

MOLSON COORS BREWING CO

Form 10-Q

August 06, 2015

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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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 June 30, 2015

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)

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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 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 July 31, 2015:

Class A Common Stock— 2,562,594 shares

Class B Common Stock—162,773,925 shares

Exchangeable shares:

As of July 31, 2015, the following number of exchangeable shares were outstanding for Molson Coors Canada, Inc.:

Class A Exchangeable shares—2,891,240 shares

Class B Exchangeable shares—16,819,014 shares

The Class A exchangeable shares and Class B exchangeable shares are shares of the share capital in Molson Coors Canada Inc., a wholly-owned subsidiary of the registrant. They are publicly traded on the Toronto Stock Exchange under the symbols TPX.A and TPX.B, respectively. These shares are intended to provide substantially the same economic and voting rights as the corresponding class of Molson Coors common stock in which they may be exchanged. In addition to the registered Class A common stock and the Class B common stock, the registrant has also issued and outstanding one share each of a Special Class A voting stock and Special Class B voting stock. The Special Class A voting stock and the Special Class B voting stock provide the mechanism for holders of Class A exchangeable shares and Class B exchangeable shares to be provided instructions to vote with the holders of the Class A common stock and the Class B common stock, respectively. The holders of the Special Class A voting stock and Special Class B voting stock are entitled to one vote for each outstanding Class A exchangeable share and Class B exchangeable share, 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 Special Class A voting stock and Special Class B voting stock are subject to a voting trust arrangement. The trustee which holds the Special Class A voting stock and the Special Class B voting stock is required to cast a number of votes equal to the number of then-outstanding Class A exchangeable shares and Class B exchangeable shares, respectively, but will only cast a number of votes equal to the number of Class A exchangeable shares and Class B exchangeable shares as to which it has received voting instructions from the owners of record of those Class A exchangeable shares and Class B exchangeable shares, other than the registrant or its subsidiaries, respectively, on the record date, and will cast the votes in accordance with such instructions so received.

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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 2015" 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," "potential," "projects," "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 31, 2014. 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.

#### Market and Industry Data

The market and industry data used in this Quarterly Report on Form 10-Q are based on independent industry publications, customers, trade or business organizations, reports by market research firms and other published statistical information from third parties, as well as information based on management's good faith estimates, which we derive from our review of internal information and independent sources. Although we believe these sources to be reliable, we have not independently verified the accuracy or completeness of the information.

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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)

	Three Months Ended		Six Months Ended	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
Sales	\$1,433.0	\$1,685.9	\$2,436.2	\$2,864.2
Excise taxes	(427.3	) (497.4	) (730.5	) (859.7
Net sales	1,005.7	1,188.5	1,705.7	2,004.5
Cost of goods sold	(579.9	) (683.3	) (1,034.7	) (1,206.5
Gross profit	425.8	505.2	671.0	798.0
Marketing, general and administrative expenses	(283.3	) (327.8	) (523.9	) (591.7
Special items, net	(33.7	) (2.7	) (42.3	) 49.8
Equity income in MillerCoors	205.5	190.1	334.8	312.9
Operating income (loss)	314.3	364.8	439.6	569.0
Interest income (expense), net	(30.6	) (36.2	) (59.8	) (71.6
Other income (expense), net	6.3	0.7	3.7	1.5
Income (loss) from continuing operations before income taxes	290.0	329.3	383.5	498.9
Income tax benefit (expense)	(58.4	) (36.4	) (71.2	) (41.2
Net income (loss) from continuing operations	231.6	292.9	312.3	457.7
Income (loss) from discontinued operations, net of tax	(0.3	) 0.2	1.6	(1.7
Net income (loss) including noncontrolling interests	231.3	293.1	313.9	456.0
Net (income) loss attributable to noncontrolling interests	(2.3	) (2.2	) (3.8	) (1.7
Net income (loss) attributable to Molson Coors Brewing Company	\$229.0	\$290.9	\$310.1	\$454.3
Basic net income (loss) attributable to Molson Coors Brewing Company per share:				
From continuing operations	\$1.23	\$1.57	\$1.66	\$2.47
From discontinued operations	—	—	0.01	(0.01
Basic net income (loss) attributable to Molson Coors Brewing Company per share	\$1.23	\$1.57	\$1.67	\$2.46
Diluted net income (loss) attributable to Molson Coors Brewing Company per share:				
From continuing operations	\$1.23	\$1.56	\$1.65	\$2.46
From discontinued operations	—	—	0.01	(0.01
Diluted net income (loss) attributable to Molson Coors Brewing Company per share	\$1.23	\$1.56	\$1.66	\$2.45
Weighted-average shares—basic	185.7	184.8	185.8	184.5
Weighted-average shares—diluted	186.5	185.9	186.7	185.7
Amounts attributable to Molson Coors Brewing Company				
Net income (loss) from continuing operations	\$229.3	\$290.7	\$308.5	\$456.0

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Income (loss) from discontinued operations, net of tax	(0.3	) 0.2	1.6	(1.7	)
Net income (loss) attributable to Molson Coors Brewing Company	\$229.0	\$290.9	\$310.1	\$454.3	

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)

	Three Months Ended		Six Months Ended	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
Net income (loss) including noncontrolling interests	\$231.3	\$293.1	\$313.9	\$456.0
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments	239.7	160.1	(424.6	) (21.9
Unrealized gain (loss) on derivative instruments	(10.3	) (10.6	) 8.6	3.9
Reclassification of derivative (gain) loss to income	(1.6	) (2.4	) (3.0	) (5.6
Pension and other postretirement benefit adjustments	—	—	(1.8	) —
Amortization of net prior service (benefit) cost and net actuarial (gain) loss to income	9.3	7.8	18.3	15.4
Ownership share of unconsolidated subsidiaries' other comprehensive income (loss)	(2.5	) 7.6	(0.3	) 9.2
Total other comprehensive income (loss), net of tax	234.6	162.5	(402.8	) 1.0
Comprehensive income (loss)	465.9	455.6	(88.9	) 457.0
Comprehensive (income) loss attributable to noncontrolling interests	(2.3	) (2.2	) (3.8	) (1.7
Comprehensive income (loss) attributable to Molson Coors Brewing Company	\$463.6	\$453.4	\$(92.7	) \$455.3

See notes to unaudited condensed consolidated financial statements.

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

	As of June 30, 2015	December 31, 2014
Assets		
Current assets:		
Cash and cash equivalents	\$413.8	\$624.6
Accounts receivable, net	595.1	527.7
Other receivables, net	90.5	94.0
Inventories:		
Finished	175.5	135.3
In process	21.5	20.7
Raw materials	35.2	34.5
Packaging materials	12.1	11.7
Total inventories	244.3	202.2
Other current assets, net	105.3	103.2
Deferred tax assets	27.2	27.2
Total current assets	1,476.2	1,578.9
Properties, net	1,709.4	1,798.0
Goodwill	2,115.3	2,191.6
Other intangibles, net	5,373.3	5,755.8
Investment in MillerCoors	2,452.9	2,388.6
Deferred tax assets	51.2	58.2
Notes receivable, net	22.6	21.6
Other assets	196.3	203.6
Total assets	\$13,397.2	\$13,996.3
Liabilities and equity		
Current liabilities:		
Accounts payable and other current liabilities	\$1,332.9	\$1,305.0
Deferred tax liabilities	179.0	164.8
Current portion of long-term debt and short-term borrowings	832.4	849.4
Discontinued operations	5.2	6.1
Total current liabilities	2,349.5	2,325.3
Long-term debt	2,305.2	2,337.1
Pension and postretirement benefits	269.0	542.9
Deferred tax liabilities	739.0	784.3
Unrecognized tax benefits	25.3	25.4
Other liabilities	64.6	79.7
Discontinued operations	13.2	15.5
Total liabilities	5,765.8	6,110.2
Commitments and contingencies (Note 15)		
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)	—	—



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Class B common stock, \$0.01 par value per share (authorized: 500.0 shares; issued: 171.5 shares and 169.9 shares, respectively)	1.7	1.7
Class A exchangeable shares, no par value (issued and outstanding: 2.9 shares and 2.9 shares, respectively)	108.3	108.5
Class B exchangeable shares, no par value (issued and outstanding: 16.9 shares and 17.6 shares, respectively)	634.8	661.5
Paid-in capital	3,937.2	3,871.2
Retained earnings	4,597.7	4,439.9
Accumulated other comprehensive income (loss)	(1,301.2	) (898.4
Class B common stock held in treasury at cost (8.2 shares and 7.5 shares, respectively)	(371.4	) (321.1
Total Molson Coors Brewing Company stockholders' equity	7,607.1	7,863.3
Noncontrolling interests	24.3	22.8
Total equity	7,631.4	7,886.1
Total liabilities and equity	\$13,397.2	\$13,996.3
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)

	Six Months Ended	
	June 30, 2015	June 30, 2014
Cash flows from operating activities:		
Net income (loss) including noncontrolling interests	\$ 313.9	\$ 456.0
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	158.9	158.4
Amortization of debt issuance costs and discounts	2.6	4.2
Share-based compensation	8.1	12.1
(Gain) loss on sale or impairment of properties and other assets, net	(3.5)	) 3.0
Deferred income tax (benefit) expense	(9.5)	) 9.8
Equity income in MillerCoors	(334.8)	) (312.9)
Distributions from MillerCoors	334.8	312.9
Equity in net (income) loss of other unconsolidated affiliates	(1.9)	) (2.7)
Distributions from other unconsolidated affiliates	—	11.1
Excess tax benefits from share-based compensation	(7.6)	) (3.2)
Unrealized (gain) loss on foreign currency fluctuations and derivative instruments, net	4.9	(3.2)
Change in current assets and liabilities (net of impact of business combinations) and other	(266.2)	) (71.2)
(Gain) loss from discontinued operations	(1.6)	) 1.7
Net cash provided by (used in) operating activities	198.1	576.0
Cash flows from investing activities:		
Additions to properties	(139.8)	) (126.4)
Proceeds from sales of properties and other assets	7.5	4.1
Acquisition of businesses, net of cash acquired	(51.1)	) —
Investment in MillerCoors	(758.1)	) (764.4)
Return of capital from MillerCoors	692.9	691.9
Loan repayments	19.0	4.0
Loan advances	(26.1)	) (3.3)
Other	(2.4)	) —
Net cash used in investing activities	(258.1)	) (194.1)
Cash flows from financing activities:		
Exercise of stock options under equity compensation plans	28.6	27.7
Excess tax benefits from share-based compensation	7.6	3.2
Dividends paid	(152.3)	) (136.7)
Payments for purchase of treasury stock	(50.1)	) —
Payments on long-term debt and capital lease obligations	(0.7)	) (62.2)
Proceeds from short-term borrowings	27.9	20.9
Payments on short-term borrowings	(14.6)	) (23.3)
Payments on settlement of derivative instruments	—	(65.2)
Net proceeds from (payments on) revolving credit facilities and commercial paper	67.2	(214.3)
Change in overdraft balances and other	(38.3)	) 126.8
Net cash provided by (used in) financing activities	(124.7)	) (323.1)
Cash and cash equivalents:		

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Net increase (decrease) in cash and cash equivalents	(184.7	) 58.8
Effect of foreign exchange rate changes on cash and cash equivalents	(26.1	) 4.9
Balance at beginning of year	624.6	442.3
Balance at end of period	\$413.8	\$506.0

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 operating and non-operating subsidiaries included within our reporting segments and Corporate. Our reporting segments include: Molson Coors Canada ("MCC" or Canada segment), operating in Canada; MillerCoors LLC ("MillerCoors" or U.S. segment), which is accounted for by us under the equity method of accounting, operating in the United States ("U.S."); Molson Coors Europe (Europe segment), operating in Bosnia-Herzegovina, Bulgaria, Croatia, Czech Republic, Hungary, Montenegro, Republic of Ireland, Romania, Serbia, Slovakia and the United Kingdom ("U.K."); and Molson Coors International ("MCI"), operating in various other countries. Unless otherwise indicated, information in this report is presented in U.S. dollars ("USD" or "\$") and comparisons are to comparable prior periods.

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 U.S. ("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 U.S. Securities and Exchange Commission. 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 31, 2014 ("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 first half of 2015. The results of operations for the three and six months ended June 30, 2015, are not necessarily indicative of the results that may be achieved for the full fiscal year.

2. New Accounting Pronouncements

In July 2015, the Financial Accounting Standards Board ("FASB") issued authoritative guidance intended to simplify the measurement of inventory. The amendment requires entities to measure in-scope inventory at the lower of cost and net realizable value, and replaces the current requirement to measure in-scope inventory at the lower of cost or market, which considers replacement cost, net realizable value, and net realizable value less an approximate normal profit margin. This amendment will more closely align the measurement of inventory under U.S. GAAP with the measurement of inventory under International Financial Reporting Standards. This guidance is effective for annual reporting periods, and interim periods within those annual periods, beginning after December 15, 2016. The amendment should be applied prospectively with early adoption permitted. We are currently evaluating the potential impact on our financial position and results of operations upon adoption of this guidance.

In May 2014, the FASB issued authoritative guidance related to new accounting requirements for the recognition of revenue from contracts with customers. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for the goods or services. In July 2015, the FASB affirmed its proposal to defer the effective date of the new revenue recognition standard for all entities by one year. As a result, the requirements of the new standard are effective for annual reporting periods beginning after December 15, 2017, and interim periods within those annual periods. Concurrently, the FASB also affirmed the proposal to permit all entities to apply the new revenue recognition standard early, but not before the original effective date. The use of either a full retrospective or cumulative effect transition method is permitted. We have not yet selected a transition method and are currently evaluating the potential impact on our financial position and results of operations upon adoption of this guidance.



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In May 2015, the FASB issued an amendment to the fair value measurement guidance that applies to reporting entities that elect to measure the fair value of an investment using the net asset value ("NAV") per share (or its equivalent) practical expedient. Under the new guidance, investments for which fair value is measured, or are eligible to be measured, using the NAV per share practical expedient are excluded from the fair value hierarchy. The amendment also removes certain disclosure requirements for these investments, and is effective for reporting periods beginning after December 15, 2015, with early adoption permitted. This amendment will result in revisions to the presentation of the fair value hierarchy within Part II - Item 8. Financial Statements and Supplementary Data, Note 16, "Employee Retirement Plans and Postretirement Benefits" of our Annual Report.

In April 2015, the FASB issued authoritative guidance intended to simplify the presentation of debt issuance costs. These amendments require that debt issuance costs be presented as a direct deduction from the carrying amount of the related debt liabilities, consistent with the presentation of debt discounts. This will result in the elimination of debt issuance costs as an asset and will reduce the carrying value of our debt liabilities. This guidance is effective for annual reporting periods, and interim periods within those annual periods, beginning after December 15, 2015. The guidance should be applied retrospectively with early adoption permitted. We believe the impact on our financial position and results of operations upon adoption of this guidance will be immaterial.

In February 2015, the FASB issued authoritative guidance to improve targeted areas of consolidation accounting by requiring amendments to both the variable interest entity and voting interest models. The new standard modifies the evaluation of whether some legal entities, specifically limited partnerships and similar legal entities, are variable interest entities ("VIEs") or voting interest entities, and eliminates the presumption that a general partner should consolidate a limited partnership. Further, the new standard affects the consolidation analysis for companies of reporting entities in several industries that are involved with VIEs, particularly those with fee arrangements, and also amends the guidance for assessing how related party relationships affect the VIE consolidation analysis. This guidance is effective for annual reporting periods, and interim periods within those annual periods, beginning after December 15, 2015. The amendments may be applied using either a full retrospective or cumulative effect transition method with early adoption permitted. We are currently evaluating the potential impact on our financial position and results of operations upon adoption of this guidance.

Other than the items noted above, there have been no new accounting pronouncements not yet effective or adopted in the current year that we believe have a significant impact, or potential significant impact, to our consolidated financial statements.

### 3. 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 primarily includes interest and certain other general and administrative costs that are not allocated to any of the operating segments. No single customer accounted for more than 10% of our consolidated sales for the three and six months ended June 30, 2015, and June 30, 2014, respectively. Net sales represent sales to third-party external customers. Inter-segment transactions impacting sales revenues and income (loss) from continuing operations before income taxes are insignificant (other than those with MillerCoors, see Note 4, "Investments" for additional detail) and eliminated in consolidation.

The following table presents net sales by segment:

	Three Months Ended		Six Months Ended	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
	(In millions)			
Canada	\$444.9	\$516.5	\$758.4	\$863.6
Europe	524.8	629.4	882.7	1,067.0
MCI	37.2	43.7	66.3	75.9
Corporate	0.1	0.4	0.5	0.7
Eliminations <sup>(1)</sup>	(1.3	) (1.5	) (2.2	) (2.7
Consolidated	\$1,005.7	\$1,188.5	\$1,705.7	\$2,004.5

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



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

	Three Months Ended		Six Months Ended	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
	(In millions)			
Canada <sup>(1)</sup>	\$106.1	\$120.8	\$137.0	\$209.1
U.S.	205.5	190.1	334.8	312.9
Europe <sup>(2)</sup>	49.0	84.5	44.9	111.5
MCI <sup>(3)</sup>	(12.2	) (3.7	) (17.6	) (6.7
Corporate	(58.4	) (62.4	) (115.6	) (127.9
Consolidated	\$290.0	\$329.3	\$383.5	\$498.9

Results for the six months ended June 30, 2014, include \$63.2 million of income related to the termination of our Modelo Molson Imports, L.P. ("MMI") joint venture in Canada. See Note 4, "Investments" for further discussion.

(1) Results for the three and six months ended June 30, 2015, included \$8.2 million of charges related to the closure of a bottling line within our Toronto brewery as part of a strategic review of our Canadian supply chain network. See Note 6, "Special Items" for further discussion.

Results for the three and six months ended June 30, 2015, include charges associated with the closure of one of our

(2) U.K. breweries of \$9.3 million and \$21.1 million for the three and six months ended June 30, 2015, respectively.

See Note 6, "Special Items" for further discussion.

Additionally, included in Europe results for the three and six months ended June 30, 2015, are termination charges of \$29.4 million partially offset by termination fee income of \$19.4 million. See Note 6, "Special Items" for further discussion. Further, results for the six months ended June 30, 2014, include a gain of \$13.0 million related to the release of an indirect-tax reserve, inclusive of accrued interest. See Note 15, "Commitments and Contingencies" for further discussion.

(3) Results for both the three and six months ended June 30, 2015, include \$6.4 million of charges related to our decision to substantially restructure our business in China. See Note 6, "Special Items" for further discussion.

The following table presents total assets by segment:

	As of	
	June 30, 2015	December 31, 2014
	(In millions)	
Canada	\$5,121.2	\$5,537.2
U.S.	2,452.9	2,388.6
Europe	5,412.4	5,773.3
MCI	135.5	75.2
Corporate	275.2	222.0
Consolidated	\$13,397.2	\$13,996.3

#### 4. Investments

Our investments include both equity method and consolidated investments. Those entities identified as variable interest entities ("VIEs") have been evaluated to determine whether we are the primary beneficiary. The VIEs included under "Consolidated VIEs" below are those for which we have concluded that we are the primary beneficiary and accordingly, consolidate these entities. None of our consolidated VIEs held debt as of June 30, 2015, or December 31, 2014. With the exception of the debt guarantee further discussed below, we have not provided any financial support to any of our VIEs during the year that we were not previously contractually obligated to provide. Amounts due to and due from our equity method investments are recorded as affiliate accounts payable and affiliate accounts receivable.

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



deconsolidation. As of June 30, 2015, and December 31, 2014, our consolidated VIEs are Cobra Beer Partnership, Ltd. ("Cobra U.K.") and Grolsch U.K. Ltd. ("Grolsch"). Our unconsolidated VIEs are Brewers' Retail Inc. ("BRI") and Brewers' Distributor Ltd. ("BDL").

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During the second quarter of 2015, our equity method investment, BRI, entered into a Canadian Dollar ("CAD") 150 million revolving credit facility with Canadian Imperial Bank of Commerce ("CIBC"), maturing one year after issuance, with one year renewal options subject to approval by CIBC. In conjunction with the issuance of the revolving credit facility, we, along with an additional shareholder of BRI, were each required to guarantee 50% of BRI's obligations under the facility. As a result of this guarantee, we recorded a current liability of \$10.8 million as of June 30, 2015. The carrying value of the guarantee equals its fair value, which considers an adjustment for our own non-performance risk and is considered a level 2 measurement. The offset to the guarantee liability was recorded as an adjustment to our equity method investment balance, which carried a negative balance as of June 30, 2015. The guarantee liability was calculated based on our proportionate, 50% share of BRI's total revolving credit facility outstanding balance at June 30, 2015. The resulting change in equity investment balance during the year due to movements in the guarantee represents a non-cash investing activity.

## Equity Investments

Investment in MillerCoors Summarized Financial Information  
Condensed Balance Sheets

	As of June 30, 2015	December 31, 2014
	(In millions)	
Current assets	\$923.4	\$795.3
Non-current assets	9,005.9	9,047.4
Total assets	\$9,929.3	\$9,842.7
Current liabilities	\$1,086.1	\$1,061.3
Non-current liabilities	1,496.3	1,578.8
Total liabilities	2,582.4	2,640.1
Noncontrolling interests	20.4	23.5
Owners' equity	7,326.5	7,179.1
Total liabilities and equity	\$9,929.3	\$9,842.7

The following represents our proportionate share in MillerCoors' equity and reconciliation to our investment in MillerCoors:

	As of June 30, 2015		December 31, 2014	
	(In millions, except percentages)			
MillerCoors owners' equity	\$7,326.5		\$7,179.1	
MCBC economic interest	42	%	42	%
MCBC proportionate share in MillerCoors' equity	3,077.1		3,015.2	
Difference between MCBC contributed cost basis and proportionate share of the underlying equity in net assets of MillerCoors <sup>(1)</sup>	(659.2	)	(661.6	)
Accounting policy elections	35.0		35.0	
Investment in MillerCoors	\$2,452.9		\$2,388.6	

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 proportionate 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.

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## Results of Operations

	Three Months Ended		Six Months Ended	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
	(In millions)			
Net sales	\$2,202.7	\$2,206.7	\$3,977.3	\$3,997.1
Cost of goods sold	(1,240.5	) (1,282.4	) (2,316.7	) (2,376.5
Gross profit	\$962.2	\$924.3	\$1,660.6	\$1,620.6
Operating income	\$493.4	\$449.8	\$802.7	\$747.3
Net income attributable to MillerCoors	\$487.2	\$445.2	\$791.8	\$736.4

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

	Three Months Ended		Six Months Ended		
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014	
	(In millions, except percentages)				
Net income attributable to MillerCoors	\$487.2	\$445.2	\$791.8	\$736.4	
MCBC economic interest	42	% 42	% 42	% 42	%
MCBC proportionate share of MillerCoors net income <sup>(1)</sup>	204.6	187.0	332.6	309.3	
Amortization of the difference between MCBC contributed cost basis and proportionate share of the underlying equity in net assets of MillerCoors	1.3	1.2	2.4	2.3	
Share-based compensation adjustment <sup>(1)(2)</sup>	(0.4	) 1.9	(0.2	) 1.3	
Equity income in MillerCoors	\$205.5	\$190.1	\$334.8	\$312.9	

(1) The sum of the quarterly proportionate share of MillerCoors net income and share-based compensation adjustment amounts may not agree to the year-to-date amounts due to rounding.

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

The following table summarizes our transactions with MillerCoors:

	Three Months Ended		Six Months Ended	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
	(In millions)			
Beer sales to MillerCoors	\$3.2	\$3.7	\$6.0	\$6.3
Beer purchases from MillerCoors	\$10.2	\$9.1	\$19.3	\$16.2
Service agreement costs and other charges to MillerCoors	\$0.7	\$0.7	\$1.3	\$1.1
Service agreement costs and other charges from MillerCoors	\$0.2	\$0.3	\$0.6	\$0.5

As of June 30, 2015, and December 31, 2014, we had \$8.1 million and \$8.3 million of net payables due to MillerCoors, respectively.

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## Consolidated VIEs

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

	As of June 30, 2015		December 31, 2014	
	Total Assets	Total Liabilities	Total Assets	Total Liabilities
	(In millions)			
Grolsch	\$7.1	\$2.1	\$6.8	\$2.9
Cobra U.K.	\$34.7	\$0.8	\$31.0	\$0.8

## Termination of MMI Operations

On February 28, 2014, Anheuser-Busch Inbev ("ABI") and MCBC finalized the accelerated termination of MMI, a 50% - 50% joint venture with Grupo Modelo S.A.B. de C.V. ("Modelo"), which provided for the import, distribution, and marketing of the Modelo beer brand portfolio across all Canadian provinces and territories. The joint venture was accounted for under the equity method of accounting.

Following the successful completion of the transition in the first quarter of 2014, we recognized income of \$63.2 million (CAD 70.0 million) within special items, reflective of the agreed upon payment received from Modelo for the early termination of the joint venture. Additionally in the first quarter of 2014, we recorded a charge of \$4.9 million representing the accelerated amortization of the remaining carrying value of our definite-lived intangible asset associated with the agreement. Under the MMI arrangement, during the six months ended June 30, 2014, we recognized equity earnings within cost of goods sold of \$0.7 million, and 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 \$1.1 million. These cost recoveries are recorded within marketing, general and administrative expenses.

In accordance with the early termination agreement, the book value of the joint venture's net assets was required to be distributed to the respective joint venture partners for the owners' proportionate ownership interest at the end of the transition period. This distribution was finalized in the third quarter of 2014. Concurrently, we derecognized our equity investment within other non-current assets upon full recovery of our investment carrying value.

## 5. Share-Based Payments

The MCBC Incentive Compensation Plan ("Incentive Compensation Plan") was amended and restated effective February 19, 2015, to reaffirm the ability to grant awards that are intended to qualify as performance-based compensation, to extend the term of the Incentive Compensation Plan for ten years and to incorporate certain corporate governance practices. We continue to have only one incentive compensation plan as of June 30, 2015, and all outstanding awards fall under this plan.

During the six months ended June 30, 2015, and June 30, 2014, 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 Incentive Compensation Plan: restricted stock units ("RSUs"), deferred stock units ("DSUs"), performance units ("PUs"), performance share units ("PSUs") and stock options. 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 internal performance metrics designed to drive greater shareholder return. 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 the performance metric condition.

The following table summarizes share-based compensation expense:

	Three Months Ended		Six Months Ended	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
	(In millions)			
Pretax compensation expense	\$4.9	\$3.8	\$8.1	\$12.1
Tax benefit	(1.3	) (1.2	) (2.1	) (3.9
After-tax compensation expense	\$3.6	\$2.6	\$6.0	\$8.2

The decrease in expense in the first half of 2015 was primarily driven by accelerated expense related to certain RSUs and PSUs granted in the first quarter of 2014, which were not granted in the first quarter of 2015.

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As of June 30, 2015, there was \$39.5 million of total unrecognized compensation expense from all share-based compensation arrangements granted under the Incentive Compensation Plan, related to unvested awards. This compensation expense is expected to be recognized over a weighted-average period of 2.2 years.

The following table represents non-vested RSUs, DSUs, PUs and PSUs as of June 30, 2015, and the activity during the six months ended June 30, 2015:

	RSUs and DSUs		PUs		PSUs	
	Units	Weighted-average grant date fair value per unit	Units	Weighted-average fair value per unit	Units	Weighted-average grant date fair value per unit
(In millions, except per unit amounts)						
Non-vested as of December 31, 2014	0.7	\$47.75	0.5	\$3.22	0.4	\$50.49
Granted	0.2	\$70.83	—	\$—	0.1	\$74.42
Vested	(0.2 )	\$42.85	(0.5 )	\$2.89	—	\$—
Forfeited	(0.1 )	\$50.17	—	\$—	—	\$—
Non-vested as of June 30, 2015	0.6	\$55.59	—	\$—	0.5	\$57.05

The weighted-average fair value per unit for the non-vested PSUs is \$65.73 as of June 30, 2015.

The following table represents the summary of stock options and stock-only stock appreciation rights ("SOSARs") outstanding as of June 30, 2015, and the activity during the six months ended June 30, 2015:

	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 31, 2014	2.2	\$45.33	5.0	\$64.6
Granted	0.1	\$74.81		
Exercised	(0.8)	\$44.85		
Forfeited	—	\$—		
Outstanding as of June 30, 2015	1.5	\$48.28	5.1	\$32.8
Exercisable at June 30, 2015	1.2	\$45.13	4.3	\$30.8

The total intrinsic values of stock options exercised during the six months ended June 30, 2015, and June 30, 2014, were \$25.7 million and \$15.0 million, respectively. During the six months ended June 30, 2015, and June 30, 2014, cash received from stock option exercises was \$28.6 million and \$27.7 million, respectively, and the total excess tax benefit from these stock option exercises and other awards was \$7.6 million and \$3.2 million, respectively.

The fair value of each option granted in the first half of 2015 and 2014 was determined on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions:

	Six Months Ended	
	June 30, 2015	June 30, 2014
Risk-free interest rate	1.70%	2.29%
Dividend yield	2.20%	2.57%
Volatility range	21.65%-29.90%	22.66%-26.57%
Weighted-average volatility	23.71%	25.59%
Expected term (years)	5.7	7.5
Weighted-average fair market value	\$13.98	\$12.78

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 of those employees granted options in the respective year.



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The fair value of the market metric for each PSU granted in the first half of 2015 and 2014 was determined on the date of grant using a Monte Carlo model to simulate total shareholder return for MCBC and peer companies with the following weighted-average assumptions:

	Six Months Ended	
	June 30, 2015	June 30, 2014
Risk-free interest rate	1.06%	0.72%
Dividend yield	2.20%	2.57%
Volatility range	12.73%-62.28%	12.45%-72.41%
Weighted-average volatility	21.53%	21.72%
Expected term (years)	2.8	2.8
Weighted-average fair market value	\$74.42	\$58.69

The risk-free interest rates utilized for periods throughout the expected term of the PSUs are based on a zero-coupon U.S. Treasury security yield at the time of grant. Expected volatility is based on historical volatility of our stock as well as the stock of our peer firms, as shown within the volatility range above, for a period from the grant date consistent with the expected term. The expected term of PSUs is calculated based on the grant date to the end of the performance period.

As of June 30, 2015, there were 6.8 million shares of the Company's Class B common stock available for issuance as awards under the Incentive Compensation Plan.

## 6. Special Items

We have incurred charges or realized benefits that either we do not believe to be indicative of our core operations, or we believe are significant to our current operating results warranting separate classification. As such, we have separately classified these charges (benefits) as special items. The table below summarizes special items recorded by segment:

	Three Months Ended		Six Months Ended		
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014	
	(In millions)				
Employee-related restructuring charges					
Canada	\$—	\$0.1	\$—	\$5.4	
Europe	0.2	0.5	(1.0	) 1.0	
MCI <sup>(1)</sup>	3.2	—	3.2	—	
Corporate	—	0.3	—	0.3	
Impairments or asset abandonment charges					
Canada - Intangible asset write-off <sup>(2)</sup>	—	—	—	4.9	
Canada - Asset abandonment <sup>(3)</sup>	8.2	—	8.2	—	
Europe - Asset abandonment <sup>(4)</sup>	9.3	—	21.1	—	
MCI - Asset write-off <sup>(1)</sup>	3.2	—	3.2	—	
Unusual or infrequent items					
Europe - Flood loss (insurance reimbursement), net <sup>(5)</sup>	(0.4	) 1.8	(2.4	) 1.8	
Termination fees and other (gains) losses					
Canada - Termination fee income <sup>(2)</sup>	—	—	—	(63.2	)
Europe - Termination fee expense, net <sup>(6)</sup>	10.0	—	10.0	—	
Total Special items, net	\$33.7	\$2.7	\$42.3	\$(49.8	)

(1) During the second quarter of 2015, we announced our decision to substantially restructure our business in China and consequently, recognized employee-related and asset write-off charges.

Upon termination of our MMI operations in the first quarter of 2014, we recognized termination fee income and (2) charges associated with the write-off of the definite-lived intangible asset associated with the joint venture. See Note 4, "Investments" for further discussion.





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During the three and six months ended June 30, 2015, we incurred \$8.2 million of charges related to the closure of (3) a bottling line within our Toronto brewery as part of an ongoing strategic review of our Canadian supply chain network.

In the second quarter of 2015, we completed the closure of the Alton brewery in the U.K. as part of our strategic review of our European supply chain network. As a result, we incurred accelerated depreciation expense in excess (4) of our normal depreciation associated with this brewery of \$8.0 million and \$19.8 million for the three and six months ended June 30, 2015, respectively, as well as an additional \$1.3 million in other charges related to the closure of the brewery. We may continue to incur additional charges associated with the closure, which will also be recorded within special items.

During the three and six months ended June 30, 2015, we recorded \$0.4 million and \$2.4 million, respectively, of (5) income for insurance proceeds received related to significant flooding in Czech Republic that occurred during the second quarter of 2013.

In December 2013, we entered into an agreement with Heineken to early terminate our contract brewing and kegging agreement under which we produced and packaged the Foster's and Kronenbourg brands in the U.K. As a result of the termination, Heineken agreed to pay us an aggregate early termination payment of British Pound (6) ("GBP") 13.0 million, of which we received GBP 5.0 million in 2014 and the remaining GBP 8.0 million on April 30, 2015. The full amount of the termination payment (\$19.4 million upon recognition) is included in income within special items for the three and six months ended June 30, 2015, following the completion of the transition period.

Separately, in June 2015, we terminated our agreement with Carlsberg whereby it held the exclusive distribution rights for the Staropramen brand in the U.K. As a result of this termination, we agreed to pay Carlsberg an early termination payment of GBP 19.0 million (\$29.4 million at payment date), which was recognized as a special charge during the second quarter of 2015. The transition period concludes on December 27, 2015, at which time we will have the exclusive distribution rights of the Staropramen brand in the U.K.

Restructuring Activities

In 2012, we introduced several initiatives focused on increasing our efficiencies and reducing costs across all functions of the business in order to develop a more competitive supply chain and global cost structure. Included in these initiatives is a long-term focus on reducing labor and general overhead costs through restructuring activities. We view these restructuring activities as actions to allow us to meet our long-term growth targets by generating future cost savings within cost of goods sold and general and administrative expenses and include organizational changes that strengthen our business and accelerate efficiencies within our operational structure. As a result of these restructuring activities, we have reduced headcount and consequently recognized severance and other employee-related charges, which we have recorded as special items. During 2014, we finalized our restructuring initiatives that began in 2012. Additionally, in the second quarter of 2015, we completed the closure of the Alton brewing facility within our Europe segment resulting in restructuring charges as noted above. In the second quarter of 2015, we recognized employee-related charges within our MCI segment following the decision to substantially restructure our business in China as stated above. As a result of this action, employment levels will be reduced by approximately 125 full-time employees. During 2015, we continued our ongoing assessment of our supply chain strategies across our segments in order to align with our cost saving objectives. We will continue to evaluate our supply chain network and seek opportunities for further efficiencies and cost savings, and we therefore may incur additional restructuring related charges in the future.

The accrued restructuring balances represent expected future cash payments required to satisfy the remaining severance obligations to terminated employees, the majority of which we expect to be paid in the next 12 to 18 months. The table below summarizes the activity in the restructuring accruals by segment:

	Canada	Europe	MCI	Corporate	Total
	(In millions)				
Total at December 31, 2014	\$3.8	\$11.5	\$—	\$0.2	\$15.5
Charges incurred	—	0.2	3.2	—	3.4
Payments made	(2.1	) (5.7	) —	(0.2	) (8.0

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Changes in estimates	—	(1.2	)	—	—	(1.2	)	
Foreign currency and other adjustments	(0.2	)	(0.2	)	—	—	(0.4	)
Total at June 30, 2015	\$1.5	\$4.6	\$3.2	\$—	\$9.3			

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	Canada	Europe	MCI	Corporate	Total
	(In millions)				
Total at December 31, 2013	\$9.7	\$13.6	\$0.5	\$0.9	\$24.7
Charges incurred	5.4	1.0	—	0.3	6.7
Payments made	(8.1)	) (2.7	) (0.3	) (0.5	) (11.6
Foreign currency and other adjustments	(0.1)	) 0.4	—	—	0.3
Total at June 30, 2014	\$6.9	\$12.3	\$0.2	\$0.7	\$20.1

## 7. Other Income and Expense

	Three Months Ended		Six Months Ended	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
	(In millions)			
Gain on sale of non-operating asset	\$3.3	\$—	\$3.3	\$—
Gain (loss) from foreign exchange and derivative activity	2.7	0.5	0.1	1.3
Other, net	0.3	0.2	0.3	0.2
Other income (expense), net	\$6.3	\$0.7	\$3.7	\$1.5

## 8. Income Tax

Our effective tax rates for the second quarter of 2015 and 2014 were approximately 20% and 11%, respectively. For the first half of 2015 and 2014, our effective tax rates were approximately 19% and 8%, respectively. Our effective tax rates were significantly lower than the federal statutory rate of 35% primarily due to lower effective income tax rates applicable to our foreign businesses, driven by lower statutory income tax rates and tax planning impacts on statutory taxable income, as well as the impact of discrete items further discussed below. The effective tax rate for the second quarter and first half of 2015 increased versus 2014, primarily due to lower pretax income in 2015 and a lower net discrete tax impact recognized in 2015. Our total net discrete tax expense was \$0.2 million in the second quarter of 2015, versus a \$12.2 million net discrete tax benefit recognized in the second quarter of 2014. The net discrete tax benefit recognized in 2014 was primarily due to the finalization of our previous bilateral advanced pricing agreement ("BAPA") between the U.S. and Canada tax authorities in the second quarter of 2014. The implementation of the BAPA and reversal of the related unrecognized tax benefits resulted in a net discrete income tax benefit of approximately \$21 million in the second quarter of 2014. This was partially reduced by an immaterial out of period adjustment recorded in the second quarter of 2014 of \$8.7 million related to our deferred tax liabilities. This out of period adjustment primarily relates to immaterial errors for the fiscal years 2011, 2012 and 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.

In March 2015, we formally submitted a renewal application of our BAPA between the U.S. and Canada tax authorities. The BAPA submission covers both historical and future tax years and is subject to approval by both taxing authorities. The prior year impacts of the submission were recognized as a discrete item in the first quarter of 2015, and the related tax implications for the current year have been incorporated into our projected full year effective tax rate.

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## 9. Earnings Per Share ("EPS")

Basic EPS was computed using the weighted-average number of shares of common stock outstanding during the period. Diluted EPS includes the additional dilutive effect of our potentially dilutive securities, which include RSUs, DSUs, PUs, PSUs, stock options and SOSARs. The dilutive effects of our potentially dilutive securities are calculated using the treasury stock method. The following summarizes the effect of dilutive securities on diluted EPS:

	Three Months Ended		Six Months Ended	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
	(In millions, except per share amounts)			
Amounts attributable to Molson Coors Brewing Company:				
Net income (loss) from continuing operations	\$229.3	\$290.7	\$308.5	\$456.0
Income (loss) from discontinued operations, net of tax	(0.3	) 0.2	1.6	(1.7
Net income (loss) attributable to Molson Coors Brewing Company	\$229.0	\$290.9	\$310.1	\$454.3
Weighted-average shares for basic EPS	185.7	184.8	185.8	184.5
Effect of dilutive securities:				
RSUs, DSUs, PUs and PSUs	0.4	0.4	0.4	0.6
Stock options and SOSARs	0.4	0.7	0.5	0.6
Weighted-average shares for diluted EPS	186.5	185.9	186.7	185.7
Basic net income (loss) attributable to Molson Coors Brewing Company per share <sup>(1)</sup> :				
From continuing operations	\$1.23	\$1.57	\$1.66	\$2.47
From discontinued operations	—	—	0.01	(0.01
Basic net income (loss) attributable to Molson Coors Brewing Company per share	\$1.23	\$1.57	\$1.67	\$2.46
Diluted net income (loss) attributable to Molson Coors Brewing Company per share <sup>(1)</sup> :				
From continuing operations	\$1.23	\$1.56	\$1.65	\$2.46
From discontinued operations	—	—	0.01	(0.01
Diluted net income (loss) attributable to Molson Coors Brewing Company per share	\$1.23	\$1.56	\$1.66	\$2.45
Dividends declared and paid per share	\$0.41	\$0.37	\$0.82	\$0.74

The sum of the quarterly net income per share amounts may not agree to the full year net income per share amounts. We calculate net income per share based on the weighted-average number of outstanding shares during the period for each reporting period presented. The average number of shares fluctuates throughout the year and can therefore produce a full year result that does not agree to the sum of the individual quarters.

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

	Three Months Ended		Six Months Ended	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
	(In millions)			
RSUs, stock options and SOSARs	0.1	0.1	0.1	—
Share Repurchase Program				

In February 2015, our Board of Directors approved and authorized a new program to repurchase up to \$1.0 billion of our Class A and Class B common stock with a program term of four years. Under the program, shares may be

repurchased in privately negotiated and/or open market transactions, including under plans complying with Rule 10b5-1 under the Exchange Act. The number, price and timing of the repurchases will be at the Company's sole discretion and will be evaluated depending on market conditions, liquidity needs or other factors. The Company's Board of Directors may suspend, modify or terminate

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the program at any time without prior notice. This repurchase program replaces and supersedes any repurchase programs previously approved by the Board of Directors. Under Delaware state law, these shares are not retired, and the issuer has the right to resell any of the shares repurchased. Beginning in April 2015, under this program, we entered into an accelerated share repurchase agreement (“ASR”) with a financial institution. In exchange for up-front payments, the financial institution delivers shares of our common stock during the purchase periods of each ASR. The total number of shares ultimately delivered, and therefore the average repurchase price paid per share, will be determined at the end of the applicable purchase period of each ASR based on the volume weighted-average price of our common stock during that period. The up-front payments for the treasury stock are accounted for as a reduction to shareholders’ equity in the unaudited condensed consolidated balance sheet in the periods the payments are made. We reflect the ASR as a repurchase of common stock in the period delivered for purposes of calculating earnings per share and as forward contracts indexed to its own common stock. The ASR met all of the applicable criteria for equity classification, and therefore, is not accounted for as a derivative instrument.

During the second quarter of 2015, we purchased a total of 0.7 million shares of our Class B common stock under an ASR for \$50 million. In July 2015, under a separate ASR, we received Class B common stock for an up-front payment of \$50 million. The total number of shares ultimately delivered under this ASR, and therefore the average repurchase price paid per share, will be determined at the end of the purchase period in September 2015.

## 10. Goodwill and Intangible Assets

The following summarizes the change in goodwill for the six months ended June 30, 2015:

	Canada (In millions)	Europe	MCI	Consolidated
Balance at December 31, 2014	\$656.5	\$1,528.0	\$7.1	\$2,191.6
Business acquisition <sup>(1)</sup>	—	—	11.6	11.6
Foreign currency translation	(45.8 )	(41.8 )	(0.3 )	(87.9 )
Balance at June 30, 2015	\$610.7	\$1,486.2	\$18.4	\$2,115.3

On April 1, 2015, we completed the acquisition of Mount Shivalik Breweries Ltd., a regional brewer in India. As part of the preliminary purchase price accounting, goodwill generated in conjunction with this acquisition has been recorded within our MCI segment beginning in the second quarter of 2015 and included within the India reporting unit of our MCI segment for purposes of our annual goodwill impairment testing.

The following table presents details of our intangible assets, other than goodwill, as of June 30, 2015:

	Useful life (Years)	Gross (In millions)	Accumulated amortization	Net
Intangible assets subject to amortization:				
Brands	3 - 40	\$467.9	\$(230.5 )	\$237.4
License agreements and distribution rights	3 - 28	105.5	(94.0 )	11.5
Other	2 - 8	31.9	(30.1 )	1.8
Intangible assets not subject to amortization:				
Brands	Indefinite	4,295.4	—	4,295.4
Distribution networks	Indefinite	809.7	—	809.7
Other	Indefinite	17.5	—	17.5
Total		\$5,727.9	\$(354.6 )	\$5,373.3

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The following table presents details of our intangible assets, other than goodwill, as of December 31, 2014:

	Useful life (Years)	Gross (In millions)	Accumulated amortization	Net
Intangible assets subject to amortization:				
Brands	3 - 40	\$483.5	\$(229.1 )	\$254.4
License agreements and distribution rights	3 - 28	122.0	(101.1 )	20.9
Other	2 - 8	31.7	(29.4 )	2.3
Intangible assets not subject to amortization:				
Brands	Indefinite	4,590.2	—	4,590.2
Distribution networks	Indefinite	870.5	—	870.5
Other	Indefinite	17.5	—	17.5
Total		\$6,115.4	\$(359.6 )	\$5,755.8

The changes in the gross carrying amounts of intangibles from December 31, 2014, to June 30, 2015, are primarily driven by the impact of foreign exchange rates, as a significant amount of intangibles are denominated in foreign currencies. Additionally, we wrote-off the gross value and accumulated amortization associated with our licensing agreement with Miller in Canada upon finalizing the termination in the first quarter of 2015, and we acquired a definite-lived brand as part of our acquisition in India in the second quarter of 2015.

Amortization expense of intangible assets was \$5.9 million and \$10.4 million for the three months ended June 30, 2015, and June 30, 2014, respectively, and \$13.7 million and \$21.0 million for the six months ended June 30, 2015, and June 30, 2014, respectively. This expense is presented within marketing, general and administrative expenses on the unaudited condensed consolidated statements of operations and includes the \$4.9 million accelerated amortization recognized for the write-off of the intangible asset associated with the termination of MMI operations in the first quarter of 2014. See Note 4, "Investments" for further discussion.

During the fourth quarter of 2014, we changed the date of our annual impairment test for goodwill and indefinite lived intangible assets from July 1, the first day of our fiscal third quarter, to October 1, the first day of our fiscal fourth quarter. The change was made to more closely align the impairment testing date with our strategic and annual operating planning and forecasting process. The change in accounting principle is preferable, as it will align the impairment testing data with the most current information available from the annual operating plan, and allow for the completion of the annual impairment testing closer to the end of our annual reporting period. Based on the results of our testing performed as of October 1, 2014, we concluded there were no impairments of goodwill within our Europe, Canada or India reporting units or impairments of our indefinite-lived intangible assets. The fair values determined during our October 1, 2014, testing were largely consistent with the results of our July 1, 2014, testing. See further discussion below.

In April 2014, the Ontario Premier's Advisory Council on Government Assets (the "Council") began a review that included evaluating the beer retailing and distribution system in Ontario, for which BRI is the primary beer retail and distribution channel. In April 2015, as a result of this review and our negotiations with the Council, we, along with the other owners of BRI, agreed, in principle subject to entry into definitive binding documents, to enter into a new beer framework agreement (the "New Framework") with the Province of Ontario, currently anticipated to be finalized and effective in the second half of 2015, with the implementation of some of the provisions to begin in the fourth quarter of 2015. The New Framework is designed to further enhance the overall beer retail and distribution system within Ontario, as well as provide easier access to market for small brewers. The New Framework will include the implementation of an additional CAD 100.0 million annual tax on all beer volume sold in Ontario, which will be phased in over four years beginning November 1, 2015. Additionally, with the exception of adjustments for increases in annual inflation, the two largest brewers in Ontario will have restrictions on price increases for certain packaging types of the largest Ontario brands until the second quarter of 2017. The New Framework is also intended to increase convenience and choice available for consumers by increasing the number and types of outlets where beer is sold (including introducing beer sales to a specified number of grocery stores), increasing the required level of shelf space allocated to small brewers in retail outlets, as well as allowing for incremental packaging options at the Liquor Control



Board of Ontario ("LCBO") and agents of the LCBO. The New Framework will also provide qualifying licensees (restaurants and bars) the ability to purchase beer at BRI retail outlets at the same price as retail consumers. Further, BRI will commit to invest CAD 100.0 million of capital spending over the next four years, 80.0% of which will be directed toward enhancements to the purchasing experience for consumers. The New Framework will also incorporate many of the proposed changes to the BRI ownership structure that were announced in January 2015, allowing all other Ontario brewers, regardless of size, to participate in the ownership and governance of BRI. Although we are continuing to evaluate the full impact of the New Framework on the future cash flows associated with our Canada reporting unit and related brand intangible

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assets, we have preliminarily concluded that the adoption of the New Framework does not currently result in an indication that the fair values of the Canada reporting unit or brand intangibles are more likely than not less than their respective carrying values. Additionally, we are still evaluating what actions we may take to mitigate any adverse impacts to our Canada results due to the adoption of the New Framework. The ultimate outcome and potential impact to our Canada business remains to be fully determined upon finalization and execution of the definitive binding documents.

**Reporting Units and Goodwill**

The operations in each of the specific regions within our Canada, Europe and MCI segments are considered components based on the availability of discrete financial information and the regular review by segment management. We have concluded that the components within the Canada and Europe segments each meet the criteria as having similar economic characteristics and therefore have aggregated these components into the Canada and Europe reporting units, respectively. Additionally, we determined that the components within our MCI segment do not meet the criteria for aggregation, and therefore, the operations of our India business constitute a separate reporting unit at the component level.

Our 2014 annual goodwill impairment testing determined that our Europe and Canada reporting units were at risk of failing step one of the goodwill impairment test. Specifically, the fair value of the Europe and Canada reporting units were estimated at approximately 14% and 11% in excess of carrying value, respectively, as of the October 1, 2014, testing date. Prior to recognizing the brand impairments discussed below, the excess of the fair value over the carrying value of the Europe reporting unit declined from the prior year. The decrease was driven by challenging macroeconomic conditions in Europe negatively impacting our business, as well as declines in the forecasts of certain European brands, which have been adversely impacted by the expected prolonged recovery from recent flooding and an accelerated consumer trend to value brands. These impacts were partially offset by improvements to market multiples. The Canada reporting unit had a marginal decrease from the prior year primarily due to continued competitive pressures and economic weakness in the Canadian market, partially offset by improved market multiples.

**Indefinite-Lived Intangibles**

In 2014, our indefinite-lived intangible impairment testing performed as of July 1, 2014, determined that the fair values of the Jelen and Ozujsko indefinite-lived brand intangibles within our Europe segment were below their respective carrying values. As a result, we recorded an aggregate impairment charge of \$360.0 million within special items in the third quarter of 2014. This impairment follows an impairment of \$150.9 million recorded in 2013 related to the Jelen and Ostravar brands in Europe as a result of our 2013 annual impairment testing. The 2014 impairment of the Jelen brand was driven by ongoing macroeconomic challenges exacerbated by severe flooding in the Balkans region in the second quarter of 2014. This flooding caused significant damage to the infrastructure within the Serbian and Bosnian markets, for which Jelen is our primary brand, which resulted in a decrease in the brand's projected cash flows. We have analyzed the potential impact of the flood to these markets and have incorporated a prolonged recovery in our projected cash flows based on our assessments of the recovery efforts and resulting macroeconomic effects to the region. Additionally, the aftermath of the flood has further contributed to an already challenging market and has led to an acceleration of the consumer trend toward value brands. The impairment of the Ozujsko brand was driven by the continued significant economic pressures in Croatia, Ozujsko's primary market, which resulted in a decline in the brand's projected cash flows. The macroeconomic environment has driven low realized and expected GDP growth and was worsened by the previously mentioned flooding during Croatia's peak tourism season, along with the flooding in Bosnia, discussed above, where Ozujsko is also sold. These lower projected cash flows have lagged previously made assumptions based on forecasted macroeconomic recoveries, resulting in the impairments. The remaining Europe indefinite-lived intangibles' fair values, including Staropramen and Carling brands, while facing similar macroeconomic challenges, were sufficiently in excess of their respective carrying values, with the exception of Niksicko. Specifically, the performance of Niksicko, our primary brand in Montenegro, is also dependent on the Serbian and Bosnian markets and is facing similar challenges to those discussed above. As each of Jelen and Ozujsko's fair values is equal to its carrying value at the date of impairment, these brands, along with Niksicko, are therefore at risk of future impairment, as any additional decline in their forecasted future cash flows may result in a decrease to the fair value of the brand over its respective carrying value. The results of our subsequent testing

performed as of October 1, 2014, did not result in further impairment, however, these brands remain at risk of future impairment. As of June 30, 2015, these at-risk intangible assets had an aggregate carrying value of \$758.9 million. Separately, our Molson core brand intangible continues to be at risk of future impairment with a fair value estimated at approximately 9% in excess of its carrying value as of the October 1, 2014, impairment testing date. The fair value of the Molson core brands in excess of carrying value decreased slightly from the prior year, as they continue to face significant competitive pressures and challenging macroeconomic conditions in the Canada market. These challenges continue to be partially offset by anticipated cost savings initiatives. As of June 30, 2015, the Molson core brand intangible had a carrying value of \$2,429.9 million. The value of the Coors Light brand distribution rights and our other indefinite-lived intangibles in Canada continue to be sufficiently in excess of their carrying values.

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We utilized Level 3 fair value measurements in our impairment analysis of our indefinite-lived intangible assets, which utilizes an excess earnings approach to determine the fair values of the assets as of the testing date. The future cash flows used in the analysis are based on internal cash flow projections based on our long range plans and include significant assumptions by management as noted below.

Key Assumptions

The Europe and Canada reporting units' goodwill, the Molson core brand intangible, and certain indefinite-lived brand intangibles within Europe are at risk of future impairment in the event of significant unfavorable changes in the forecasted cash flows (including significant delays in projected macroeconomic recovery, greater-than-anticipated flood impacts to certain regions' performance, or prolonged adverse economic conditions), terminal growth rates, market multiples and/or weighted-average cost of capital utilized in the discounted cash flow analyses. For testing purposes, management's best estimates of the expected future results are the primary driver in determining the fair value. Current projections used for our Europe reporting unit and indefinite-lived intangible assets testing reflect continued challenging environments in the future followed by growth resulting from a longer term recovery of the macroeconomic environment, as well as the benefit of anticipated cost savings and specific brand-building and innovation activities. Our Canada reporting unit and Molson core brand projections also reflect a continued challenging environment that has been adversely impacted by a weak economy across all industries, as well as weakened consumer demand driven by increased competitive pressures, partially offset by anticipated cost savings and specific brand-building and innovation activities. Fair value determinations require considerable judgment and are sensitive to changes in underlying assumptions and factors. As a result, there can be no assurance that the estimates and assumptions made for purposes of the 2014 annual goodwill and indefinite-lived intangible 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 Canada and Europe reporting units, Molson core brand, and the at-risk European brands (Jelen, Ozujsko and Niksicko) may include such items as: (i) a decrease in expected future cash flows, specifically, a decrease in sales volume and increase in costs due to another natural disaster or other unknown event that could significantly impact our immediate and long-range results, a decrease in sales volume driven by a prolonged weakness in consumer demand or other competitive pressures adversely affecting our long term volume trends, a continuation of the trend away from core brands towards value brands in certain of our markets, especially in markets where our core brands represent a significant portion of the market, 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 (such as a recession or continued worsening of the overall European economy), an inability of the market to successfully recover from the recent severe flooding in several of our Central European markets, (iii) volatility in the equity and debt markets or other country specific factors which could result in a higher discount rate; and (iv) sensitivity to market 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.

Definite-Lived Intangibles

Regarding definite-lived intangibles, we continuously monitor the performance of the underlying asset for potential triggering events suggesting an impairment review should be performed. No such triggering events were identified in the second quarter of 2015.

In the third quarter of 2014, as a result of the settlement with Miller in Canada, we updated our assessment of the definite-lived intangible asset related to the Miller license agreement for impairment resulting in an \$8.9 million impairment charge. The valuation of the asset at that time was primarily indicative of the settlement amount, as well as the remaining future cash flows expected to be generated under the license agreement through March 31, 2015. We received half of the mutually agreed upon settlement payment following the execution of the settlement and received the remainder upon finalization of transition at the end of the first quarter of 2015. The intangible asset was fully amortized as of the end of the first quarter of 2015 and the associated gross value and accumulated amortization

balances were written off. We utilized Level 3 fair value measurements in our impairment analysis of this definite-lived intangible asset in the third quarter of 2014, which included cash flow assumptions by management related to the transition period.

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## 11. Debt

## Debt obligations

Our total borrowings as of June 30, 2015, and December 31, 2014, were comprised of the following:

	As of	
	June 30, 2015	December 31, 2014
	(In millions)	
Senior notes:		
CAD 900 million 5.0% notes due 2015	\$720.3	\$774.5
CAD 500 million 3.95% Series A notes due 2017	400.2	430.3
\$300 million 2.0% notes due 2017 <sup>(1)</sup>	300.5	300.0
\$500 million 3.5% notes due 2022 <sup>(1)</sup>	508.2	510.8
\$1.1 billion 5.0% notes due 2042	1,100.0	1,100.0
Less: unamortized debt discounts	(3.8)	(4.2)
Total long-term debt (including current portion)	3,025.4	3,111.4
Less: current portion of long-term debt	(720.2)	(774.3)
Total long-term debt	\$2,305.2	\$2,337.1
Short-term borrowings:		
Commercial paper program <sup>(2)</sup>	\$65.0	\$—
Cash pool overdrafts <sup>(3)</sup>	23.4	64.6
Japanese Yen ("JPY") 1.5 billion line of credit <sup>(4)</sup>	5.7	4.9
Other short-term borrowings	18.1	5.6
Current portion of long-term debt	720.2	774.3
Current portion of long-term debt and short-term borrowings	\$832.4	\$849.4

In the first quarter of 2015, we entered into interest rate swaps to economically convert our fixed rate \$300 million 2.0% notes due 2017 ("300 million notes") to floating rate debt consistent with the interest rate swaps on our \$500 million 3.5% notes due 2022 ("500 million notes") entered into during 2014. As a result of these hedge programs, (1) the carrying value of the \$300 million and \$500 million notes include adjustments of \$0.5 million and \$8.2 million, respectively, for fair value movements attributable to the benchmark interest rate. The carrying value of the \$500 million note included an adjustment of \$10.8 million for fair value movements attributable to the benchmark interest rate as of December 31, 2014.

In the first quarter of 2015, we also entered into a cross currency swap with a total notional of Euro ("EUR") 265 million (\$300 million upon execution) in order to hedge a portion of the foreign currency translational impacts of our European investment. As a result of this cross currency swap and the above mentioned interest rate swaps, we have economically converted the \$300 million notes and associated interest to a floating rate EUR denomination. The effective interest rate for the \$300 million notes, adjusted for these swaps, was 2.72% and 1.84%, for the three and six months ended June 30, 2015, respectively. The interest rate swaps on our \$500 million notes, resulted in an effective interest rate of 1.41% and 1.37% for the three and six months ended June 30, 2015, and 3.31% and 3.40% for the three and six months ended June 30, 2014, respectively. See Note 13, "Derivative Instruments and Hedging Activities" for further details.

As of June 30, 2015, the weighted-average effective interest rate and tenor for the outstanding commercial paper borrowings was 0.49% and 32.2 days, respectively. There were no outstanding borrowings under the commercial (2) paper program as of December 31, 2014. As of June 30, 2015, we have \$685.0 million available to draw on under our \$750 million revolving credit facility, as the borrowing capacity is reduced by borrowings under our commercial paper program, and we have no other borrowings drawn on this revolving credit facility.

(3) As of June 30, 2015, we had \$23.4 million in bank overdrafts and \$44.0 million in bank cash related to our cross-border, cross-currency cash pool for a net positive position of \$20.6 million. As of December 31, 2014, we had \$64.6 million in bank overdrafts and \$80.0 million in bank cash related to our cross-border, cross-currency

cash pool for a net positive position of \$15.4 million.

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- (4) In addition to our JPY line of credit, we have a EUR revolving credit facility and GBP and CAD overdraft facilities which we had no borrowings under as of June 30, 2015, or December 31, 2014.

## Debt Fair Value Measurements

We utilize market approaches to estimate the fair value of certain outstanding borrowings by discounting anticipated future cash flows derived from the contractual terms of the obligations and observable market interest and foreign exchange rates. As of June 30, 2015, and December 31, 2014, the fair value of our outstanding long-term debt (including current portion) was \$3,032.4 million and \$3,240.6 million, respectively. All senior notes are valued based on significant observable inputs and would be classified as Level 2 in the fair value hierarchy. The carrying values of all other outstanding long-term borrowings and our short-term borrowings approximate their fair values and are also classified as Level 2.

## Other

Under the terms of each of our debt facilities, we must comply with certain restrictions. These include restrictions on priority indebtedness (certain threshold percentages of secured consolidated net tangible assets), leverage thresholds, liens, and restrictions on certain types of sale lease-back transactions and transfers of assets. As of June 30, 2015, and December 31, 2014, we were in compliance with all of these restrictions and have met all debt payment obligations.

## 12. Accumulated Other Comprehensive Income (Loss) ("AOCI")

	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 31, 2014	\$ 129.8	\$ 15.0	\$ (658.5 )	\$ (384.7 )	\$ (898.4 )
Foreign currency translation adjustments	(393.5 )	—	—	—	(393.5 )
Unrealized gain (loss) on derivative instruments	—	10.7	—	—	10.7
Reclassification of derivative (gain) loss to income	—	(4.2 )	—	—	(4.2 )
Pension and other postretirement benefit adjustments	—	—	(2.2 )	—	(2.2 )
Amortization of net prior service (benefit) cost and net actuarial (gain) loss to income	—	—	23.3	—	23.3
Ownership share of unconsolidated subsidiaries' other comprehensive income (loss)	—	—	—	(0.5 )	(0.5 )
Tax benefit (expense)	(31.1 )	(0.9 )	(4.6 )	0.2	(36.4 )
As of June 30, 2015	\$ (294.8 )	\$ 20.6	\$ (642.0 )	\$ (385.0 )	\$ (1,301.2 )



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## Reclassifications from AOCI to income:

	Three Months Ended		Six Months Ended		
	June 30,	June 30,	June 30,	June 30,	
	2015	2014	2015	2014	
	Reclassifications from AOCI				Location of gain (loss) recognized in income
	(In millions)				
Gain/(loss) on cash flow hedges:					
Forward starting interest rate swaps	\$ (0.3	) \$ (0.4	) \$ (0.6	) \$ (0.8	) Interest expense, net
Foreign currency forwards	(2.9	) 0.7	(5.3	) 2.3	Other income (expense), net
Foreign currency forwards	5.4	3.0	10.1	6.3	Cost of goods sold
Commodity swaps	—	0.2	—	0.4	Cost of goods sold
Total income (loss) reclassified, before tax	2.2	3.5	4.2	8.2	
Income tax benefit (expense)	(0.6	) (1.1	) (1.2	) (2.6	)
Net income (loss) reclassified, net of tax	\$ 1.6	\$ 2.4	\$ 3.0	\$ 5.6	
Amortization of defined benefit pension and other postretirement benefit plan items:					
Prior service benefit (cost)	\$ (0.1	) \$ 0.5	\$ (0.2	) \$ 1.1	(1)
Net actuarial gain (loss)	(11.9	) (9.0	) (23.1	) (17.9	) (1)
Total income (loss) reclassified, before tax	(12.0	) (8.5	) (23.3	) (16.8	)
Income tax benefit (expense)	2.7	0.7	5.0	1.4	
Net income (loss) reclassified, net of tax	\$ (9.3	) \$ (7.8	) \$ (18.3	) \$ (15.4	)
Total income (loss) reclassified, net of tax	\$ (7.7	) \$ (5.4	) \$ (15.3	) \$ (9.8	)

(1) These components of AOCI are included in the computation of net periodic pension and other postretirement benefit cost. See Note 14, "Pension and Other Postretirement Benefits" for additional details.

## 13. Derivative Instruments and Hedging Activities

Our risk management and derivative accounting policies are presented in Notes 1 and 17 of the Notes included in our Annual Report and did not significantly change during the first half of 2015. As noted in Note 17 of the Notes included in our Annual Report, due to the nature of our counterparty agreements, and the fact that we are not subject to master netting arrangements, we are not able to net positions with the same counterparty, and therefore, present our derivative positions gross in our unaudited condensed consolidated balance sheets. Our significant derivative positions have not changed considerably since year-end, except as noted below.

## Interest Rate Swaps

In the first quarter of 2015, we entered into interest rate swaps with an aggregate notional of \$300 million to economically convert our fixed rate \$300 million notes to floating rate debt. We will receive fixed interest payments

semi-annually at a rate of 2% per annum on our \$300 million hedges and pay a rate to our counterparties based on a credit spread plus the three month LIBOR rate, thereby effectively exchanging a fixed interest obligation for a floating interest obligation.

We entered into these interest rate swap agreements to minimize exposure to changes in the fair value of our \$300 million notes that results from fluctuations in the benchmark interest rate, specifically LIBOR, and have designated these swaps as fair value hedges and determined that there is zero ineffectiveness, consistent with our \$500 million interest rate hedges that we entered into in 2014. The changes in fair value of derivatives designated as fair value hedges and the offsetting changes in fair value of the hedged item are recognized in earnings. For the three and six months ended June 30, 2015, the changes in fair value of the \$500 million interest rate swap resulted in unrealized losses of \$11.0 million and \$2.6 million, respectively. The changes in fair value of the \$300 million interest rate swap resulted in an unrealized loss of \$0.1 million and gain of \$0.5 million, respectively, for the same period. These changes were recorded in interest expense in our unaudited condensed

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consolidated statement of operations and were fully offset by changes in fair value of the \$500 million notes and the \$300 million notes attributable to the benchmark interest rate. Accordingly, as of June 30, 2015, and December 31, 2014, such cumulative adjustments had increased the carrying value of our \$500 million notes by \$8.2 million and \$10.8 million, respectively, and as of June 30, 2015, such cumulative adjustments had increased the carrying value of our \$300 million notes by \$0.5 million. See Note 11, "Debt" for additional details.

**Cross Currency Swap**

In the first quarter of 2015, we entered into a cross currency swap agreement having a total notional of EUR 265 million (\$300 million upon execution) in order to hedge a portion of the foreign currency translational impacts of our European investment. We will receive floating interest payments quarterly based on a credit spread plus the three month LIBOR (USD coupon) and pay a floating rate to our counterparty based on a credit spread plus EURIBOR (EUR coupon). As a result of this cross currency swap and the above mentioned interest rate swaps, we have economically converted the \$300 million notes and associated interest to a floating rate EUR denomination. We have designated this cross currency swap as a net investment hedge and accordingly, record changes in fair value due to fluctuations in the spot rate to AOCI. The changes in fair value of the derivative attributable to changes other than those due to fluctuations in the spot rate are excluded from the assessment of hedge effectiveness and recorded to interest expense.

**Forward Starting Interest Rate Swaps**

As of June 30, 2015, we had entered into forward starting interest rate swap agreements having a total notional of CAD 560 million and a weighted-average fixed interest rate of 2.61%. We intend to enter into additional forward starting interest rate swaps up to the date of the forecasted issuance. These swaps are designated as cash flow hedges.

**Derivative Fair Value Measurements**

We utilize market approaches to estimate the fair value of our derivative instruments by discounting anticipated future cash flows derived from the derivative's contractual terms and observable market interest, foreign exchange and commodity rates. The fair values of our derivatives also include credit risk adjustments to account for our counterparties' credit risk, as well as our own non-performance risk. The table below summarizes our derivative assets and liabilities that were measured at fair value as of June 30, 2015, and December 31, 2014.

	Total at June 30, 2015	Fair value measurements as of June 30, 2015		
		Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	(In millions)			
Cross currency swap	\$3.7	\$—	\$3.7	\$—
Interest rate swaps	(7.8)	—	(7.8)	—
Foreign currency forwards	36.0	—	36.0	—
Commodity swaps	(13.1)	—	(13.1)	—
Total	\$18.8	\$—	\$18.8	\$—
	Total at December 31, 2014	Fair value measurements as of December 31, 2014		
		Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	(In millions)			
Interest rate swaps	\$(2.2)	\$—	\$(2.2)	\$—
Foreign currency forwards	31.6	—	31.6	—
Commodity swaps	(8.9)	—	(8.9)	—
Total	\$20.5	\$—	\$20.5	\$—

As of June 30, 2015, we had no significant transfers between Level 1 and Level 2. New derivative contracts transacted during the three months ended June 30, 2015, were all included in Level 2.



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## Results of Period Derivative Activity

The tables below include the year-to-date results of our derivative activity in the unaudited condensed consolidated balance sheets as of June 30, 2015, and December 31, 2014, and the unaudited condensed consolidated statements of operations for the three and six months ended June 30, 2015, and June 30, 2014.

## Fair Value of Derivative Instruments in the Condensed Consolidated Balance Sheet (in millions)

June 30, 2015					
	Notional amount	Asset derivatives Balance sheet location	Fair value	Liability derivatives Balance sheet location	Fair value
Derivatives designated as hedging instruments:					
Cross currency swap	\$295.5	Other non-current assets	\$3.7	Other liabilities	\$—
Interest rate swaps	\$1,248.2	Other current assets	1.8	Accounts payable and other current liabilities	(18.3 )
		Other non-current assets	8.7	Other liabilities	—
Foreign currency forwards	\$340.0	Other current assets	23.9	Accounts payable and other current liabilities	(0.1 )
		Other non-current assets	13.0	Other liabilities	(0.8 )
Total derivatives designated as hedging instruments			\$51.1		\$(19.2 )
Derivatives not designated as hedging instruments:					
Commodity swaps	\$123.2	Other current assets	\$0.3	Accounts payable and other current liabilities	\$(7.5 )
		Other non-current assets	0.5	Other liabilities	(6.4 )
Foreign currency forwards		Other current assets		Accounts payable and other current liabilities	—
Total derivatives not designated as hedging instruments			\$0.8		\$(13.9 )
December 31, 2014					
	Notional amount	Asset derivatives Balance sheet location	Fair value	Liability derivatives Balance sheet location	Fair value
Derivatives designated as hedging instruments:					
Interest rate swaps	\$844.2	Other current assets	\$—	Accounts payable and other current liabilities	\$(13.0 )
		Other non-current assets	10.8	Other liabilities	—
Foreign currency forwards	\$343.4	Other current assets	19.5	Accounts payable and other current liabilities	—
		Other non-current assets	12.1	Other liabilities	—
Total derivatives designated as hedging instruments			\$42.4		\$(13.0 )
Derivatives not designated as hedging instruments:					
Commodity swaps	\$111.1	Other current assets	\$0.2		\$(4.9 )

		Accounts payable and other current liabilities	
	Other non-current assets	0.4	Other liabilities (4.6 )
Total derivatives not designated as hedging instruments		\$0.6	\$(9.5 )

The Pretax Effect of Derivative Instruments on the Condensed Consolidated Statement of Operations (in millions)  
For the Three Months Ended June 30, 2015

Derivatives in cash flow hedge relationships	Amount of gain (loss) recognized in OCI on derivative (effective portion)	Location of gain (loss) reclassified from AOCI into income (effective portion)	Amount of gain (loss) recognized from AOCI on derivative (effective portion)	Location of gain (loss) recognized in income on derivative (ineffective portion and amount excluded from effectiveness testing)	Amount of gain (loss) recognized in income on derivative (ineffective portion and amount excluded from effectiveness testing)
Forward starting interest rate swaps	\$10.7	Interest expense, net	\$(0.3)	) Interest expense, net	\$—
Foreign currency forwards	(10.3)	) Other income (expense), net	(2.9)	) Other income (expense), net	—
		Cost of goods sold	5.4	Cost of goods sold	—
Total	\$0.4		\$2.2		\$—

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For the Three Months Ended June 30, 2015

Derivatives and non-derivative financial instruments in net investment hedge relationships	Amount of gain (loss) recognized in OCI (effective portion)	Location of gain (loss) reclassified from AOCI into income (effective portion)	Amount of gain (loss) recognized from AOCI (effective portion)	Location of gain (loss) recognized in income (ineffective portion and amount excluded from effectiveness testing)	Amount of gain (loss) recognized in income (ineffective portion and amount excluded from effectiveness testing)
Cross currency swap	\$(11.0 )	Interest expense, net	\$—	Interest expense, net	\$(1.2 )
Total	\$(11.0 )		\$—		\$(1.2 )

For the Three Months Ended June 30, 2015

Derivatives in fair value hedge relationships	Amount of gain (loss) recognized in income on derivative	Location of gain (loss) recognized in income
Interest rate swaps	\$(11.1 )	Interest expense, net
Total	\$(11.1 )	

For the Three Months Ended June 30, 2014

Derivatives in cash flow hedge relationships	Amount of gain (loss) recognized in OCI on derivative (effective portion)	Location of gain (loss) reclassified from AOCI into income (effective portion)	Amount of gain (loss) recognized from AOCI on derivative (effective portion)	Location of gain (loss) recognized in income (ineffective portion and amount excluded from effectiveness testing)	Amount of gain (loss) recognized in income (ineffective portion and amount excluded from effectiveness testing)
Forward starting interest rate swaps	\$(0.3 )	Interest expense, net	\$(0.4 )	Interest expense, net	\$—
Foreign currency forwards	(15.1 )	Other income (expense), net	0.7	Other income (expense), net	—
Commodity swaps	0.2	Cost of goods sold	3.0	Cost of goods sold	—
Total	\$(15.2 )	Cost of goods sold	0.2	Cost of goods sold	—
			\$3.5		\$—

For the Three Months Ended June 30, 2014

Derivatives in fair value hedge relationships	Amount of gain (loss) recognized in income	Location of gain (loss) recognized in income
Interest rate swap	\$1.2	Interest expense, net
Total	\$1.2	

For the Six Months Ended June 30, 2015

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Derivatives in cash flow hedge relationships	Amount of gain (loss) recognized in OCI on derivative (effective portion)	Location of gain (loss) reclassified from AOCI into income (effective portion)	Amount of gain (loss) recognized from AOCI on derivative (effective portion)	Location of gain (loss) recognized in income on derivative (ineffective portion and amount excluded from effectiveness testing)	Amount of gain (loss) recognized in income on derivative (ineffective portion and amount excluded from effectiveness testing)
Forward starting interest rate swaps	\$ (5.0)	) Interest expense, net	\$(0.6)	) Interest expense, net	\$—
Foreign currency forwards	11.2	Other income (expense), net	(5.3)	) Other income (expense), net	—
		Cost of goods sold	10.1	Cost of goods sold	—
Total	\$6.2		\$4.2		\$—
For the Six Months Ended June 30, 2015					

Derivatives and non-derivative financial instruments in net investment hedge relationships	Amount of gain (loss) recognized in OCI (effective portion)	Location of gain (loss) reclassified from AOCI into income (effective portion)	Amount of gain (loss) recognized from AOCI (effective portion)	Location of gain (loss) recognized in income (ineffective portion and amount excluded from effectiveness testing)	Amount of gain (loss) recognized in income (ineffective portion and amount excluded from effectiveness testing)
Cross currency swap	\$4.5	Interest expense, net	\$—	Interest expense, net	\$(0.8)
Total	\$4.5		\$—		\$(0.8)



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For the Six Months Ended June 30, 2015

Derivatives in fair value hedge relationships	Amount of gain (loss) recognized in income on derivative	Location of gain (loss) recognized in income
Interest rate swaps	\$(2.1 )	Interest expense, net
Total	\$(2.1 )	

For the Six Months Ended June 30, 2014

Derivatives in cash flow hedge relationships	Amount of gain (loss) recognized in OCI on derivative (effective portion)	Location of gain (loss) reclassified from AOCI into income (effective portion)	Amount of gain (loss) recognized from AOCI on derivative (effective portion)	Location of gain (loss) recognized in income on derivative (ineffective portion and amount excluded from effectiveness testing)	Amount of gain (loss) recognized in income on derivative (ineffective portion and amount excluded from effectiveness testing)
Forward starting interest rate swaps	\$(0.3 )	Interest expense, net	\$(0.8 )	Interest expense, net	\$—
Foreign currency forwards	(0.4 )	Other income (expense), net	2.3	Other income (expense), net	—
Commodity swaps	0.5	Cost of goods sold	6.3	Cost of goods sold	—
Total	\$(0.2 )	Cost of goods sold	0.4	Cost of goods sold	—
Total			\$8.2		\$—

For the Six Months Ended June 30, 2014

Derivatives and non-derivative financial instruments in net investment hedge relationships	Amount of gain (loss) recognized in OCI (effective portion)	Location of gain (loss) reclassified from AOCI into income (effective portion)	Amount of gain (loss) recognized from AOCI (effective portion)	Location of gain (loss) recognized in income (ineffective portion and amount excluded from effectiveness testing)	Amount of gain (loss) recognized in income (ineffective portion and amount excluded from effectiveness testing)
Cross currency swap	\$6.5	Other income (expense), net	\$—	Other income (expense), net	\$—
Total	\$6.5		\$—		\$—

For the Six Months Ended June 30, 2014

Derivatives in fair value hedge relationships	Amount of gain (loss) recognized in income	Location of gain (loss) recognized in income
Interest rate swap	\$1.2	Interest expense, net
Total	\$1.2	

We expect net gains of approximately \$23 million (pretax) recorded in AOCI at June 30, 2015, will be reclassified into earnings within the next 12 months. For derivatives designated in cash flow hedge relationships, the maximum

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length of time over which forecasted transactions are hedged at June 30, 2015, is three years.

Other Derivatives (in millions)

For the Three Months Ended June 30, 2015

	Location of gain (loss) recognized in	Amount of gain (loss) recognized in	
Derivatives not in hedging relationships	income on derivative	income on derivative	
Commodity swaps	Cost of goods sold	\$(5.4	)
Foreign currency forwards	Other income (expense), net	(1.1	)
Total		\$(6.5	)

For the Three Months Ended June 30, 2014

	Location of gain (loss) recognized in	Amount of gain (loss) recognized in	
Derivatives not in hedging relationships	income on derivative	income on derivative	
Commodity Swaps	Cost of goods sold	\$0.7	
Total		\$0.7	

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For the Six Months Ended June 30, 2015

Derivatives not in hedging relationships	Location of gain (loss) recognized in income on derivative	Amount of gain (loss) recognized in income on derivative	
Commodity swaps	Cost of goods sold	\$(6.0	)
Foreign currency forwards	Other income (expense), net	0.1	
Total		\$(5.9	)

For the Six Months Ended June 30, 2014

Derivatives not in hedging relationships	Location of gain (loss) recognized in income on derivative	Amount of gain (loss) recognized in income on derivative	
Commodity Swaps	Cost of goods sold	(0.6	)
Total		\$(0.6	)

## 14. Pension and Other Postretirement Benefits ("OPEB")

	For the Three Months Ended			June 30, 2014			
	June 30, 2015		Consolidated	Pension	OPEB	Consolidated	
	Pension	OPEB		Pension	OPEB		
	(In millions)						
Net periodic pension and OPEB cost:							
Service cost - benefits earned during the year	\$2.6	\$0.4	\$ 3.0	\$3.3	\$0.8	\$ 4.1	
Interest cost on projected benefit obligation	34.9	1.5	36.4	42.6	1.9	44.5	
Expected return on plan assets	(44.6	) —	(44.6	) (49.8	) —	(49.8	)
Amortization of prior service cost (benefit)	0.2	(0.1	) 0.1	0.2	(0.7	) (0.5	)
Amortization of net actuarial loss (gain)	11.9	—	11.9	9.3	(0.3	) 9.0	
Less: expected participant contributions	(0.2	) —	(0.2	) (0.3	) —	(0.3	)
Net periodic pension and OPEB cost	\$4.8	\$1.8	\$ 6.6	\$5.3	\$1.7	\$ 7.0	
	For the Six Months Ended						
	June 30, 2015			June 30, 2014			
	Pension	OPEB	Consolidated	Pension	OPEB	Consolidated	
	(In millions)						
Net periodic pension and OPEB cost:							
Service cost - benefits earned during the year	\$5.2	\$0.9	\$ 6.1	\$6.6	\$1.5	\$ 8.1	
Interest cost on projected benefit obligation	69.3	3.0	72.3	84.7	3.6	88.3	
Expected return on plan assets	(88.7	) —	(88.7	) (98.9	) —		