, 2012	September 28, 2013	September 29, 2012
Sales	\$1,665.4	\$1,685.8	\$4,509.9	\$4,134.8
Excise taxes	(494.2	) (490.3	) (1,332.2	) (1,248.5
Net sales	1,171.2	1,195.5	3,177.7	2,886.3
Cost of goods sold	(670.0	) (687.0	) (1,901.2	) (1,705.9
Gross profit	501.2	508.5	1,276.5	1,180.4
Marketing, general and administrative expenses	(307.8	) (300.6	) (897.4	) (853.6
Special items, net	(163.0	) (35.9	) (165.8	) (58.6
Equity income in MillerCoors	148.3	132.0	438.3	436.5
Operating income (loss)	178.7	304.0	651.6	704.7
Interest income (expense), net	(17.8	) (54.4	) (133.9	) (162.8
Other income (expense), net	(5.5	) (6.4	) (8.5	) (78.3
Income (loss) from continuing operations before income taxes	155.4	243.2	509.2	463.6
Income tax benefit (expense)	(32.7	) (42.5	) (70.3	) (85.7
Net income (loss) from continuing operations	122.7	200.7	438.9	377.9
Income (loss) from discontinued operations, net of tax	0.9	0.7	1.7	1.6
Net income (loss) including noncontrolling interests	123.6	201.4	440.6	379.5
Less: Net (income) loss attributable to noncontrolling interests	(1.8	) (3.0	) (4.8	) 3.5
Net income (loss) attributable to Molson Coors Brewing Company	\$121.8	\$198.4	\$435.8	\$383.0
Basic net income (loss) attributable to Molson Coors Brewing Company per share:				
From continuing operations	\$0.65	\$1.09	\$2.38	\$2.11
From discontinued operations	0.01	—	0.01	0.01
Basic net income (loss) attributable to Molson Coors Brewing Company per share	\$0.66	\$1.09	\$2.39	\$2.12
Diluted net income (loss) attributable to Molson Coors Brewing Company per share:				
From continuing operations	\$0.65	\$1.09	\$2.36	\$2.10
From discontinued operations	0.01	—	0.01	0.01
Diluted net income (loss) attributable to Molson Coors Brewing Company per share	\$0.66	\$1.09	\$2.37	\$2.11
Weighted-average shares—basic	183.5	181.0	182.7	180.7
Weighted-average shares—diluted	184.6	182.0	183.9	181.7
Amounts attributable to Molson Coors Brewing Company				

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Net income (loss) from continuing operations	\$120.9	\$197.7	\$434.1	\$381.4
Income (loss) from discontinued operations, net of tax	0.9	0.7	1.7	1.6
Net income (loss) attributable to Molson Coors Brewing Company	\$121.8	\$198.4	\$435.8	\$383.0

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		Thirty-Nine Weeks Ended		
	September 28, 2013	September 29, 2012	September 28, 2013	September 29, 2012	
Net income (loss) including noncontrolling interests	\$ 123.6	\$ 201.4	\$ 440.6	\$ 379.5	
Other comprehensive income (loss), net of tax:					
Foreign currency translation adjustments	270.7	258.3	(124.1	) 301.9
Unrealized gain (loss) on derivative instruments	(14.1) (21.3) 18.6	(31.5)
Reclassification of derivative (gain) loss to income	(0.9	) 4.1	(1.6	) 7.6
Amortization of net prior service (benefit) cost and net actuarial (gain) loss to income	10.6	6.5	34.5	22.0	
Ownership share of unconsolidated subsidiaries' other comprehensive income (loss)	15.6	15.7	6.1	25.0	
Total other comprehensive income (loss), net of tax	281.9	263.3	(66.5	) 325.0
Comprehensive income (loss)	405.5	464.7	374.1	704.5	
Less: Comprehensive (income) loss attributable to noncontrolling interests	(1.8	) (3.0	) (4.8	) 3.5
Comprehensive income (loss) attributable to Molson Coors Brewing Company	\$ 403.7	\$ 461.7	\$ 369.3	\$ 708.0	

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 September 28, 2013	December 29, 2012
Assets		
Current assets:		
Cash and cash equivalents	\$406.9	\$624.0
Accounts receivable, net	658.6	660.5
Other receivables, net	104.2	92.9
Inventories:		
Finished	159.8	139.9
In process	25.8	20.3
Raw materials	39.0	43.5
Packaging materials	13.8	10.2
Total inventories	238.4	213.9
Other current assets, net	118.0	117.5
Deferred tax assets	70.0	39.2
Total current assets	1,596.1	1,748.0
Properties, net	1,976.7	1,995.9
Goodwill	2,415.3	2,453.1
Other intangibles, net	6,973.7	7,234.8
Investment in MillerCoors	2,541.9	2,431.8
Deferred tax assets	39.5	125.4
Notes receivable, net	24.7	26.3
Other assets	204.9	196.9
Total assets	\$15,772.8	\$16,212.2
Liabilities and equity		
Current liabilities:		
Accounts payable and other current liabilities	\$1,394.6	\$1,186.9
Derivative hedging instruments	136.7	6.0
Deferred tax liabilities	111.2	152.3
Current portion of long-term debt and short-term borrowings	638.3	1,245.6
Discontinued operations	7.1	7.9
Total current liabilities	2,287.9	2,598.7
Long-term debt	3,253.5	3,422.5
Pension and post-retirement benefits	752.7	833.0
Derivative hedging instruments	2.8	222.2
Deferred tax liabilities	941.9	948.5
Unrecognized tax benefits	81.4	81.8
Other liabilities	115.8	93.9
Discontinued operations	18.1	20.0
Total liabilities	7,454.1	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)	—	—

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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: 166.7 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)	108.1	110.2
Class B exchangeable shares, no par value (issued and outstanding: 19.1 shares and 19.3 shares, respectively)	718.1	724.4
Paid-in capital	3,727.7	3,623.6
Retained earnings	4,160.6	3,900.5
Accumulated other comprehensive income (loss)	(104.5	) (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	8,290.6	7,966.9
Noncontrolling interests	28.1	24.7
Total equity	8,318.7	7,991.6
Total liabilities and equity	\$15,772.8	\$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)

	Thirty-Nine Weeks Ended	
	September 28, 2013	September 29, 2012
Cash flows from operating activities:		
Net income (loss) including noncontrolling interests	\$440.6	\$379.5
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	238.1	192.0
Amortization of debt issuance costs and discounts	18.6	34.5
Share-based compensation	18.6	15.1
Loss on sale or impairment of properties and intangibles	157.8	51.0
Deferred income taxes	21.9	15.5
Equity income in MillerCoors	(438.3)	(436.5)
Distributions from MillerCoors	438.3	436.5
Equity in net income of other unconsolidated affiliates	(13.3)	(12.0)
Distributions from other unconsolidated affiliates	13.0	10.4
Excess tax benefits from share-based compensation	(6.0)	(4.2)
Unrealized (gain) loss on foreign currency fluctuations and derivative instruments	16.4	(11.4)
Change in current assets and liabilities (net of assets acquired and liabilities assumed in business combinations) and other	126.0	171.2
(Gain) loss from discontinued operations	(1.7)	(1.6)
Net cash provided by operating activities	1,030.0	840.0
Cash flows from investing activities:		
Additions to properties	(218.2)	(143.4)
Proceeds from sales of properties and other long-lived assets	7.5	3.0
Acquisition of businesses, net of cash acquired	—	(2,257.4)
Payment on discontinued operations	—	(6.8)
Proceeds from sale of business	2.0	—
Investment in MillerCoors	(924.0)	(826.1)
Return of capital from MillerCoors	822.4	723.3
Payments on settlement of derivative instruments	—	(110.6)
Investment in and advances to an unconsolidated affiliate	(2.4)	(3.4)
Loan repayments	7.5	14.3
Loan advances	(5.4)	(7.4)
Net cash used in investing activities	(310.6)	(2,614.5)
Cash flows from financing activities:		
Exercise of stock options under equity compensation plans	74.9	27.4
Excess tax benefits from share-based compensation	6.0	4.2
Dividends paid	(175.7)	(174.0)
Dividends paid to noncontrolling interests holders	(1.2)	(5.0)
Payments for purchase of noncontrolling interest	(0.2)	—
Debt issuance costs	(0.3)	(40.3)
Proceeds from issuances of long-term debt	—	2,195.4
Payments on long-term debt and capital lease obligations	(1,316.5)	(226.7)

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Payments on debt assumed in acquisition	—	(424.3)
Proceeds from short-term borrowings	19.3	14.0	
Payments on short-term borrowings	(15.1	) (14.0)
Proceeds from settlement of derivative instruments	2.6	—	
Payments on settlement of derivative instruments	(66.2	) (4.0)
Net proceeds from (payments on) revolving credit facilities and commercial paper	548.4	9.6	
Change in overdraft balances and other	(0.8	) (105.0)
Net cash (used in) provided by financing activities	(924.8	) 1,257.3	
Cash and cash equivalents:			
Net increase (decrease) in cash and cash equivalents	(205.4	) (517.2)
Effect of foreign exchange rate changes on cash and cash equivalents	(11.7	) 24.0	
Balance at beginning of year	624.0	1,078.9	
Balance at end of period	\$406.9	\$585.7	

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 ("MCC"), 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 condensed consolidated 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 policies did not change in the third quarter or first three quarters of 2013. The results of operations for the thirteen and thirty-nine weeks ended September 28, 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 third quarter of 2013 and 2012 refers to the thirteen weeks ended September 28, 2013, and September 29, 2012, respectively. The first three quarters of 2013 and 2012 refers to the thirty-nine weeks ended September 28, 2013, and September 29, 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 third quarter and first three quarters of 2013 and 2012 refer to the three and nine months ended September 30, 2013, and September 30, 2012, respectively, except for Central Europe where the first three quarters of 2012 refer to the period from the acquisition date of June 15, 2012 through September 30, 2012.

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Foreign Currency Translation Tax Adjustment

During the third quarter of 2013, we identified that we had incorrectly recorded tax adjustments related to certain foreign currency movements in the financial statements for both the first and second quarters of 2013 that misstated non-current deferred tax assets, accumulated other comprehensive income (loss), and comprehensive income by immaterial amounts. We will revise foreign currency translation adjustments, net of tax, included in other comprehensive income (loss) and comprehensive income (loss) in the condensed consolidated statement of comprehensive income (loss) for the thirteen weeks ended March 30, 2013, and June 29, 2013, and for the twenty-six weeks ended June 29, 2013, in future filings. The impact of correcting these errors has been presented below and reflected in our condensed consolidated statement of comprehensive income for the thirty-nine weeks ended September 28, 2013. The error does not impact the condensed consolidated statement of comprehensive income (loss) for the thirteen weeks September 28, 2013, or the condensed consolidated balance sheet as of September 28, 2013.

	Thirteen Weeks Ended March 30, 2013		Thirteen Weeks Ended June 29, 2013		Twenty-Six Weeks Ended June 29, 2013	
	As Reported	As Adjusted	As Reported	As Adjusted	As Reported	As Adjusted
Foreign currency translation adjustments, net of tax	\$(261.3)	\$(280.7)	\$(79.4)	\$(114.1)	\$(340.7)	\$(394.8)
Total other comprehensive income (loss), net of tax	\$(241.8)	\$(261.2)	\$(52.5)	\$(87.2)	\$(294.3)	\$(348.4)
Comprehensive income (loss) attributable to Molson Coors Brewing Company	\$(206.2)	\$(225.6)	\$225.9	\$191.2	\$19.7	\$(34.4)

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."

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.

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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 condensed consolidated balance sheets. 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 \$4.4 million and \$5.1 million in the third quarters of 2013 and 2012, respectively, and \$8.3 million and \$36.5 million in the first three quarters 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."

Unaudited Pro Forma Financial Information

Central Europe contributed net sales of \$272.2 million and \$676.1 million, of which \$264.8 million and \$655.2 million is included in our Europe segment, for the third quarter and first three quarters of 2013, respectively. Central Europe contributed losses from continuing operations before income taxes of \$88.6 million and \$49.7 million, of which \$92.1 million and \$59.4 million is included in our Europe segment, for the third quarter and first three quarters of 2013, respectively. This compares to contributed net sales of \$270.9 million and \$328.2 million, of which \$264.2 million and \$321.5 million is included in our Europe segment, for the third quarter and first three quarters of 2012, respectively. Central Europe contributed income from continuing operations before income taxes of \$78.0 million and \$90.4 million, of which \$75.2 million and \$87.6 million is included in our Europe segment, for the third quarter and first three quarters of 2012, respectively. 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 \$31.4 million

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incurred in the first half of 2012. 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 14, "Derivative Instruments and Hedging Activities", 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.

	Thirty-Nine Weeks Ended September 29, 2012(1)
Net sales	\$3,226.8
Income from continuing operations before income taxes	\$592.3
Net income attributable to MCBC	\$499.0
Net income per common share attributable to MCBC:	
Basic	\$2.76
Diluted	\$2.75

(1) The thirty-nine weeks ended September 29, 2012, include actual results for the period from the Acquisition date of June 15, 2012.

The following table represents the classifications of the cash flows used, which are included within our condensed consolidated statement of cash flows for the thirty-nine weeks ended September 29, 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

Includes the subordinated deferred payment obligation ("SDPO") with third-party creditors, which was assumed in (1) 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.

Includes \$1,816.0 million of cash consideration to the Seller for shares acquired and release of StarBev's (2) pre-existing obligations to the Seller. Also included is \$585.0 million of pre-existing third-party debt immediately repaid in 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 €500 million Zero Coupon Senior Unsecured Convertible Note issued to the Seller upon close of the Acquisition. See Note 12, "Debt" for further discussion.

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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. 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 in the second quarter of 2013.

	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.

Includes the fair values of \$145.6 million for brand intangibles with a 30 year useful life, \$2,323.4 million for brand intangibles with an indefinite-life and a fair value of a favorable supply contract and other intangibles of

(2) \$12.0 million with a 1.5 year useful life. See Note 11, "Goodwill and Intangible Assets" for further discussion of changes to intangible assets resulting from our annual goodwill and indefinite-lived intangible testing in the third quarter of 2013.

(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.

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

(5) 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.

No single customer accounted for more than 10% of our consolidated or segmented sales in the third quarter or first three quarters of 2013 or 2012. Net sales represent sales to third-party external customers. Inter-segment sales revenues and income (loss) from continuing operations before income taxes, other than those to MillerCoors (see Note

5, "Investments" for additional detail), are insignificant and eliminated in consolidation.

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Net sales and income (loss) from continuing operations before income taxes below for the first three quarters of 2012, include results from our Central European operations reported within our Europe segment from the Acquisition date of June 15, 2012 through September 29, 2012.

The following table presents net sales by segment:

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	September 28, 2013	September 29, 2012	September 28, 2013	September 29, 2012
	(In millions)			
Canada	\$526.7	\$580.1	\$1,480.5	\$1,565.3
Europe	607.9	577.7	1,600.5	1,224.6
MCI	37.7	43.0	99.4	108.2
Corporate	0.3	0.2	0.9	0.9
Eliminations(1)	(1.4	) (5.5	) (3.6	) (12.7
Consolidated	\$1,171.2	\$1,195.5	\$3,177.7	\$2,886.3

(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		Thirty-Nine Weeks Ended	
	September 28, 2013	September 29, 2012	September 28, 2013	September 29, 2012
	(In millions)			
Canada	\$128.7	\$147.0	\$302.4	\$330.8
U.S.	148.3	132.0	438.3	436.5
Europe(1)	(69.5	) 82.9	8.4	112.9
MCI	(2.4	) (37.4	) (11.8	) (70.3
Corporate	(49.7	) (81.3	) (228.1	) (346.3
Consolidated	\$155.4	\$243.2	\$509.2	\$463.6

The third quarter and first three quarters of 2013 include an impairment charge to indefinite-lived intangible assets (1) recorded in the third quarter of 2013, which is the primary driver of the decrease from the comparable periods in 2012. See Note 11, "Goodwill and Intangible Assets" for further discussion.

The following table presents total assets by segment:

	As of	
	September 28, 2013	December 29, 2012
	(In millions)	
Canada	\$6,196.6	\$6,547.1
U.S.	2,541.9	2,431.8
Europe	6,708.1	6,742.4
MCI	76.8	92.0
Corporate	249.4	398.9
Consolidated	\$15,772.8	\$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 September 28, 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 September 28, 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 September 30, 2013	December 31, 2012
	(In millions)	
Current assets	\$956.3	\$841.4
Non-current assets	8,927.0	8,949.9
Total assets	\$9,883.3	\$9,791.3
Current liabilities	\$928.6	\$958.5
Non-current liabilities	1,406.8	1,537.5
Total liabilities	2,335.4	2,496.0
Noncontrolling interests	19.4	28.4
Owners' equity	7,528.5	7,266.9
Total liabilities and equity	\$9,883.3	\$9,791.3

The following represents our proportional share in MillerCoors' equity:

	As of September 30, 2013	December 31, 2012	
	(In millions, except percentages)		
MillerCoors owners' equity	\$7,528.5	\$7,266.9	
MCBC economic interest	42	% 42	%
MCBC proportionate share in MillerCoors' equity	3,162.0	3,052.1	
Difference between MCBC contributed cost basis and proportional share of the underlying equity in net assets of MillerCoors(1)	(667.4	) (670.8)
Accounting policy elections	35.0	35.0	
Timing differences of cash contributions and distributions as a result of different fiscal periods	12.3	15.5	
Investment in MillerCoors	\$2,541.9	\$2,431.8	

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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 (1) Brewing Company ("CBC") and Miller Brewing Company ("Miller")). This basis difference, with the exception of 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		Nine Months Ended	
	September 30, 2013	September 30, 2012	September 30, 2013	September 30, 2012
	(In millions)			
Net sales	\$2,051.0	\$1,993.5	\$5,998.3	\$5,977.3
Cost of goods sold	(1,234.0)	(1,201.1)	(3,592.8)	(3,582.9)
Gross profit	\$817.0	\$792.4	\$2,405.5	\$2,394.4
Operating income(1)	\$354.5	\$310.5	\$1,046.9	\$1,033.9
Net income attributable to MillerCoors(1)	\$348.8	\$306.9	\$1,033.4	\$1,020.5

Results for the three months and nine months ended September 30, 2013, include special charges of \$15.0 million related to restructuring activities. Results for the three months and nine months ended September 30, 2012, include special charges of \$18.7 million and \$16.4 million, respectively, primarily due to the write-down of assets related to discontinuing the production of the Home Draft package in the U.S.

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

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	September 28, 2013	September 29, 2012	September 28, 2013	September 29, 2012
	(In millions, except percentages)			
Net income attributable to MillerCoors	\$348.8	\$306.9	\$1,033.4	\$1,020.5
MCBC economic interest	42	% 42	% 42	% 42
MCBC proportionate share of MillerCoors net income	146.5	128.9	434.0	428.6
Amortization of the difference between MCBC contributed cost basis and proportional share of the underlying equity in net assets of MillerCoors	1.2	1.2	3.4	3.1
Share-based compensation adjustment(1)	0.6	1.9	0.9	4.8
Equity income in MillerCoors	\$148.3	\$132.0	\$438.3	\$436.5

(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		Thirty-Nine Weeks Ended	
	September 28, 2013	September 29, 2012	September 28, 2013	September 29, 2012
	(In millions)			
Beer sales to MillerCoors	\$4.5	\$4.6	\$13.4	\$14.8
Beer purchases from MillerCoors	\$4.2	\$3.9	\$11.2	\$9.3
Service agreement costs and other charges to MillerCoors	\$0.5	\$1.0	\$1.8	\$3.0
Service agreement costs and other charges from MillerCoors	\$0.6	\$0.4	\$0.8	\$1.0

As of September 28, 2013, and December 29, 2012, we had \$3.2 million and \$0.8 million of net payables due to MillerCoors, respectively.

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Other Equity Investments

Modelo Molson Imports, L.P.

MMI, a 50%/50% joint venture with Grupo Modelo S.A.B. de C.V. ("Modelo"), imports, distributes, and markets the Modelo beer brand portfolio across all Canadian provinces and territories. Our sales team is responsible for selling the brands across Canada on behalf of the joint venture. We account for MMI, a VIE, under the equity method of accounting.

On November 5, 2013, Anheuser-Busch Inbev ("ABI") and MCBC entered into an agreement providing for the accelerated termination of the MMI joint venture. The joint venture was originally a 10-year agreement ending January 1, 2018. In June 2013, ABI completed its combination with Modelo, including Modelo's interest in MMI. Following negotiations with ABI, MCC shall receive a CAD 70 million payment in exchange for the consent to change, effective upon closing and the successful completion of the transition period, the termination date in the various joint venture agreements from January 1, 2018 to end of day on February 28, 2014. Similarly, in conjunction with these negotiations, ABI has also agreed that we will continue to represent the Modelo brands in the U.K. and Japan through the end of 2014.

During the transition period, from November 5, 2013 through February 28, 2014, MMI will continue, in its current capacity, to import, distribute, and market the Modelo beer brand portfolio across Canada in the ordinary course. Following the transition period, Modelo will pay us the CAD 70 million early termination payment accelerating the termination of the joint venture to end of day on February 28, 2014. As a result, effective end of day on February 28, 2014, MMI will cease all operations and will ultimately be dissolved. As part of the early termination agreement, the book value of the joint venture's net assets will then be distributed to the respective joint venture partners for the owners' proportionate ownership interest. As of September 28, 2013, our condensed consolidated balance sheet includes our investment in MMI of \$19.0 million, an affiliate net payable to MMI of \$11.8 million and a definite-lived intangible asset of \$5.9 million. During the third quarter and first three quarters of 2013, MCC recognized equity earnings of \$3.9 million and \$9.0 million, respectively, under the MMI arrangement. During the third quarter and first three quarters of 2012, MCC recognized equity earnings of \$4.1 million and \$11.1 million, respectively. The equity earnings of MMI are recorded within cost of goods sold. In addition to the equity earnings, during the third quarter and first three quarters of 2013, MCC recognized marketing and administrative cost recoveries related to the promotion, sale and distribution of Modelo products under our agency and services agreement with MMI of \$3.1 million and \$9.0 million, respectively. During the third quarter and first three quarters of 2012, MCC recognized cost recoveries of \$3.7 million and \$9.5 million, respectively. These cost recoveries are recorded within marketing, general and administrative expenses.

Consolidated VIEs

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

	As of		December 29, 2012	
	September 28, 2013		Total Assets	Total Liabilities
	Total Assets	Total Liabilities	Total Assets	Total Liabilities
	(In millions)			
Grolsch	\$7.9	\$1.9	\$10.0	\$5.6
Cobra U.K.	\$35.9	\$1.9	\$33.2	\$3.3

6. Share-Based Payments

During the first three quarters 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.

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The following table summarizes share-based compensation expense:

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	September 28, 2013	September 29, 2012	September 28, 2013	September 29, 2012
	(In millions)			
Pre-tax compensation expense	\$3.2	\$5.2	\$18.6	\$15.1
Tax benefit	(0.8	) (1.4	) (5.3	) (4.3
After-tax compensation expense	\$2.4	\$3.8	\$13.3	\$10.8

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

As of September 28, 2013, there was \$22.4 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 1.2 years.

The following table represents the summary of stock options and stock-only stock appreciation rights ("SOSAR") outstanding as of September 28, 2013, and the activity during the first three quarters 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	(2.2)	\$36.49		
Forfeited	—	\$—		
Outstanding as of September 28, 2013	4.0	\$42.85	4.30	\$33.7
Exercisable at September 28, 2013	3.5	\$42.63	3.63	\$30.0

The total intrinsic values of stock options exercised during the first three quarters of 2013 and 2012 were \$28.1 million and \$13.0 million, respectively. During the first three quarters of 2013 and 2012, cash received from stock option exercises was \$74.9 million and \$27.4 million, respectively, and the total tax benefit for the tax deductions from these stock option exercises and other awards was \$6.0 million and \$4.2 million, respectively.

The following table represents non-vested RSUs, DSUs, PSUs and PUs as of September 28, 2013, and the activity during the first three quarters 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	\$42.76	—	\$—	0.2	\$43.10
Vested	(0.2	) \$42.95	(0.6	) \$11.61	—	\$—
Forfeited	(0.1) \$41.82	(0.1) \$6.24	—	\$—
Non-vested as of September 28, 2013	0.7	\$42.10	1.0	\$5.51	0.2	\$43.10

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

	Thirty-Nine Weeks Ended	
	September 28, 2013	September 29, 2012
Risk-free interest rate	1.43%	1.50%
Dividend yield	2.88%	2.99%
Volatility range	22.39%-25.90%	25.80%-27.56%
Weighted-average volatility	25.02%	25.86%
Expected term (years)	7.70	4.0-7.7
Weighted-average fair market value	\$8.39	\$8.09

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 September 28, 2013, there were 7.8 million shares of the Company's Class B common stock available for issuance as awards under the Incentive Compensation Plan.

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 charges (benefits) as special items. The table below summarizes special items recorded by segment:

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	September 28, 2013	September 29, 2012	September 28, 2013	September 29, 2012
	(In millions)			
Employee related charges				
Restructuring(1)				
Canada	\$1.6	\$2.5	\$3.0	\$4.1
Europe	7.3	2.5	10.3	8.8
MCI	—	1.2	0.1	1.2
Corporate	—	—	0.3	1.1
Special termination benefits				
Canada(2)	0.3	0.3	1.7	2.2
Impairments or asset abandonment charges				
Europe - Asset abandonment(3)	—	—	—	7.2
Europe - Intangible asset impairment(4)	150.9	—	150.9	—
MCI - China impairments and related costs(5)	0.3	28.5	1.1	38.9
Unusual or infrequent items				
Canada - Flood loss (insurance reimbursement)(6)	—	0.9	—	(1.4)
Europe - Flood loss (insurance reimbursement)(7)	2.6	—	2.6	—
Europe - Release of non-income-related tax reserve(8)	—	—	(4.2)	(3.5)
Special items, net	\$163.0	\$35.9	\$165.8	\$58.6

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(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 740 employees since the start of 2012.

(2) During the third quarter and first three quarters 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) During the third quarter of 2013, we recognized impairment charges related to indefinite-lived intangible assets in Europe. See Note 11, "Goodwill and Intangible Assets" for further discussion.

(5) In the second quarter of 2012, we recognized impairment charges related to goodwill and definite-lived intangible assets in our joint venture in China. See Note 11, "Goodwill and Intangible Assets" for further discussion. In the third quarter of 2012, we deconsolidated our MC Si'hai joint venture in China due to a loss of our ability to control the joint venture and recognized an impairment loss of \$27.6 million upon deconsolidation and \$0.9 million of related costs.

(6) In the third quarter of 2012, we incurred expenses in excess of insurance proceeds related to flood damage at our Toronto offices. In the first three quarters of 2012, we received insurance proceeds in excess of expenses incurred related to these damages.

(7) During the third quarter and first three quarters of 2013, we recorded losses and related costs of \$2.6 million and \$5.9 million, respectively, in our Europe business related to significant flooding in Czech Republic in the second quarter of 2013. These losses were offset by \$3.3 million insurance proceeds received in the second quarter of 2013.

(8) 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.

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	3.0	10.3	0.1	0.3	13.7
Payments made	(6.2)	(12.1)	(2.5)	(1.8)	(22.6)
Foreign currency and other adjustments	(0.2)	—	—	—	(0.2)
Total at September 28, 2013	\$3.7	\$11.6	\$0.4	\$—	\$15.7

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8. Other Income and Expense

The table below summarizes other income and expense:

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	September 28, 2013	September 29, 2012	September 28, 2013	September 29, 2012
	(In millions)			
Bridge facility fees(1)	\$—	\$—	\$—	\$(13.0)
Euro currency purchase loss(2)	—	—	—	(57.9)
Gain on sale of non-operating asset(3)	—	—	1.2	—
Gain (loss) from other foreign exchange and derivative activity(4)	(5.3)	(6.4)	(11.4)	(8.7)
Other, net	(0.2)	—	1.7	1.3
Other income (expense), net	\$(5.5)	\$(6.4)	\$(8.5)	\$(78.3)

(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 an unfavorable 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 losses of \$11.4 million and \$1.4 million for the third quarter and first three quarters of 2013, respectively, and losses of \$6.4 million and \$5.8 million for the third quarter and first three quarters of 2012, respectively, related to foreign currency movements on foreign-denominated financing instruments entered into in conjunction with the closing of the Acquisition. We additionally recorded a net gain of \$1.8 million and loss of \$4.9 million for the third quarter and first three quarters of 2013, respectively, related to foreign cash positions and foreign exchange contracts entered into to hedge our risk associated with the payment of this foreign-denominated debt. See Note 12, "Debt" and Note 14, "Derivative Instruments and Hedging Activities" for further discussion of financing and hedging activities related to the Acquisition. Additionally, we recorded gains of \$4.3 million and losses of \$5.1 million related to other foreign exchange and derivative activity during the third quarter and first three quarters of 2013, respectively. We recorded losses related to other foreign exchange and derivative activity of \$2.9 million for the first three quarters of 2012.

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9. Income Tax

Our effective tax rates for the third quarters of 2013 and 2012 were approximately 21% and 17%, respectively. For the first three quarters of 2013 and 2012, our effective tax rates were approximately 14% and 18%, respectively. The third quarter 2013 tax rate increased versus 2012 primarily due to lower pretax income in 2013, and discrete period tax expenses recorded in 2013 that did not exist in 2012. The tax expenses recorded discretely in the third quarter included the impact of statutory tax rate changes. Additionally, the third quarter year-to-date 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 of 2013.

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.

As of September 28, 2013, and December 29, 2012, we had unrecognized tax benefits including interest, penalties and offsetting positions of \$81.5 million and \$82.1 million, respectively. For the first three quarters of 2013, our unrecognized tax benefits decreased due to 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 warrants outstanding to the extent dilutive. The following summarizes the effect of dilutive securities on diluted EPS:

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	September 28, 2013	September 29, 2012	September 28, 2013	September 29, 2012
	(In millions, except per share amounts)			
Amounts attributable to MCBC				
Net income (loss) from continuing operations	\$ 120.9	\$ 197.7	\$ 434.1	\$ 381.4
Income (loss) from discontinued operations, net of tax	0.9	0.7	1.7	1.6
Net income (loss) attributable to MCBC	\$ 121.8	\$ 198.4	\$ 435.8	\$ 383.0
Weighted-average shares for basic EPS	183.5	181.0	182.7	180.7
Effect of dilutive securities:				
Stock options and SOSARs	0.6	0.6	0.7	0.5
RSUs, PSUs, PUs and DSUs	0.5	0.4	0.5	0.5
Weighted-average shares for diluted EPS	184.6	182.0	183.9	181.7
Basic net income (loss) per share:				
Continuing operations attributable to MCBC	\$ 0.65	\$ 1.09	\$ 2.38	\$ 2.11
Discontinued operations attributable to MCBC	0.01	—	0.01	0.01
Basic net income (loss) attributable to MCBC	\$ 0.66	\$ 1.09	\$ 2.39	\$ 2.12
Diluted net income (loss) per share:				
Continuing operations attributable to MCBC	\$ 0.65	\$ 1.09	\$ 2.36	\$ 2.10
Discontinued operations attributable to MCBC	0.01	—	0.01	0.01
Diluted net income (loss) attributable to MCBC	\$ 0.66	\$ 1.09	\$ 2.37	\$ 2.11
Dividends declared and paid per share	\$ 0.32	\$ 0.32	\$ 0.96	\$ 0.96

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

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	September 28, 2013	September 29, 2012	September 28, 2013	September 29, 2012
	(In millions)			
Stock options, SOSARs and RSUs	0.1	0.9	0.2	1.5
Warrants to issue shares of Class B common stock	11.1	11.0	11.1	10.9
Total weighted-average anti-dilutive securities	11.2	11.9	11.3	12.4

Convertible Notes

In June 2007, we issued \$575 million of senior convertible notes due July 2013. On July 30, 2013, these notes matured and were repaid for their face value of \$575 million. The required premium payment, based on our weighted-average Class B common stock price exceeding the then-applicable conversion price on any of the 25 trading days following the maturity date, was settled in cash and entirely offset by the cash proceeds received from the settlement of the call options we purchased in 2007 related to these notes. As a result, these notes and related call options did not impact our shares outstanding. Additionally, the potential impacts of these notes and related call options had no impact on diluted income per share for all periods presented. The impact of stock that could be issued to settle share obligations we could have under the warrants we issued simultaneously with the issuance of these notes will begin to dilute earnings per share when our Class B common stock price reaches \$66.13 per share. The warrants expire beginning December 2013 through February 2014. See Note 12, "Debt" for further discussion.

Upon closing of the Acquisition in June 2012, we issued a €500 million Zero Coupon Senior Unsecured Convertible Note to the Seller. On August 13, 2013, the Seller exercised the embedded put option and we subsequently settled the note using cash. As a result, the convertible note did not impact our shares outstanding and was excluded from the computation of the effect of diluted securities on diluted earnings per share for all periods presented. See Note 12, "Debt" for further discussion.

11. Goodwill and Intangible Assets

The following summarizes the change in goodwill for the first three quarters 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	(23.7	) 2.3	(1.0	) (22.4
Purchase price adjustment(1)	—	(15.4	) —	(15.4
Balance at September 28, 2013	\$740.3	\$1,667.8	\$7.2	\$2,415.3

During the second quarter of 2013, we finalized purchase accounting related to the Acquisition with a resulting reduction to Europe goodwill in the first half of 2013 of \$15.4 million. We assigned the majority of the goodwill (1)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. See Note 3, "Acquisition of StarBev" for further discussion.

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The following table presents details of our intangible assets, other than goodwill, as of September 28, 2013:

	Useful life (Years)	Gross (In millions)	Accumulated amortization	Net
Intangible assets subject to amortization:				
Brands	3 - 40	\$539.2	\$(219.8)	) \$319.4
Distribution rights	2 - 23	340.4	(258.0)	) 82.4
Patents and technology and distribution channels	3 - 10	35.3		