MOLSON COORS BREWING CO
Form 10-Q
May 07, 2013

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 March 30, 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 May 2, 2013:
Class A Common Stock— 2,556,894 shares
Class B Common Stock—157,966,995 shares
Exchangeable shares:

As of May 2, 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—19,186,392 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 and Section 21E of the Securities Exchange Act of 1934 (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	
	March 30, 2013	March 31, 2012
Sales	$1,184.8	$1,008.1
Excise taxes	(356.3)	(316.7)
Net sales	828.5	691.4
Cost of goods sold	(547.1)	(438.8)
Gross profit	281.4	252.6
Marketing, general and administrative expenses	(285.3)	(248.2)
Special items, net	(1.5)	(1.5)
Equity income in MillerCoors	117.4	118.9
Operating income (loss)	112.0	121.8
Interest income (expense), net	(74.9)	(23.8)
Other income (expense), net	4.3	(1.4)
Income (loss) from continuing operations before income taxes	41.4	96.6
Income tax benefit (expense)	(3.5)	(17.3)
Net income (loss) from continuing operations	37.9	79.3
Income (loss) from discontinued operations, net of tax	(0.9)	0.1
Net income (loss) including noncontrolling interests	37.0	79.4
Less: Net (income) loss attributable to noncontrolling interests	(1.4)	0.1
Net income (loss) attributable to Molson Coors Brewing Company	$35.6	$79.5
Basic net income (loss) attributable to Molson Coors Brewing Company per share:		
From continuing operations	$0.20	$0.44
From discontinued operations	—	—
Basic net income (loss) attributable to Molson Coors Brewing Company per share	$0.20	$0.44
Diluted net income (loss) attributable to Molson Coors Brewing Company per share:		
From continuing operations	$0.20	$0.44
From discontinued operations	—	—
Diluted net income (loss) attributable to Molson Coors Brewing Company per share	$0.20	$0.44
Weighted-average shares—basic	181.7	180.3
Weighted-average shares—diluted	182.9	181.7
Amounts attributable to Molson Coors Brewing Company		
Net income (loss) from continuing operations	$36.5	$79.4
Income (loss) from discontinued operations, net of tax	(0.9)	0.1
Net income (loss) attributable to Molson Coors Brewing Company	$35.6	$79.5

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	
	March 30, 2013	March 31, 2012
Net income (loss) including noncontrolling interests	$37.0	$79.4
Other comprehensive income (loss), net of tax:		
Foreign currency translation adjustments	(261.3)	107.8
Unrealized gain (loss) on derivative instruments	13.1	(17.8)
Reclassification of derivative losses to income	0.1	1.8
Pension and other postretirement benefit adjustments	2.4	—
Amortization of net prior service costs and net actuarial losses to income	10.6	9.9
Ownership share of unconsolidated subsidiaries' other comprehensive income (loss)	(6.7)	9.4
Total other comprehensive income (loss), net of tax	(241.8)	111.1
Comprehensive income (loss)	(204.8)	190.5
Less: Comprehensive income (loss) attributable to the noncontrolling interest	(1.4)	0.1
Comprehensive income (loss) attributable to Molson Coors Brewing Company	$(206.2)	$190.6

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	
	March 30, 2013	December 29, 2012
Assets		
Current assets:		
Cash and cash equivalents	$511.5	$624.0
Accounts receivable, net	572.2	660.5
Other receivables, net	138.0	92.9
Inventories:		
Finished	174.2	139.9
In process	23.7	20.3
Raw materials	45.4	43.5
Packaging materials	14.3	10.2
Total inventories	257.6	213.9
Other current assets, net	141.5	117.5
Deferred tax assets	68.9	39.2
Total current assets	1,689.7	1,748.0
Properties, net	1,925.5	1,995.9
Goodwill	2,365.7	2,453.1
Other intangibles, net	7,028.3	7,234.8
Investment in MillerCoors	2,530.4	2,431.8
Deferred tax assets	189.8	125.4
Notes receivable, net	24.4	26.3
Other assets	188.9	196.9
Total assets	$15,942.7	$16,212.2
Liabilities and equity		
Current liabilities:		
Accounts payable	$455.5	$427.0
Accrued expenses and other liabilities	708.5	759.9
Derivative hedging instruments	13.5	6.0
Deferred tax liabilities	168.9	152.3
Current portion of long-term debt and short-term borrowings	1,260.4	1,245.6
Discontinued operations	8.0	7.9
Total current liabilities	2,614.8	2,598.7
Long-term debt	3,390.8	3,422.5
Pension and post-retirement benefits	776.6	833.0
Derivative hedging instruments	206.5	222.2
Deferred tax liabilities	966.4	948.5
Unrecognized tax benefits	82.0	81.8
Other liabilities	88.4	93.9
Discontinued operations	20.3	20.0
Total liabilities	8,145.8	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: 165.2 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: 19.2 shares and 19.3 shares, respectively)	724.2	724.4
Paid-in capital	3,659.7	3,623.6
Retained earnings	3,877.9	3,900.5
Accumulated other comprehensive income (loss)	(279.8)	(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	7,771.1	7,966.9
Noncontrolling interests	25.8	24.7
Total equity	7,796.9	7,991.6
Total liabilities and equity	$15,942.7	$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)

	Thirteen Weeks Ended	
	March 30, 2013	March 31, 2012
Cash flows from operating activities:		
Net income (loss) including noncontrolling interests	$37.0	$79.4
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	80.2	53.4
Amortization of debt issuance costs and discounts	7.3	5.6
Share-based compensation	11.1	4.8
Loss on sale or impairment of properties and intangibles	1.4	1.0
Deferred income taxes	1.3	4.3
Equity income in MillerCoors	(117.4)	(118.9)
Distributions from MillerCoors	117.4	118.9
Equity in net income of other unconsolidated affiliates	(1.1)	(0.1)
Distributions from other unconsolidated affiliates	11.7	11.8
Excess tax benefits from share-based compensation	(1.6)	(3.3)
Unrealized (gain) loss on foreign currency fluctuations and derivative instruments	19.1	—
Change in current assets and liabilities and other	(48.9)	(106.4)
(Gain) loss from discontinued operations	0.9	(0.1)
Net cash provided by operating activities	118.4	50.4
Cash flows from investing activities:		
Additions to properties	(68.3)	(33.8)
Proceeds from sales of properties and other long-lived assets	3.7	0.8
Investment in MillerCoors	(331.8)	(236.0)
Return of capital from MillerCoors	222.4	124.6
Payments on settlement of derivative instruments	—	(110.6)
Investment in and advances to an unconsolidated affiliate	—	(4.6)
Loan repayments	2.6	3.8
Loan advances	(2.5)	(2.4)
Net cash used in investing activities	(173.9)	(258.2)
Cash flows from financing activities:		
Exercise of stock options under equity compensation plans	27.2	19.7
Excess tax benefits from share-based compensation	1.6	3.3
Dividends paid	(58.2)	(57.8)
Dividends paid to noncontrolling interests holders	—	(1.7)
Payments for purchase of noncontrolling interest	(0.2)	—
Payments on long-term debt and capital lease obligations	—	(0.1)
Proceeds from short-term borrowings	5.9	—
Payments on short-term borrowings	(13.8)	(10.8)
Net proceeds from (payments on) revolving credit facilities	(1.2)	1.5
Change in overdraft balances and other	3.5	—
Net cash used in financing activities	(35.2)	(45.9)
Cash and cash equivalents:		
Net increase (decrease) in cash and cash equivalents	(90.7)	(253.7)

Effect of foreign exchange rate changes on cash and cash equivalents	(21.8)	11.1
Balance at beginning of year	624.0	1,078.9
Balance at end of period	$511.5	$836.3

See notes to unaudited condensed consolidated financial statements.

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

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 subsidiaries. Our subsidiaries 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; and our other non-operating subsidiaries. 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 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 on Form 10-K for the year ended December 29, 2012 ("Annual Report"). Our accounting polices did not change in the first quarter of 2013. The results of operations for the 13 weeks ended March 30, 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 first quarter of 2013 and 2012 refer to the 13 weeks ended March 30, 2013, and March 31, 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 first quarter of 2013 and 2012 refer to the three months ended March 31, 2013, and March 31, 2012, respectively, except for Central Europe which is excluded from our first quarter 2012 actual results as the acquisition of this business occurred in the second quarter of 2012.

2. New Accounting Pronouncements

Adoption of New Accounting Pronouncements

Disclosure about Offsetting Assets and Liabilities

In December 2011, the 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." 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 ("CTA") 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.

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 our 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 $1.8 million and $6.1 million in the first quarter of 2013 and 2012, respectively. We also incurred financing-related expenses as further described in Note 8, "Other Income and Expense" and Note 12, "Debt."

Unaudited Pro Forma Financial Information

Central Europe contributed net sales of $141.4 million, of which $135.1 million is included in our Europe segment, and loss from continuing operations before income taxes of $11.0 million, of which $13.6 million is included in our Europe segment, for the first quarter of 2013. The incremental portion not included in our Europe segment results is our Central Europe export and license business reflected in our MCI segment results. 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 preliminary 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

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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 $6.1 million incurred in the first quarter of 2012. 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 March 31, 2012 (In millions)
Net sales	$830.8
Income from continuing operations before income taxes	$68.5
Net income attributable to MCBC	$58.5
Net income per common share attributable to MCBC:	
Basic	$0.32
Diluted	$0.32

Allocation of Consideration Transferred

The following table represents the preliminary 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 quarter of 2013 and will be finalized in the second quarter of 2013. During the first quarter of 2013 we became aware of potential liabilities in several Central European countries primarily related to local country regulatory matters. As a result we have identified certain items primarily associated with pre-acquisition periods that could result in an adjustment to the preliminary purchase price allocation. However, we currently cannot reliably estimate or determine the probability related to the outcome of these matters and therefore have not reflected an adjustment to the opening balance sheet. Additionally, some of these items, if materialized, are subject to various claims with the previous owners of the Central Europe business.

	Fair Value (In millions)
Cash and cash equivalents	$143.6
Current assets(1)	263.5
Properties	571.5
Other intangibles(2)	2,438.6
Other assets	36.7
Total assets acquired	$3,453.9
Current liabilities(3)	848.8
Non-current liabilities(4)	428.8
Total liabilities assumed	$1,277.6
Total identifiable net assets	$2,176.3
Noncontrolling interest measured at fair value	40.6
Goodwill(5)	911.2
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 $408.7 million of deferred tax liabilities.

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(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 have preliminarily 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 expected to be 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 first quarters 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 from continuing operations before income taxes below for the thirteen weeks ended March 31, 2012, do not include results from our Central European operations reported within our Europe segment or the Central Europe export and license business reported within our MCI segment, as this business was not acquired until the second quarter of 2012.

The following table presents net sales by segment:

	Thirteen Weeks Ended	
	March 30, 2013	March 31, 2012
	(In millions)	
Canada	$395.6	$402.3
Europe	406.4	263.4
MCI	27.0	28.1
Corporate	0.3	0.3
Eliminations(1)	(0.8)	(2.7)
Consolidated	$828.5	$691.4

(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	
	March 30, 2013	March 31, 2012
	(In millions)	
Canada	$36.4	$43.9
U.S.	117.4	118.9
Europe	(3.7)	1.3
MCI	(6.1)	(8.6)
Corporate(1)	(102.6)	(58.9)
Consolidated	$41.4	$96.6

(1) The increase in the loss in Corporate in the first quarter of 2013 compared to the first quarter of 2012 is due to higher interest expense as a result of financing related to the Acquisition.

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The following table presents total assets by segment:

	As of	
	March 30, 2013	December 29, 2012
	(In millions)	
Canada	$6,375.4	$6,547.1
U.S.	2,530.4	2,431.8
Europe	6,464.1	6,742.4
MCI	91.8	92.0
Corporate	481.0	398.9
Consolidated	$15,942.7	$16,212.2

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 March 30, 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 March 30, 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"). Tradeteam is an equity method investment but is not considered a VIE.

Equity Investments

Investment in MillerCoors

Summarized financial information for MillerCoors is as follows:

Condensed Balance Sheets

	As of	
	March 31, 2013	December 31, 2012
	(In millions)	
Current assets	$1,026.9	$841.4
Non-current assets	8,931.4	8,949.9
Total assets	$9,958.3	$9,791.3
Current liabilities	$870.3	$958.5
Non-current liabilities	1,522.5	1,537.5
Total liabilities	2,392.8	2,496.0
Noncontrolling interests	29.7	28.4
Owners' equity	7,535.8	7,266.9
Total liabilities and equity	$9,958.3	$9,791.3

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The following represents our proportional share in MillerCoors' equity:

	As of	
	March 31, 2013	December 31, 2012
	(In millions, except percentages)	
MillerCoors owners' equity	$7,535.8	$7,266.9
MCBC economic interest	42 %	42 %
MCBC proportionate share in MillerCoors' equity	3,165.0	3,052.1
Difference between MCBC contributed cost basis and proportional share of the underlying equity in net assets of MillerCoors(1)	(669.6)	(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	$2,530.4	$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 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	
	March 31, 2013	March 31, 2012
	(In millions)	
Net sales	$1,788.3	$1,759.8
Cost of goods sold	(1,088.7)	(1,070.0)
Gross profit	$699.6	$689.8
Operating income	$274.5	$279.0
Net income attributable to MillerCoors	$271.9	$275.3

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

	Thirteen Weeks Ended	
	March 30, 2013	March 31, 2012
	(In millions, except percentages)	
Net income attributable to MillerCoors	$271.9	$275.3
MCBC economic interest	42 %	42 %
MCBC proportionate share of MillerCoors net income	114.2	115.6
Amortization of the difference between MCBC contributed cost basis and proportional share of the underlying equity in net assets of MillerCoors	1.2	0.4
Share-based compensation adjustment(1)	2.0	2.9
Equity income in MillerCoors	$117.4	$118.9

(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.

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The following table summarizes our transactions with MillerCoors:

	Thirteen Weeks Ended	
	March 30, 2013	March 31, 2012
	(In millions)	
Beer sales to MillerCoors	$4.4	$4.9
Beer purchases from MillerCoors	$3.1	$2.3
Service agreement costs and other charges to MillerCoors	$0.6	$1.1
Service agreement costs and other charges from MillerCoors	$0.2	$0.2

As of March 30, 2013, and December 29, 2012, we had $0.4 million and $0.8 million of net payables due to MillerCoors, respectively.

Consolidated VIEs

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

	As of			
	March 30, 2013		December 29, 2012	
	Total Assets	Total Liabilities	Total Assets	Total Liabilities
	(In millions)			
Grolsch	$6.4	$2.0	$10.0	$5.6
Cobra U.K.	$32.5	$2.4	$33.2	$3.3

6. Share-Based Payments

During the first 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 our peers and specified adjusted earnings per share, respectively. 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	
	March 30, 2013	March 31, 2012
	(In millions)	
Pre-tax compensation expense	$11.1	$4.8
Tax benefit	(3.4)	(1.5)
After-tax compensation expense	$7.7	$3.3

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

As of March 30, 2013, there was $29.0 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 1.7 years.

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The following table represents the summary of stock options and stock-only stock appreciation rights ("SOSAR") outstanding as of March 30, 2013, and the activity during the first quarter 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	(0.7)	$34.68		
Forfeited	—	$—		
Outstanding as of March 30, 2013	5.5	$41.57	4.11	$44.2
Exercisable at March 30, 2013	4.8	$41.24	3.52	$41.0

The total intrinsic values of stock options exercised during the first quarter of 2013 and 2012 were $8.9 million and $9.4 million, respectively. During the first quarter of 2013 and 2012, cash received from stock option exercises was $27.2 million and $19.7 million, respectively, and the total tax benefit for the tax deductions from these stock option exercises and other awards was $1.6 million and $3.3 million, respectively.

The following table represents non-vested RSUs, DSUs, PSUs and PUs as of March 30, 2013, and the activity during the first quarter 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	0.2	$41.42	—	$—	0.2	$43.10
Vested	(0.1)	$43.13	(0.6)	$11.64	—	$—
Forfeited	(0.1)	$42.92	(0.1)	$7.37	—	$—
Non-vested as of March 30, 2013	0.7	$42.64	1.0	$6.45	0.2	$43.10

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

	Thirteen Weeks Ended	
	March 30, 2013	March 31, 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 including 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%.

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As of March 30, 2013, there were 7.7 million shares of the Company's stock available for issuance as awards under the MCBC 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 amounts as special items. The table below summarizes special items recorded by segment:

	Thirteen Weeks Ended	
	March 30, 2013	March 31, 2012
	(In millions)	
Employee related charges		
Restructuring(1)		
Canada	$1.3	$1.6
Europe	3.3	1.8
Corporate	0.3	1.1
Special termination benefits		
Canada(2)	0.8	0.5
Unusual or infrequent items		
Europe - Release of non-income-related tax reserve(3)	(4.2)	(3.5)
Total Special items, net	$1.5	$1.5

(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 first 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 2009, we established a non-income-related tax reserve of $10.4 million that was recorded as a special item. Our estimates indicated a range of possible loss relative to this reserve of zero to $22.3 million, inclusive of potential penalties and interest. The amounts recorded in 2013 and 2012 represent the release of this reserve as a result of a change in estimate. As a result, this non-income-related tax reserve is fully released as of March 30, 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	1.3	3.3	—	0.3	4.9
Payments made	(2.9)	(2.6)	(1.7)	(0.3)	(7.5)
Foreign currency and other adjustments	(0.2)	(0.4)	—	—	(0.6)
Total at March 30, 2013	$5.3	$13.7	$1.1	$1.5	$21.6

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8. Other Income and Expense

The table below summarizes other income and expense:

	Thirteen Weeks Ended	
	March 30, 2013	March 31, 2012
	(In millions)	
Gain on sale of non-operating asset(1)	$1.2	$—
Gain (loss) from other foreign exchange and derivative activity(2)	2.7	(1.7)
Other, net	0.4	0.3
Other income (expense), net	$4.3	$(1.4)

(1) Gain realized for proceeds received related to a non-income-related tax settlement resulting from historical activity within our former investment in the Montreal Canadiens.

(2) Included in this amount is an unrealized gain of $20.1 million for the first quarter of 2013 related to foreign currency movements on foreign-denominated financing instruments entered into in conjunction with the closing of the Acquisition. This is offset by an unrealized loss of $10.6 million 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 of $6.8 million and $1.7 million for the first quarters of 2013 and 2012, respectively, related to other foreign exchange and derivative activity.

9. Income Tax

Our effective tax rates for the first quarters of 2013 and 2012 were approximately 8% and 18%, respectively. The first quarter 2013 tax rate decreased versus 2012 largely due to the release of a valuation allowance as a result of a capital gain generated in the first quarter of 2013. This 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.

As of March 30, 2013, and December 29, 2012, we had unrecognized tax benefits including interest, penalties and offsetting positions of $82.1 million. The allocation of this balance between current and noncurrent has not changed materially since December 29, 2012.

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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	
	March 30, 2013	March 31, 2012
	(In millions, except per share amounts)	
Amounts attributable to MCBC		
Net income (loss) from continuing operations	$36.5	$79.4
Income (loss) from discontinued operations, net of tax	(0.9)	0.1
Net income (loss) attributable to MCBC	$35.6	$79.5
Weighted-average shares for basic EPS	181.7	180.3
Effect of dilutive securities:		
Stock options and SOSARs	0.7	0.8
RSUs, PSUs, PUs and DSUs	0.5	0.6
Weighted-average shares for diluted EPS	182.9	181.7
Basic net income (loss) per share:		
Continuing operations attributable to MCBC	$0.20	$0.44
Discontinued operations attributable to MCBC	—	—
Basic net income (loss) attributable to MCBC	$0.20	$0.44
Diluted net income (loss) per share:		
Continuing operations attributable to MCBC	$0.20	$0.44
Discontinued operations attributable to MCBC	—	—
Diluted net income (loss) attributable to MCBC	$0.20	$0.44
Dividends declared and paid per share	$0.32	$0.32

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

	Thirteen Weeks Ended	
	March 30, 2013	March 31, 2012
	(In millions)	
Stock options, SOSARs and RSUs	0.2	0.8
Shares of Class B common stock issuable upon assumed conversion of the 2.5% Convertible Senior Notes(1)	11.0	10.9
Warrants to issue shares of Class B common stock(1)	11.0	10.9
Shares of Class B common stock issuable upon assumed conversion of the €500 million Convertible Note(2)	0.2	—
Total anti-dilutive securities	22.4	22.6

(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 $52.18. 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 price reaches $66.79. The potential receipt of our stock from counterparties under our purchased call options when and if our stock price is between $52.18 and $66.79 would be anti-dilutive and excluded from

any calculations of earnings per share.

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(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 $49.71 based on foreign exchange rates at March 30, 2013. See further discussion in Note 12, "Debt."

11. Goodwill and Intangible Assets

The following summarizes the change in goodwill for the first quarter 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	(14.0)	(73.1)	—	(87.1)
Purchase price adjustment	—	(0.3)	—	(0.3)
Balance at March 30, 2013	$750.0	$1,607.5	$8.2	$2,365.7

The following table presents details of our intangible assets, other than goodwill, as of March 30, 2013:

	Useful life	Gross	Accumulated amortization	Net
	(Years)	(In millions)		
Intangible assets subject to amortization:				
Brands	3 - 40	$464.1	$(204.0)	$260.1
Distribution rights	2 - 23	342.5	(252.7)	89.8
Patents and technology and distribution channels	3 - 10	33.2	(29.4)	3.8
Favorable contracts, land use rights and other	2 - 42	12.2	(6.3)	5.9
Intangible assets not subject to amortization:				
Brands	Indefinite	5,659.0	—	5,659.0
Distribution networks	Indefinite	994.3	—	994.3
Other	Indefinite	15.4	—	15.4
Total		$7,520.7	$(492.4)	$7,028.3

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 March 30, 2013, are primarily driven by the impact of foreign exchange rates, as a significant amount of intangibles are denominated in foreign currencies.

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The balances as of March 30, 2013, and December 29, 2012, include the preliminary 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, $2,281.0 million for brand intangibles with an indefinite-life and a preliminary 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.

Based on foreign exchange rates as of March 30, 2013, the estimated future amortization expense of intangible assets is as follows:

Fiscal year	Amount (In millions)
2013 - remaining	$34.9
2014	$38.7
2015	$36.2
2016	$36.2
2017	$22.3

Amortization expense of intangible assets was $11.9 million and $9.3 million for the first quarters of 2013 and 2012, respectively, and is presented within marketing, general and administrative expenses.

We completed the required 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 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. The fair value of the U.K. reporting unit was estimated at approximately 7% in excess of its carrying value (of which $818.1 million is goodwill as of March 30, 2013) and the fair value of the Canada reporting unit was estimated at approximately 15% in excess of its carrying value (of which $750.0 million is goodwill as of March 30, 2013). The reporting units 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 challenging environments that have been adversely impacted by a weak economy across all industries, partially offset by anticipated cost savings and specific brand-building and innovation activities. Through our annual impairment testing of indefinite-lived intangibles, it was 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 $3,002.3 million is indefinite-lived intangibles as of March 30, 2013). The Molson core brands face similar risks and challenges as the Canada reporting unit, as described above. Additionally, our annual impairment testing of indefinite-lived intangibles indicated that the Carling brand in the U.K. (of which $304.6 million is indefinite-lived intangible as of March 30, 2013) continued to have a fair value significantly in excess of its carrying value.

As of March 30, 2013, we had $789.4 million of goodwill and $2,332.1 million of indefinite-lived intangibles, primarily related to brands, associated with Central Europe. Since the Acquisition, our Central Europe business, along with other European corporations across all industries, has been adversely impacted by the weak economy in Europe. If this continues, a future impairment charge may be required.

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

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expected future cash flows, specifically, an increase in required pension contributions, a decrease in sales volume, 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.

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 first 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 $66.4 million as of March 30, 2013, could result in a possible future impairment. See Note 16, "Commitments and Contingencies" for further discussion.

12. Debt

Debt obligations

Our total borrowings as of March 30, 2013, and December 29, 2012, were composed of the following:

	As of	
	March 30, 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)	678.3	668.7
Canadian Dollar ("CAD") 900 million 5.0% notes due 2015	884.6	902.7
CAD 500 million 3.95% Series A notes due 2017	491.5	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	120.1	123.9
Other long-term debt	0.4	0.5
Commercial Paper(3)	—	—
Credit facilities(3)	—	—
Less: unamortized debt discounts and other	(12.0)	(17.4)
Total long-term debt (including current portion)	4,637.9	4,654.9
Less: current portion of long-term debt	(1,247.1)	(1,232.4)
Total long-term debt	$3,390.8	$3,422.5
Short-term borrowings	$13.3	$13.2
Current portion of long-term debt	1,247.1	1,232.4
Current portion of long-term debt and short-term borrowings	$1,260.4	$1,245.6

(1) 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 are 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. As of November 2012, our conversion price and ratio are $52.18 and 19.1662 shares, respectively. As of March 30, 2013, the convertible debt's if-converted value does not exceed the principal.

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During the first quarters of 2013 and 2012, we incurred additional non-cash interest expense of $4.6 million and $4.5 million, respectively. We also incurred interest expense related to the 2.5% convertible coupon rate of $3.6 million and $3.7 million during the first quarters of 2013 and 2012, respectively. The combination of non-cash and cash interest resulted in an effective interest rate of 5.8% and 5.9% for the first quarters of 2013 and 2012, respectively. As of March 30, 2013, and December 29, 2012, $6.2 million and $10.8 million, respectively, of the unamortized debt discount and other balance relates to our $575 million convertible debt. We expect to record additional non-cash interest expense of $6.2 million during the remainder of 2013, thereby increasing the carrying value of the convertible debt to its $575 million face value at maturity in July 2013. As the notes mature in July 2013, the carrying value at March 30, 2013, is included within the current portion of long-term debt.

(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. As of March 30, 2013, the carrying value of the Convertible Note is included within the current portion of long-term debt.

The carrying value of the Convertible Note and fair value of the conversion feature at March 30, 2013, were $640.9 million and $37.4 million, respectively. We recognized an unrealized loss of $29.5 million during the first quarter of 2013 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 effective interest rate of 0.25% for the first quarter of 2013. See Note 14, "Derivative Instruments and Hedging Activities" for further discussion of the conversion feature.

(3) 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 March 30, 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 March 30, 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 March 30, 2013, and December 29, 2012, the fair value of our outstanding long-term debt (including current portion) was $4,945.2 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.

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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 March 30, 2013, and December 29, 2012, we were in compliance with all of these restrictions and have met all debt payment obligations.

13. Accumulated Other Comprehensive Income (Loss)

Changes in accumulated other comprehensive income (loss) for the first quarter 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	(268.7)	—	—	—	(268.7)
Unrealized gain (loss) on derivative instruments	—	23.7	—	—	23.7
Reclassification of derivative losses to income	—	0.2	—	—	0.2
Amortization of net prior service costs and net actuarial losses to income	—	—	13.5	—	13.5
Ownership share of unconsolidated subsidiaries' other comprehensive income (loss)	—	—			