MOLSON COORS BREWING CO
Form 10-K
February 27, 2012
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K
(Mark One)

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

For the fiscal year ended December 31, 2011
OR

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

For the transition period from ______ to ______ .
Commission File Number: 1-14829
Molson Coors Brewing Company
(Exact name of registrant as specified in its charter)

DELAWARE	84-0178360
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1225 17th Street, Denver, Colorado	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)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Class A Common Stock (voting), $0.01 par value	New York Stock Exchange
Class B Common Stock (non-voting), $0.01 par value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES ý NO o
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. YES o NO ý
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES ý NO o
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES ý NO o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

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

Large accelerated filer ý	Accelerated filer o	Non-accelerated filer o	Smaller reporting company o
	(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 Act). YES o NO ý

The aggregate market value of the registrant's voting and non-voting common stock held by non-affiliates of the registrant at the close of business on June 25, 2011, was $6,643,623,931 based upon the last sales price reported for such date on the New York Stock Exchange and the Toronto Stock Exchange. For purposes of this disclosure, shares of common and exchangeable stock held by persons holding more than 5% of the outstanding shares of stock and shares owned by officers and directors of the registrant as of June 25, 2011, are excluded in that such persons may be deemed to be affiliates. This determination is not necessarily conclusive of affiliate status for other purposes.

The number of shares outstanding of each of the registrant's classes of common stock, as of February 17, 2012:

Class A Common Stock—2,583,694 shares   Class B Common Stock—155,740,376 shares

Exchangeable shares:

As of February 17, 2012, the following number of exchangeable shares was outstanding for Molson Coors Canada, Inc.:

Class A Exchangeable Shares—2,939,704 shares   Class B Exchangeable Shares—19,260,978 shares

These Class A and Class B exchangeable shares offer substantially the same economic and voting rights as the respective classes of common shares of the registrant. This is achieved via the following structure: The registrant has outstanding one share each of special Class A and Class B voting stock, through which the holders of Class A exchangeable shares and Class B exchangeable shares of Molson Coors Canada Inc. (a subsidiary of the registrant), respectively, may exercise their voting rights with respect to the registrant. The special Class A and Class B voting stock are entitled to one vote for each of the exchangeable shares, respectively, excluding shares held by the registrant or its subsidiaries, and generally vote together with the Class A common stock and Class B common stock, respectively, on all matters on which the Class A common stock and Class B common stock are entitled to vote. The trustee holder of the special Class A voting stock and the special Class B voting stock has the right to cast a number of votes equal to the number of then outstanding Class A exchangeable shares and Class B exchangeable shares, respectively.

Documents Incorporated by Reference: Portions of the registrant's definitive proxy statement for the registrant's 2012 annual meeting of stockholders, which will be filed no later than 120 days after the close of the registrant's fiscal year ended December 31, 2011, are incorporated by reference under Part III of this Annual Report on Form 10-K.

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Cautionary Statement Pursuant to Safe Harbor Provisions of the Private Securities Litigation Reform Act of 1995

This Annual Report on Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 (the "Exchange Act"). From time to time, we may also provide oral or written forward-looking statements in other materials we release to the public. Such forward-looking statements are subject to the safe harbor created by the Private Securities Litigation Reform Act of 1995.

Statements that refer to projections of our future financial performance, our anticipated growth and trends in our businesses, and other characterizations of future events or circumstances are forward-looking statements, and include, but are not limited to, statements under the headings "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Outlook for 2012" relating to overall volume trends, consumer preferences, pricing trends, industry forces, cost reduction strategies, anticipated results, anticipated synergies, expectations for funding future capital expenditures and operations, debt service capabilities, shipment levels and profitability, market share and the sufficiency of capital resources. In addition, statements that we make in this report that are not statements of historical fact may also be forward-looking statements. Words such as "expects," "goals," "plans," "believes," "continues," "may," "anticipate," "seek," "estimate," "outlook," "trends," "future benefits," "strategies," and variations of such words and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are subject to risks and uncertainties that could cause actual results to be materially different from those indicated (both favorably and unfavorably). These risks and uncertainties include, but are not limited to those described under the heading "Risk Factors" and elsewhere throughout this report, and those described from time to time in our future reports filed with the Securities and Exchange Commission ("SEC"). 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 except as required by applicable laws and regulations.

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PART I

ITEM 1. Business

Unless otherwise noted in this report, any description of "we", "us" or "our" includes Molson Coors Brewing Company ("MCBC" or the "Company"), principally a holding company, and its subsidiaries: Molson Coors Canada ("MCC"), operating in Canada; Coors Brewing Company ("CBC"), operating in the United States ("U.S.") until June 30, 2008 when MCBC and SABMiller plc ("SABMiller") combined the U.S. and Puerto Rico operations of their respective subsidiaries, CBC and Miller Brewing Company ("Miller"), and the results and financial position of U.S. operations, which had historically comprised substantially all of our U.S. reporting segment were, in all material respects, deconsolidated from MCBC prospectively upon formation of MillerCoors LLC ("MillerCoors"); Molson Coors Brewing Company (UK) Limited ("MCBC-UK"), operating in the United Kingdom ("U.K.") and the Republic of Ireland; Molson Coors International ("MCI") operating in various other countries; and our other non-operating subsidiaries. Any reference to "Coors" means the Adolph Coors Company prior to the 2005 merger with Molson Inc. (the "Merger"). Any reference to Molson Inc. or Molson means MCC prior to the Merger. Any reference to "Molson Coors" means MCBC after the Merger.

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

History

Molson and Coors were founded in 1786 and 1873, respectively. Our commitment to producing the highest quality beers is a key part of our heritage and remains so today. Our brands are designed to appeal to a wide range of consumer tastes, styles and price preferences. Our largest markets are Canada, the U.S. and the U.K.

Coors was incorporated in June 1913 under the laws of the State of Colorado. In August 2003, Coors changed its state of incorporation to the State of Delaware. In February 2005 upon completion of the Merger, Coors changed its name to Molson Coors Brewing Company.

Our Operating Segments

We operate the following business segments: Canada, the U.S., the U.K., and MCI. A separate operating team manages each segment, and each segment manufactures, markets, and sells beer and other beverage products.

See Part II—Item 8 Financial Statements and Supplementary Data, Note 3 "Segment Reporting" of the Notes to the Consolidated Financial Statements ("Notes") for information relating to our segments and operations, including financial and geographic information. For certain risks attendant to our foreign operations, refer to Part I—Item 1A Risk Factors and the discussions regarding our Canada, U.K. and MCI segments.

No single customer accounted for more than 10% of our consolidated or segmented sales in 2011, 2010 or 2009.

Our Products

We have a diverse portfolio of owned and partner brands, including signature brands Coors Light, Molson Canadian and Carling, which are positioned to meet a wide range of consumer segments and occasions.

Brands sold in Canada include Coors Light, Molson Canadian, Molson Export, Molson Canadian 67, Molson Dry, Molson M, Rickard's Red, Rickard's Blonde and other Rickard's brands, Carling, Carling Black Label, Pilsner, Keystone, Creemore Springs, the Granville Island brands, Caffrey's, Cobra, and a number of other regional brands. We also brew or distribute under license the following brands: Heineken, Amstel Light, and Murphy's under license from Heineken N.V. ("Heineken"), Asahi and Asahi Select under license from Asahi Breweries, Ltd., Miller Lite, Miller Genuine Draft, Miller Chill, Milwaukee's Best, and Milwaukee's Best Dry under license from SABMiller, and Foster's under license from Foster's Group Limited ("Fosters"). We are also party to a joint venture with Grupo Modelo S.A.B. de C.V. ("Modelo"), which imports, distributes and markets the Modelo beer brand portfolio, including the Corona, Coronita, Negra Modelo, and Pacifico brands, across all Canadian provinces and territories.

MillerCoors sells a wide variety of brands in the U.S. Its flagship premium light brands are Coors Light and Miller Lite. Brands in the domestic premium segment include Coors Banquet, Miller Genuine Draft, and Miller 64. Brands in the domestic super premium segment include Miller Chill and Sparks. Brands in the below premium segment include Miller High Life, Keystone, Icehouse, Mickey's, Milwaukee's Best, Hamm's, and Old English 800 brands. MillerCoors also brews or distributes under license the Molson and Foster's brands and George Killian's Irish Red. Craft and import brands, marketed and sold through Tenth and Blake, include the Blue Moon brands, Henry

Weinhard's brands, Leinenkugel's brands, Peroni Nastro

Azzurro, Pilsner Urquell, Batch 19 and Grolsch. Brands in the non-alcoholic segment include Coors Non-Alcoholic and Sharp's. MCBC and SABMiller assigned the United States and Puerto Rican ownership rights to their legacy brands to MillerCoors, but retained all ownership of these brands outside the United States and Puerto Rico.
Brands sold in the U.K. include: Carling, C2, Carling Chrome, Coors Light, Worthington's, White Shield, Red Shield, Caffrey's, Sharp's Doom Bar, Animée, and Blue Moon, as well as a number of smaller regional ale brands. We also sell the Grolsch brands through a joint venture with Royal Grolsch N.V. and the Cobra brands through a joint venture called Cobra Beer Partnership Ltd., ("Cobra U.K.") and are the exclusive distributor for several brands which are sold under license, including Corona, Coronita, Negra Modelo, Pacifico, and Singha. Additionally, in order to be able to provide a full line of beer and other beverages to our on-premise customers, we sell "factored" brands, including wines in our U.K. segment, which are third party brands for which we provide distribution to retail, typically on a non-exclusive basis.
MCI also markets and sells several of our brands in its international markets. Brands unique to these international markets include Zima, Si'hai, Coors Gold, and Coors Extra.

Canada Segment

We are Canada's second largest brewer by volume and North America's oldest beer company. Our approximate market share of the Canada beer market at the end of 2011 was 40%. We brew, market, sell and distribute a wide variety of beer brands nationally. Our portfolio has leading brands in all major product and price segments. Our focus and investment is on key owned brands, including Coors Light, Molson Canadian, Carling, Molson Dry, Molson Export, Rickard's, Pilsner, Creemore Springs and Granville Island and key strategic distribution partnerships, including those with Heineken, Modelo and SABMiller. In 2011, Coors Light had an approximate 14% market share and was the top selling beer brand in Canada and Molson Canadian had an approximate 8% market share and was the third largest selling beer in Canada.
The Canada segment also includes our partnership arrangements related to the distribution of beer in Ontario, Brewers' Retail Inc. ("BRI"), and in the Western provinces, Brewers' Distributor Ltd. ("BDL"). BRI and BDL are currently accounted for under the equity method of accounting. BRI was consolidated in our financial statements until March 1, 2009, when it was deconsolidated. See Part II—Item 8 Financial Statements and Supplementary Data, Note 4 "Investments" of the Notes for further discussion.

Sales and Distribution

In Canada, provincial governments regulate the beer industry, particularly with regard to the pricing, mark-up, container management, sale, distribution, and advertising of beer. Distribution and the retail sale of alcohol products involve a wide range and varied degree of Canadian government control through their respective provincial liquor boards.

Province of Ontario

In Ontario, beer may only be purchased at retail outlets operated by BRI, at government-regulated retail outlets operated by the Liquor Control Board of Ontario, at approved agents of the Liquor Control Board of Ontario, or at any bar, restaurant, or tavern licensed by the Liquor Control Board of Ontario to sell liquor for on-premise consumption. We, together with certain other brewers, participate in the ownership of BRI in proportion to provincial market share relative to other brewers in the ownership group. Brewers may deliver directly to BRI's outlets or may choose to use BRI's distribution centers to access retail stores in Ontario, the Liquor Control Board of Ontario system and licensed establishments.

Province of Québec

In Québec, beer is distributed directly by each brewer or through independent agents. We are the agent for the licensed brands we distribute. The brewer or agent distributes the products to permit holders for retail sales for on-premise consumption. Québec retail sales for off-premise consumption are made through grocery and convenience stores as well as government operated outlets.

Province of British Columbia

In British Columbia, the government's Liquor Distribution Branch controls the regulatory elements of distribution of all alcohol products in the province. BDL which we co-own with a competitor, manages the distribution of our products throughout British Columbia. Consumers can purchase beer at any Liquor Distribution Branch retail outlet,

at any independently owned and licensed retail store or at any licensed establishment for on-premise consumption. Establishments licensed primarily for on-premise liquor sales may also be licensed for off-premise consumption.

Province of Alberta

In Alberta, the distribution of beer is managed by independent private warehousing and shipping companies or by a

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government sponsored system in the case of U.S. sourced products. All sales of liquor in Alberta are made through retail outlets licensed by the Alberta Gaming and Liquor Commission or licensees, such as bars, hotels and restaurants. BDL manages the distribution of our products in Alberta.

Other Provinces

Our products are distributed in the provinces of Manitoba and Saskatchewan through local liquor boards. Manitoba and Saskatchewan also have licensed private retailers. BDL manages the distribution of our products in Manitoba and Saskatchewan. In the Maritime Provinces (other than Newfoundland), local liquor boards distribute and sell our products. Yukon, Northwest Territories and Nunavut manage distribution and sell through government liquor commissioners.

Manufacturing, Production and Packaging

Brewing Raw Materials

We select global suppliers in order to procure the highest quality materials and services at the lowest prices available. We also use hedging instruments to mitigate the risk of volatility in certain commodities and foreign exchange markets.

We source barley malt from two primary providers. Hops are purchased from a variety of global suppliers in the U.S., Europe, and New Zealand. Other starch brewing adjuncts are sourced from two main suppliers, both in North America. We do not foresee any significant risk of disruption in the supply of these agricultural products. Water used in the brewing process is from local sources in the communities where our breweries operate. We do not anticipate future difficulties in accessing water or agricultural products.

Brewing and Packaging Facilities

We operate seven breweries, strategically located throughout Canada, which brew, bottle, package, market and distribute all owned and certain licensed brands sold in and exported from Canada. See Item 2, "Properties" for further detail.

Packaging Materials

We single source glass bottles and aluminum cans and have a committed supply through 2014 and 2016, respectively. Availability of glass bottles and aluminum cans has not been an issue, and we do not expect any difficulties in accessing them in the future. The distribution systems in each province generally provide the collection network for returnable bottles and aluminum cans. The standard container for beer brewed in Canada is the 341 ml returnable bottle, which in 2011 represented a significant majority of the approximately 51% of bottle volume sales in Canada. In 2011, aluminum cans accounted for approximately 39% of volume sales in Canada. In 2011, we sold approximately 10% of our beer volume in stainless steel kegs. A limited number of kegs are purchased every year, and we have no long-term supply commitment. Crowns, labels, corrugate, and paperboard are purchased from a small number of sources unique to each product. We do not foresee difficulties in accessing these packaging products in the near future.

Contract Manufacturing

We have an agreement with North American Breweries to brew, package and ship Labatt trademark brands to the U.S. market through 2016.

Seasonality of Business

Consumption of beer in Canada is seasonal, with approximately 39% of our sales volume occurring during the four months from May through August 2011, which is consistent with our historical results.

Known Trends and Competitive Conditions

2011 Canada Beer Industry Overview

The Canadian brewing industry is a mature market. It is characterized by aggressive competition for volume and market share from regional brewers, microbrewers and certain foreign brewers, as well as our main domestic competitor. These competitive pressures require significant annual investment in marketing and selling activities.

There are three major beer price segments: above premium, which includes most imports; premium, which includes the majority of domestic brands and the light sub-segment; and value (below premium).

Since 2001, the premium beer segment in Canada has gradually lost volume to the above premium and value segments. For each of the five years ended December 31, 2008, Canada beer industry shipments annual average

growth rate approximated 1%. For each of the two years ended December 31, 2010, there were slight declines and for the year ended December 31, 2011,

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there was an approximate decline of 1.5% in Canada beer industry shipments.

Our Competitive Position

Our brands compete with competitor beer brands and other alcohol beverages, including wine and spirits, and thus our competitive position is affected by consumer preferences between and among these other categories. Our brand portfolio gives us strong representation in all major beer segments.

The Canada brewing industry is comprised principally of two major brewers, MCBC and Anheuser-Busch InBev ("ABI"), whose combined market share in 2011 was approximately 82% of beer sold in Canada. In 2011, the Ontario and Québec markets accounted for approximately 62% of the total beer market in Canada.

Regulation

In Canada, provincial governments regulate the production, marketing, distribution, selling, and pricing of beer (including the establishment of minimum prices), and impose commodity taxes and license fees in relation to the production and sale of beer. In addition, the federal government regulates the advertising, labeling, quality control, and international trade of beer, and also imposes commodity taxes, consumption taxes, excise taxes, and in certain instances, custom duties on imported beer. In 2011, our Canada excise taxes totaled $665.5 million or approximately $75 per hectoliter sold. Further, certain bilateral and multilateral treaties entered into by the federal government, provincial governments and certain foreign governments, especially with the United States, affect the Canadian beer industry.

United States Segment

Effective July 1, 2008, MCBC and SABMiller formed MillerCoors to combine their respective U.S. and Puerto Rico operations. Each party contributed its business and related operating assets and certain liabilities. The percentage interests in the profits of MillerCoors are 58% for SABMiller and 42% for MCBC. Voting interests are shared 50%-50%, and MCBC and SABMiller have equal board representation within MillerCoors. MCBC and SABMiller each agreed not to transfer its economic or voting interests in MillerCoors for a period of five years from the date of combination, and certain rights of first refusal apply to any subsequent assignment. Our interest in MillerCoors is accounted for under the equity method of accounting.

Prior to the formation of MillerCoors, we produced, marketed, and sold the MCBC portfolio of brands in the United States and its territories, and our U.S. operating segment included the results of the Rocky Mountain Metal Container ("RMMC") and Rocky Mountain Bottle Container ("RMBC") joint ventures. Effective July 1, 2008, MCBC's equity investment in MillerCoors represents our U.S. operating segment.

Sales and Distribution

In the United States, beer is generally distributed through a three-tier system consisting of manufacturers, distributors and retailers. A national network of approximately 450 independent distributors purchases MillerCoors' products and distributes them to retail accounts. In 2011, approximately 18% was sold on-premise in bars and restaurants, and the other 82% was sold off-premise in convenience stores, grocery stores, liquor stores and other retail outlets. MillerCoors wholly owns one distributorship, which handled less than 1% of its total volume in 2011.

Manufacturing, Production and Packaging

Brewing Raw Materials

MillerCoors uses the highest quality ingredients to brew its products. MillerCoors malts a portion of its production requirements, using barley purchased under yearly contracts from independent farmers located in the western United States. Other barley, malt, and cereal grains are purchased from suppliers primarily in the U.S. Hops are purchased from suppliers in the U.S., New Zealand and certain European countries. MillerCoors has water rights to provide for and to sustain brewing operations in case of a prolonged drought in the regions for which it has operations. MillerCoors does not anticipate future difficulties in accessing water or agricultural products.

Brewing and Packaging Facilities

There are eight major breweries/packaging facilities which produce MillerCoors products. MillerCoors imports Molson brands from MCBC and Peroni Nastro Azzurro, Pilsner Urquell, Grolsch, and other import brands from SABMiller.

Packaging Materials

Over half of U.S. products sold were packaged in aluminum cans in 2011. A portion of aluminum cans were purchased

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from RMMC, a joint venture with Ball Corporation ("Ball"), whose production facilities are located near the brewery in Golden, Colorado. In addition to the supply agreement with RMMC, MillerCoors has a commercial supply agreement with Ball to purchase cans and ends in excess of what is supplied through RMMC; these agreements have various expiration dates. The RMMC joint venture agreement was scheduled to expire at the end of 2011, however, during the fourth quarter of 2011, MillerCoors signed a 10-year contract extension with Ball to extend the RMMC joint venture agreement along with the commercial can and end purchase agreements. Approximately one-third of U.S. products in 2011 were packaged in glass bottles of which a portion was provided by RMBC, a joint venture with Owens-Brockway Glass Container, Inc ("Owens"). The joint venture with Owens, as well as a supply agreement with Owens for the glass bottles required in excess of RMBC's production, expires in 2015. The approximate remaining 10% of U.S. production volume sold in 2011 was packaged in half, quarter, and one-sixth barrel stainless steel kegs. A limited number of kegs are purchased each year, and there is no long-term supply agreement. Crowns, labels, corrugate and paperboard are purchased from a small number of sources unique to each product. MillerCoors does not foresee difficulties in accessing packaging products in the future.

Contract Manufacturing

MillerCoors has an agreement to brew, package and ship products for Pabst Brewing Company through June 2020. Additionally, MillerCoors produces beer under contract for our MCI segment, SABMiller and Foster's LLC.

Seasonality of the Business

MillerCoors U.S. sales volumes are normally lowest in the winter months (first and fourth quarters) and highest in the summer months (second and third quarters).

Known Trends and Competitive Conditions

2011 U.S. Beer Industry Overview

The beer industry in the United States is highly competitive, and the two largest brewers, of which MillerCoors is the smaller, represent approximately 77% of the market. The creation of MillerCoors created a stronger U.S. brewer with the scale, operational efficiency and distribution platform to compete more effectively in the U.S. market place. Growing or even maintaining market share has required significant investments in marketing. For the ten years ended December 31, 2008, the U.S. beer industry shipments annual growth rate approximated 1%, compared with declines ranging from 1% to 2% in each of the years 2009 to 2011.

The decline in the U.S. beer industry has been partially attributed to relatively poor economic conditions. High rates of unemployment and lower consumer confidence have negatively affected the legal age key beer drinkers' purchasing behaviors.

Our Competitive Position

The MillerCoors portfolio of beers competes with numerous above premium, premium, low-calorie, popular priced, non-alcoholic, and imported brands. These competing brands are produced by international, national, regional and local brewers. MillerCoors competes most directly with ABI, but also competes with imported and craft beer brands. MillerCoors is the nation's second largest brewer by volume, selling approximately 29% of the total 2011 U.S. brewing industry shipments (including exports and U.S. shipments of imports). This compares to ABI's estimated market share of 48%.

MillerCoors' products also compete with other alcohol beverages, including wine and spirits, and thus their competitive position is affected by consumer preferences between and among these other categories. Driven by increased spirits advertising along with increased wine and spirits execution, sales of wine and spirits have grown faster than sales of beers in recent years resulting in a reduction in the beer segment's lead in the overall alcohol beverage market.

Regulation

The U.S. beer business is regulated by federal, state, and local governments. These regulations govern many parts of MillerCoors' operations, including brewing, marketing and advertising, transportation, distributor relationships, sales, and environmental issues. To operate their facilities, MillerCoors must obtain and maintain numerous permits, licenses and approvals from various governmental agencies, including the U.S. Treasury Department; Alcohol and Tobacco Tax and Trade Bureau; the U.S. Department of Agriculture; the U.S. Food and Drug Administration; state alcohol regulatory agencies; and state and federal environmental agencies.

Governmental entities also levy taxes and may require bonds to ensure compliance with applicable laws and regulations. U.S. federal excise taxes on malt beverages approximated $15 per hectoliter in 2011. Based on state law, state excise taxes are levied in specific states at varying rates with an average rate of approximately $1 per hectoliter in 2011.

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United Kingdom Segment

We are the United Kingdom's second largest brewer by volume with an approximate 19% share (excluding factored products), in 2011, of the U.K. beer market, Western Europe's second largest market. Sales are primarily in England and Wales, with Carling representing approximately 75% of our total U.K. segment beer volume. The U.K. segment consists of our production and sale of the MCBC brands in the U.K. and the Republic of Ireland, our joint venture arrangement for the production and distribution of Grolsch brands in the U.K. and the Republic of Ireland, our joint venture arrangement for the production and distribution of the Cobra brands in the U.K. and the Republic of Ireland, factored brand sales (beverage brands owned by other companies, but sold and delivered to retail by us), and our Tradeteam joint venture arrangement with DHL (formerly Exel Logistics) for the distribution of products throughout the U.K. Additionally, we distribute the Modelo brands, including Corona, pursuant to a distribution agreement with Modelo.

Sales and Distribution

In the U.K., beer is generally distributed through a two-tier system consisting of manufacturers and retailers. Most of our beer in the U.K. is sold directly to retailers. It is also common in the U.K. for brewers to distribute beer, wine, spirits, and other products owned and produced by other companies to the on-premise channel (bars and restaurants). Approximately 27% of our U.K. segment net sales in 2011 represent factored brands. Factored brand sales are included in our net sales and cost of goods, but are not included in our reported volumes.

Generally, over the past three decades, volumes have shifted from the higher margin on-premise channel, where products are consumed in pubs and restaurants, to the lower margin off-premise channel, also referred to as the "take-home" market.

On-Premise Channel

The on-premise channel accounted for approximately 63% of our U.K. sales volumes in 2011. The on-premise channel has two sub-categories: multiple on-premise and independent on-premise. Multiple on-premise refers to those customers who own a number of pubs and restaurants and independent on-premise refers to individual owner-operators of pubs and restaurants. In 2011, approximately 49% and 51% of our on-premise volume represents multiple (including national wholesalers) and independent on-premise customers, respectively. In recent years, pricing competition in the on-premise channel has intensified as the retail pub chains have consolidated. As a result, the larger pub chains have been able to negotiate lower beer prices from brewers.

The installation and maintenance of draught beer dispensing equipment in the on-premise channel is generally the responsibility of the brewer. Accordingly, we own equipment used to dispense beer from kegs to consumers. This includes beer lines, cooling equipment, taps, and counter mounts.

Similar to other U.K. brewers, we utilize loans in securing supply relationships with customers in the on-premise market. Loans are normally granted at below-market rates of interest, with the outlet purchasing beer at lower-than-average discount levels to compensate. We reclassify a portion of sales revenue to interest income to reflect the economic substance of these loans. See Part II—Item 8 Financial Statements and Supplementary Data, Note 1 "Basis of Presentation and Summary of Significant Accounting Policies" of the Notes for further discussion.

Off-Premise Channel

The off-premise channel accounted for approximately 37% of our U.K. sales volume in 2011. The off-premise channel includes sales to supermarkets, convenience stores, liquor stores, distributors, and wholesalers. The off-premise channel has become increasingly concentrated among a small number of super-store chains, placing increasing downward pressure on pricing.

Distribution

Distribution activities for both the on- and off-premise channels are conducted by Tradeteam, which operates a system of satellite warehouses and a transportation fleet.

Manufacturing, Production and Packaging

Brewing Raw Materials

We use the highest quality water, barley and hops to brew our products. During 2011, we produced 100% of our required malt using U.K. sourced barley. Hops and adjunct starches used in the brewing process are purchased from agricultural sources in the U.K., U.S. and on the European continent. Water used in the brewing process is sourced

from various wells that have sufficient recharge capacity for assumed production. We do not anticipate future difficulties in accessing water or agricultural products.

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Brewing and Packaging Facilities

We operate four breweries in the U.K which brew, bottle, package and distribute all owned brands sold in the U.K. and the Republic of Ireland with the exception of Coors Light, which is contract brewed in the Republic of Ireland. See "Contract Manufacturing" and Item 2, "Properties" for further detail.

Packaging Materials

We used kegs and casks for approximately 52% of our U.K. products in 2011, reflecting a high percentage of product sold on-premise. Approximately 36% of our U.K. products were packaged in steel cans with aluminum ends in 2011. All of our cans are purchased through a supply contract with Ball. Approximately 12% of our U.K. products are packaged in glass bottles purchased through supply contracts with third-party suppliers. Crowns, labels, corrugate, and paperboard are purchased from concentrated sources unique to each product. We do not foresee difficulties in accessing these or other packaging materials in the foreseeable future.

Contract Manufacturing

We have a contract brewing and kegging agreement with Heineken for the Fosters and Kronenbourg brands. We also have an agreement with Heineken whereby it will brew and package certain of our products for sale in the Republic of Ireland through December 2014. In addition, we agreed to a multi-year agreement to contract brew ales for Carlsberg Group ("Carlsberg") which began in 2011.

Seasonality of Business

In the U.K., the beer industry is subject to seasonal sales fluctuations primarily influenced by holidays, weather and by certain major televised sporting events. Peak selling seasons occur during the summer and during the Christmas and New Year holidays.

Known Trends and Competitive Conditions

2011 U.K. Beer Industry Overview

The U.K. beer market in 2011 declined by 4.2%, with the on-premise declining 5.0% and the off-premise decreasing 3.5%, impacted by poor summer weather, poor economic conditions and excise tax increases in excess of general inflation. A widening price differential between the on-premise (higher prices) and the off-premise (lower prices) has tended to benefit off-premise sales. The recession has accelerated the downward pricing trend. For each of the ten years ended December 31, 2007, U.K. beer industry shipments declined at an average rate of between 1% and 2%, compared with declines of approximately 4% in the years 2008 to 2011.

The industry has also experienced a steady trend away from ales and toward lagers. Sales of lagers accounted for 76% of the U.K. market in 2011.

Our Competitive Position

Our beers compete not only with similar products from competitors, but also with other alcohol beverages, including wines, spirits, and ciders. With the exception of stout, where we do not have our own brand, our brand portfolio gives us strong representation in all major beer categories. Our strength in the growing lager category with Carling, Grolsch, Coors Light, Corona and Cobra positions us well to take advantage of the continuing trend toward lagers. Our portfolio has been strengthened by the introduction of a range of imported and specialty beer brands, such as Singha, Blue Moon, Animée and Sharp's Doom Bar.

Our principal competitors are Heineken, ABI, and Carlsberg, with market shares in 2011 of approximately 24%, 18%, and 14%, respectively, compared to our share of 19%.

Regulation

U.K. regulations apply to many parts of our operations and products, including brewing, food safety, labeling and packaging, marketing and advertising, environmental, health and safety, employment, and data protection regulations. To operate our breweries and carry on business in the U.K., we must obtain and maintain numerous permits and licenses from local Licensing Justices and governmental bodies, including Her Majesty's Revenue & Customs; the Office of Fair Trading; the Data Protection Commissioner and the Environment Agency.

The U.K. government levies excise taxes on all alcohol beverages at varying rates depending on the type of product and its alcohol content by volume. In 2011, our excise taxes totaled $967.6 million or $106 per hectoliter. In 2010, the U.K.

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government announced that alcohol excise tax rates will increase at a rate of 2% above U.K. inflation annually through 2015.

Molson Coors International Segment

The objective of MCI is to grow and expand our business and brand portfolios in our non-core and emerging markets. Our current business is in Asia, continental Europe, Mexico, Latin America and the Caribbean (excluding Puerto Rico as it is a part of the U.S. segment).

Asia

The MCI Asia region is primarily composed of businesses in China, Japan and India, with increasing focus in the Philippines and Vietnam markets. The Japan business is focused on the Zima and Coors Light brands. Additionally, in January 2011, our Japan business began selling the Corona brands pursuant to a distribution agreement with Modelo completed in November 2010. In September 2010, a joint venture agreement was finalized in China with Hebei Si'hai Beer Company, giving us a 51% share of the newly formed Molson Coors Si'hai Brewing (China) Co., Ltd. ("MC Si'hai"). In June 2011, a joint venture agreement was finalized in India with Cobra India, giving us a 51% share and operational control of the newly formed Molson Coors Cobra India ("MC Cobra India"). MC Cobra India produces, sells and markets a beer portfolio consisting of King Cobra, King Cobra Superior and Iceberg 9000. The results of both MC Si'hai and MC Cobra India are consolidated in our financial statements.

Europe

Our business within continental Europe is focused on growing Carling, Coors Light and Cobra. These products are brewed by and exported from our U.K. breweries to portions of continental Europe. In 2011, we entered into an exclusive licensing agreement with Obolon CJSC for manufacturing and distribution of Carling in Ukraine. In 2010, related to our business in Spain, we entered into an exclusive licensing agreement with Mahou San Miguel for manufacturing and distribution of Coors and distribution of Carling. In 2010, we entered into an exclusive licensing agreement with Moscow Brewing Company for manufacturing and distribution of Coors Light in Russia.

Mexico, Latin America, the Caribbean, and Other

Coors Light is sold in Mexico through an exclusive licensing agreement with Heineken. In the Caribbean and Latin America, our products are produced under a brewing agreement with MillerCoors and are exported to and sold through agreements with independent distributors.

Corporate

Corporate includes interest and certain other general and administrative costs that are not allocated to any of the operating segments. The majority of these corporate costs relate to worldwide administrative functions, such as corporate affairs, legal, human resources, finance and accounting, treasury, insurance and risk management. Additionally, the results of our water resources and energy operations in Colorado are included in Corporate. Corporate also includes certain royalty income and administrative costs related to the management of intellectual property.

Other Information

Global Intellectual Property

We own trademarks on the majority of the brands we produce and have licenses for the remainder. We also hold several patent and design registrations relating to beer dispensing systems, packaging, and certain other innovations. These patents have expiration dates through 2035. We are not reliant on patent royalties for our financial success. Therefore, these expirations are not expected to have a significant impact on our business.

Environmental Matters

Our operations are subject to a variety of extensive and changing federal, state and local environmental laws, regulations and ordinances that govern activities or operations that may have adverse effects on human health or the environment. Such laws, regulations or ordinances may impose liability for the cost of remediation, and for certain damages resulting from sites of past releases of hazardous materials. Our policy is to comply with all such legal requirements. While we cannot predict our eventual aggregate cost for the environmental and related matters in which we may be or are currently involved, we believe that any payments, if required, for these matters would be made over a period of time in amounts that would not be material in any one year to our operating results, cash flows, or our financial or competitive position. We believe adequate reserves have been provided for losses that are probable and

estimable. However, there can be no assurance that environmental laws will not become more stringent in the future or that we will not incur material costs in the future in order to comply with such laws. See Part II—Item 8 Financial Statements and Supplementary Data, Note 20 "Commitments and Contingencies" of the Notes under

the caption "Environmental" for additional information regarding environmental matters.

Employees and Employee Relations

Canada

We have approximately 2,880 full-time employees in our Canada segment, of which 61% are represented by trade unions. We maintain agreements with the various unions representing workers at each of our facilities. We believe that relations with our Canada employees are good.

United States

We have approximately 185 employees in our corporate headquarters in Denver, Colorado. We believe that relations with our U.S. employees are good.

MillerCoors has approximately 9,000 employees. Approximately 36% of its work force is represented by unions. We believe that MillerCoors' relations with its U.S. employees are good.

United Kingdom

We have approximately 2,440 employees in our U.K. segment. Approximately 25% of this total workforce is represented by trade unions, primarily at our Burton-on-Trent and Tadcaster breweries. We believe that relations with our U.K. employees are good.

Molson Coors International

We have approximately 758 employees in our MCI business in 15 countries, primarily in Asia (China, India and Japan) and within our Denver headquarters office. We believe that relations with these employees are good.

Financial Information about Foreign and Domestic Operations and Export Sales

See Part II—Item 8 Financial Statements and Supplementary Data, Note 3 "Segment Reporting" of the Notes for discussion of sales, operating income, and identifiable assets attributable to our country of domicile, the United States, and all foreign countries.

Available Information

Our internet website is http://www.molsoncoors.com. Through a direct link to our reports at the SEC's website at http://www.sec.gov, we make available, free of charge on our website, our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports as soon as reasonably practicable after we electronically file or furnish such materials to the SEC. The foregoing website addresses are provided as inactive textual references only. The information provided on our website (or any other website referred to in this report) is not part of this report and is not incorporated by reference as part of this report.

All of Molson Coors' directors and employees, including its Chief Executive Officer, Chief Financial Officer, and other senior financial officers, are bound by Molson Coors' Code of Business Conduct, which complies with the requirements of the New York Stock Exchange and the SEC to ensure that the business of Molson Coors is conducted in a legal and ethical manner. The Code of Business Conduct covers all areas of professional conduct, including employment policies, conflicts of interest, fair dealing, and the protection of confidential information, as well as strict adherence to all laws and regulations applicable to the conduct of our business. A copy of the Code of Business Conduct is available on the Molson Coors website. Molson Coors endeavors to disclose amendments to, or waivers from, certain provisions of the Code of Business Conduct for executive officers and directors on its website within four business days following the date of such amendment or waiver.

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Executive Officers

The following tables set forth certain information regarding our executive officers as of February 17, 2012:

Name	Age	Position
Peter Swinburn	59	President, Chief Executive Officer, and a Director of MillerCoors LLC
Krishnan Anand	54	President of Molson Coors International
Peter H. Coors	65	Vice Chairman of the Board of the Company, Executive Director of Coors Brewing Company, and Chairman of the Board of MillerCoors LLC
Stewart Glendinning	46	Chief Financial Officer and a Director of MillerCoors LLC
Mark Hunter	49	President and Chief Executive Officer of Molson Coors Brewing Company (UK) Limited
David Perkins	58	President and Chief Executive Officer of Molson Coors Canada
Gregory L. Wade	63	Chief Supply Chain Officer
Samuel D. Walker	53	Chief People and Legal Officer, Corporate Secretary, and Managing Director of MillerCoors LLC

ITEM 1A. Risk Factors

The reader should carefully consider the following risk factors and the other information contained within this document. The most important factors that could influence the achievement of our goals, and cause actual results to differ materially from those expressed in the forward-looking statements, include, but are not limited to, the following:

Risks Specific to Our Company

Competition in our markets could require us to reduce prices or increase capital and other expenditures or cause us to lose sales volume, any of which could have a material adverse effect on our business and financial results. In most of our markets, our primary competitors have substantially greater financial, marketing, production and distribution resources than us, and are more diverse in terms of their geographies and brand portfolios. In all of the markets in which we operate, aggressive marketing strategies by these competitors could adversely affect our financial results. Moreover, each of our major markets is mature.

Our success as an enterprise depends largely on the success of relatively few products in several mature markets; the failure or weakening of one or more of these products or markets could materially adversely affect our financial results. Our Molson Canadian and Coors Light brands in Canada, Miller Lite and Coors Light brands in the U.S., and Carling brand in the U.K. represented more than half of each respective segment's sales in 2011. Consequently, any material shift in consumer preferences away from these brands, or from the categories in which they compete, could have a material adverse effect on our business.

If Pentland and the Coors Trust do not agree on a matter submitted to stockholders, generally the matter will not be approved, even if beneficial to us or favored by other stockholders. Pentland Securities (1981) Inc. (the "Pentland Trust") (a company controlled by the Molson family and related parties) and the Adolph Coors, Jr. Trust (the "Coors Trust"), which together control more than ninety percent of our Class A common stock and Class A exchangeable shares, have voting trust agreements through which they have combined their voting power over the shares of our Class A common stock and the Class A exchangeable shares that they own. In the event that these two stockholders do not agree to vote in favor of a matter submitted to a stockholder vote (other than the election of directors), the voting trustees will be required to vote all of the Class A common stock and Class A exchangeable shares deposited in the voting trusts against the matter. There is no other mechanism in the voting trust agreements to resolve a potential deadlock between these stockholders. Therefore, if either the Pentland Trust or the Coors Trust is unwilling to vote in favor of a proposal that is subject to a stockholder vote, we would be unable to implement the proposal even if our board, management or other stockholders believe the proposal is beneficial to us. Similarly, our bylaws require the authorization of a super-majority (two-thirds) of the board of directors to take certain transformational actions. Thus it is possible that the Company will not be authorized to take action even if it is supported by a simple majority of the board.

Poor investment performance of pension plan holdings and other factors impacting pension plan costs could unfavorably impact liquidity and results of operations. Our costs of providing defined benefit pension plans are

dependent upon a number of factors, such as the rates of return on the plans' assets, discount rates, the level of interest rates used to measure the required minimum funding levels of the plans, exchange rate fluctuations, future government regulation, global

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equity prices, and our required and/or voluntary contributions to the plans. While we comply with the minimum funding requirements, we have certain qualified pension plans with obligations which exceed the value of the plans' assets. Without sustained growth in the pension investments over time to increase the value of the plans' assets, and depending upon the other factors as listed above, we could be required to fund the plans with significant amounts of cash. Such cash funding obligations could have a material impact on our cash flows, credit rating and cost of borrowing, financial position, or results of operations.

We rely on a small number of suppliers to obtain the packaging we need to operate our business. The inability to obtain materials could unfavorably affect our ability to produce our products. We purchase certain types of packaging materials including aluminum, glass and paperboard from a small number of suppliers. Consolidation of the packaging materials suppliers has reduced local supply alternatives and increased risks of supply disruptions. The inability of any of these suppliers to meet our production requirements without sufficient time to develop an alternative source could have a material adverse effect on our business.

Termination of one or more manufacturer/distribution agreements could have a material adverse effect on our business. We manufacture and/or distribute products of other beverage companies through various joint ventures, licensing, distribution or other arrangements. The loss of one or more of these arrangements, as a result of industry consolidation or otherwise, could have a material adverse effect on the business and financial results of one or more reporting segments.

Changes in tax, environmental or other regulations or failure to comply with existing licensing, trade and other regulations could have a material adverse effect on our financial condition. Our business is highly regulated by federal, state, provincial, and local laws and regulations in various countries regarding such matters as licensing requirements, trade and pricing practices, labeling, advertising, promotion and marketing practices, relationships with distributors, environmental matters, smoking bans at on-premise locations, and other matters. These laws and regulations are subject to frequent re-evaluation, varying interpretations and political debate and inquiries from government regulators charged with their enforcement. Failure to comply with existing laws and regulations or changes in these laws and regulations or in tax, environmental, excise tax levels imposed or any other laws or regulations could result in the loss, revocation or suspension of our licenses, permits or approvals and could have a material adverse effect on our business, financial condition, and results of operations. Finally, advocates of prohibition and other severe restrictions on the marketing and sales of alcohol are becoming increasingly organized on a global basis, seeking to impose regulations to curtail substantially the consumption of alcohol, including beer, in developed and developing markets. To the extent such views gain traction in national regulations where we do or plan to do business, they could have a material adverse impact on our business and results of operations.

Our consolidated financial statements are subject to fluctuations in foreign exchange rates, most significantly the British Pound ("GBP") and the Canadian dollar ("CAD"). We hold assets and incur liabilities, earn revenues and pay expenses in different currencies, most significantly in Canada and in the U.K. Because our financial statements are presented in U.S. Dollars ("USD"), we must translate our assets, liabilities, income and expenses into USD. Increases and decreases in the value of the USD will affect, perhaps adversely, the value of these items in our financial statements, even if their local currency value has not changed. To the extent that we fail to adequately manage these risks, including if our hedging arrangements do not effectively or completely hedge changes in foreign currency rates, our results of operations may be materially and adversely impacted.

Our operations face significant exposure to changes in commodity prices, which could materially and adversely affect our operating results. We use a large volume of agricultural and other raw materials to produce our products, including barley, barley malt, hops, corn, other various starches, water, and packaging materials, including aluminum, cardboard and other paper products. We also use a significant amount of diesel fuel in our operations. The supply and price of these raw materials and commodities can be affected by a number of factors beyond our control, including market demand, global geopolitical events (especially as to their impact on crude oil prices and the resulting impact on diesel fuel prices), frosts, droughts and other weather conditions, economic factors affecting growth decisions, plant diseases, and theft. To the extent any of the foregoing factors affect the prices of ingredients or packaging or our hedging arrangements do not effectively or completely hedge changes in commodity price risks, our results of operations could be materially and adversely impacted.

The success of our business relies heavily on brand image, reputation, and product quality. It is important that we maintain and increase the image and reputation of our existing products. Concerns about product quality, even when unsubstantiated, could be harmful to our image and reputation of our products. Deterioration to our brand equity may have a material effect on our business and financial results.

Due to a high concentration of unionized workers in Canada, the United Kingdom, and at MillerCoors in the U.S., we could be significantly affected by labor strikes, work stoppages, or other employee-related issues. Approximately 61%, 36% and 25% of our Canadian, MillerCoors, and U.K. workforces, respectively, are represented by trade unions. Stringent labor laws in the U.K. expose us to a greater risk of loss should we experience labor disruptions in that market. Any labor strike, work stoppage or other employee-related issue could have a material adverse effect on our business and financial results.

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Changes to the regulation of the distribution systems for our products could adversely impact our business. In our U.S. market, there is a three-tier distribution system that has historically applied to the distribution of products now sold through MillerCoors (including our non-U.S. products). That system is increasingly subject to the legal challenges on the basis that it allegedly interferes with interstate commerce. To the extent that such challenges are successful and require changes to the three-tier system, such changes could have a materially adverse impact on MillerCoors and, consequently, MCBC. Further, in certain Canadian provinces, our products are distributed through joint venture arrangements that are mandated and regulated by provincial government regulators. If provincial regulation should change, the costs to adjust our distribution methods could have a material adverse impact on our business.

Changes in various supply chain standards or agreements could adversely impact our business. Our business includes various joint venture and industry agreements which standardize parts of the supply chain system. An example includes our warehousing and customer delivery systems organized under joint venture agreements with other brewers. Any negative change in these agreements could have a material adverse impact on our business.

Because of our reliance on third-party service providers for certain administrative functions, we could experience a disruption to our business. We rely exclusively on one information services provider worldwide for our information technology functions including network, help desk, hardware, and software configuration. We also have outsourced a significant portion of work associated with our finance and accounting, human resources, and other information technology functions to a third-party service provider. If one of these service providers was to fail and we were unable to find a suitable replacement in a timely manner, we could be unable to properly administer our outsourced functions.

We may incur impairments of the carrying value of our goodwill and other intangible assets that have indefinite useful lives. In connection with various business combinations, we have allocated material amounts of the related purchase prices to goodwill and other intangible assets that are considered to have indefinite useful lives. These assets are tested for impairment at least annually, using estimates and assumptions affected by factors such as economic and industry conditions and changes in operating performance. Potential resulting charges could be material and could adversely impact our results of operations.

Climate change and water availability may negatively affect our business. There is concern that a gradual increase in global average temperatures could cause significant changes in weather patterns around the globe and an increase in the frequency and severity of natural disasters. While warmer weather has historically been associated with increased sales of beer, changing weather patterns could result in decreased agricultural productivity in certain regions which may limit availability or increase the cost of key agricultural commodities, such as hops, barley and other cereal grains, which are important ingredients for our products. Increased frequency or duration of extreme weather conditions could also impair production capabilities, disrupt our supply chain or impact demand for our products. In addition, public expectations for reductions in greenhouse gas emissions could result in increased energy, transportation and raw material costs and may require us to make additional investments in facilities and equipment. As a result, the effects of climate change could have a long-term, material adverse impact on our business and results of operations. There are also water availability risks. Climate change may cause water scarcity and a deterioration of water quality in areas where we maintain brewing operations. The competition for water among domestic, agricultural and manufacturing users is increasing in some of our brewing communities. Even where water is widely available, water purification and waste treatment infrastructure limitations could increase costs or constrain our operations.

Failure to successfully complete or integrate acquisitions and joint ventures into our existing operations could have an adverse impact on our business, financial condition and results of operations. We have made a number of acquisitions and entered into several joint ventures. We anticipate that we may, from time to time, in the future acquire additional businesses or enter into additional joint ventures that we believe would provide a strategic fit with our business. Potential issues associated with acquisitions and joint ventures could include, among other things: our ability to realize the benefits or cost savings that we expect to realize as a result of the acquisition or joint venture; diversion of management's attention; our ability to successfully integrate our businesses with the business of the acquired company; motivating, recruiting and retaining executives and key employees; conforming standards, controls, procedures and policies, business cultures and compensation structures among our company and the acquired company; consolidating and streamlining sales, marketing and corporate operations; potential exposure to unknown

liabilities of acquired companies; loss of key employees and customers of the acquired business; and managing tax costs or inefficiencies associated with integrating our operations following completion of an acquisition or entry into a joint venture. If an acquisition or joint venture is not successfully completed or integrated into our existing operations, our business, financial condition and results of operations could be adversely impacted.

Risks associated with operating our joint ventures may adversely affect our financial condition and results of operations. We have entered into several joint ventures, including our MillerCoors joint venture in the United States and Puerto Rico with SABMiller. We may enter into additional joint ventures in the future. Our joint venture partners may at any time have economic, business or legal interests or goals that are inconsistent with our goals or with the goals of the joint venture. Our joint venture arrangements may require us, among other matters, to pay certain costs or to make certain capital

investments or to seek our joint venture partner's consent to take certain actions. In addition, our joint venture partners may be unable or unwilling to meet their economic or other obligations under the operative documents, and we may be required to either fulfill those obligations alone to ensure the ongoing success of a joint venture or to dissolve and liquidate a joint venture.

We depend on key personnel, the loss of whom would harm our business. The loss of the services and expertise of any key employee could harm our business. Our future success depends on our ability to identify, attract and retain qualified personnel on a timely basis. Turnover of senior management can adversely impact our stock price, our results of operations and our client relationships and may make recruiting for future management positions more difficult. In addition, we must successfully integrate any new management personnel that we hire within our organization in order to achieve our operating objectives, and changes in other key management positions may temporarily affect our financial performance and results of operations as new management becomes familiar with our business.

Risks Specific to the Canada Segment

We may experience continued price discounting in Canada. The continuation, or the increase of price discounting, in Ontario, Québec, Alberta or other provinces, could adversely impact our business.

In the event that we are required to move away from the industry standard returnable bottle we use today, we may incur unexpected losses. Along with ABI and other brewers in Canada, we currently use an industry standard returnable bottle which represents the significant majority of the more than 50% bottle volume sales in Canada. Changes to the Industry Standard Bottle Agreement could impact our use of the industry standard returnable bottle. If we cease to use the industry standard returnable bottle, our current bottle inventory and a portion of our bottle packaging equipment could become obsolete and could result in a material write-off of these assets.

Risks Specific to the United States Segment and MillerCoors

We do not fully control the operations and administration of MillerCoors, which represents our interests in the U.S. beer business. We jointly control MillerCoors with SABMiller, and hold a 42% economic interest. MillerCoors management is responsible for the day to day operations of the business and therefore, we do not have full control over the activities of MillerCoors. Our results of operations are dependent upon the efforts of MillerCoors management, our ability to govern the joint venture effectively with SABMiller, and factors beyond our control that may affect SABMiller. Additionally, our disclosure controls and procedures with respect to MillerCoors are necessarily substantially more limited than those we maintain with respect to our consolidated subsidiaries.

We may incur unexpected costs or face other business issues from MillerCoors due to challenges associated with integrating operations, technologies, and other aspects of the operations. The MillerCoors management team continues to focus on fully integrating ours and SABMiller's U.S. operations, technologies, and services, as well as the distribution networks including the resolution of disputes arising from the consolidation of distributors arising from the MillerCoors joint venture. The failure of MillerCoors to successfully integrate the two operations could adversely affect our financial results or prospects.

MillerCoors is highly dependent on independent distributors in the United States to sell its products, with no assurance that these distributors will effectively sell its and our products. MillerCoors sells all of its products and our non-U.S. products in the United States to distributors for resale to retail outlets and the regulatory environment of many states makes it very difficult to change distributors. Consequently, if MillerCoors is not allowed or is unable to replace unproductive or inefficient distributors, its business, financial position, and results of operation may be adversely affected, which could have a material adverse effect on our business and financial results.

Risks Specific to the United Kingdom Segment

Sales volume trends in the United Kingdom brewing industry reflect movement from on-premise channels to off-premise channels, a trend which unfavorably impacts our profitability. In recent years, beer volume sales in the U.K. have been shifting from pubs and restaurants (on-premise) to retail stores (off-premise), for the industry in general. A ban on smoking in pubs and restaurants across the whole of the U.K. enacted in 2007 accelerated this trend. Margins on sales to off-premise customers tend to be lower than margins on sales to on-premise customers, and, as a result, continuation or acceleration of these trends would further adversely impact our profitability.

Consolidation of pubs and growth in the size of pub chains in the United Kingdom could unfavorably impact pricing.   The trend toward consolidation of pubs, away from independent pub and club operations, is continuing in the United Kingdom. These larger entities have stronger price negotiating power, and therefore continuation of this trend could impact our ability to obtain favorable pricing in the on-premise channel (due to the spillover effect of reduced negotiating leverage) and could reduce our revenues and profit margins. In addition, these larger customers continue to move to purchasing directly more of the products that, in the past, we have provided as part of our factored business. Further consolidation could contribute to an

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adverse financial impact.

In the event that a significant pub chain were to go bankrupt, or experience similar financial difficulties, our business could be adversely impacted. We extend credit to pub chains in the U.K., and in some cases the amounts are significant. The continuing challenging economic environment in the U.K. has caused business at on-premise outlets to slow since late 2008, and some pub chains may face increasing financial difficulty if economic conditions do not improve. In the event that a pub chain were to be unable to pay amounts owed to us as a result of bankruptcy or similar financial difficulties, our business could be adversely impacted.

We depend exclusively on one logistics provider for the distribution of our products in the United Kingdom. Tradeteam handles all of the physical distribution for us in the U.K., except where a different distribution system is requested by a customer. If Tradeteam were unable to continue distribution of our products and we were unable to find a suitable replacement in a timely manner, we could experience significant disruptions in our business that could have an adverse financial impact.

Risks Specific to the Molson Coors International Segment

An inability to expand our operations in emerging markets could adversely affect our growth prospects. Our ability to grow our MCI segment in emerging markets depends on social, economic and political conditions in those markets and on our ability to create effective product distribution networks and consumer brand awareness in new markets. Due to product price, local competition and cultural differences, there is no assurance that our products will be accepted in any particular emerging market. If we are unable to expand our businesses in emerging markets, our growth prospects could be adversely affected.

Our operations in emerging markets expose us to additional risks which could harm our business, financial condition and results of operations. We expect our operations in emerging markets to become more significant to our operating results as we continue to further expand internationally. In certain emerging markets, we have limited operating experience and may not succeed. In addition to risks described elsewhere in this section, our operations in emerging markets expose us to additional risks, including: changes in local political, economic, social, and labor conditions; restrictions on foreign ownership and investments; repatriation of cash earned in countries outside the U.S.; import and export requirements; currency exchange rate fluctuations; a less developed and certain legal and regulatory environment, which among other things can create uncertainty with regard to liability issues; longer payment cycles, increased credit risk, and higher levels of payment fraud; and other challenges caused by distance, language, and cultural differences.

In addition, compliance with complex foreign laws and regulations, and U.S. laws such as the Foreign Corrupt Practices Act, that apply to our international operations increases our cost of doing business in some international jurisdictions. Violations of these laws and regulations could result in fines and penalties, criminal sanctions against us, our officers, or our employees, prohibitions on the conduct of our business and on our ability to offer our products and services in one or more countries.

Risks Specific to Our Discontinued Operations

Indemnities provided to the purchaser of 83% of the Cervejarias Kaiser Brasil S.A. ("Kaiser") business in Brazil could result in future cash outflows and statement of operations charges. In 2006, we sold our 83% ownership interest in Kaiser to FEMSA Cerveza S.A. de C.V. ("FEMSA"). The terms of the sale agreement require us to indemnify FEMSA for exposures related to certain tax, civil and labor contingencies and certain purchased tax credits. The ultimate resolution of these claims is not under our control. These indemnity obligations are recorded as liabilities on our balance sheet, however, we could incur future statement of operations charges as facts further develop resulting in changes to our estimates or changes in our assessment of probability of loss on these items as well as due to fluctuations in foreign exchange rates. Due to the uncertainty involved in the ultimate outcome and timing of these contingencies, significant adjustments to the carrying value of our indemnity liabilities and corresponding statement of operations charges/credits could result in the future.

ITEM 1B. Unresolved Staff Comments

None.

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ITEM 2. Properties

As of December 31, 2011, our major facilities were owned (unless otherwise indicated) and are as follows:

Facility	Location	Character
Canada		
Administrative offices	Toronto, Ontario	Canada Segment Headquarters
	Montréal, Québec	Corporate Headquarters
Brewery/packaging plants	St John's, Newfoundland	Brewing and packaging
	Montréal, Québec(1)	Brewing and packaging
	Creemore, Ontario	Brewing and packaging
	Moncton, New Brunswick	Brewing and packaging
	Toronto, Ontario(1)	Brewing and packaging
	Vancouver, British Columbia(2)	Brewing and packaging
Distribution warehouses	Québec Province(3)	Distribution centers
	Rest of Canada(4)	Distribution centers
United States/MCI/Corporate		
Administrative offices	Denver, Colorado(5)	Corporate and MCI Headquarters
	Miami, Florida(5)	MCI offices
	Madrid, Spain(5)	MCI offices
	Mumbai, India(5)	MCI offices
	Guangzhou, China(6)	MCI offices
	Tokyo, Japan(6)	MCI offices
	Hong Kong(6)	MCI offices
Brewery/packaging plants	Chengde, China	Brewing and packaging
	Patna, India	Brewing and packaging
United Kingdom		
Administrative office	Burton-on-Trent, Staffordshire	U.K. Segment Headquarters
Brewery/packaging plants	Burton-on-Trent, Staffordshire(1)	Brewing and packaging
	Tadcaster Brewery, Yorkshire	Brewing and packaging
	Alton Brewery, Hampshire	Brewing and packaging
	Sharp's Brewery, Cornwall	Brewing and packaging
Malting/grain silos	Burton-on-Trent, Staffordshire	Malting facility
Distribution warehouse	Burton-on-Trent, Staffordshire	Distribution center

(1) Montréal and Toronto breweries account for approximately 76% of our Canada production. The Burton-on-Trent brewery is our largest brewery in the U.K. and accounts for approximately 60% of our U.K. production.

(2) We own two brewing and packaging facilities in Vancouver, British Columbia.

(3) We own 11 distribution centers, lease two additional distribution centers, own one warehouses and lease seven additional warehouses in the Québec Province.

(4) We lease nine warehouses throughout Canada, excluding the Québec Province.

(5) Leased facility.

(6) We lease headquarter offices in Asia. Additionally, in China we lease regional offices to comply with local regulations which require an office in each city where we conduct business (55 cities).

We believe our facilities are well maintained and suitable for their respective operations. In 2011, our operating facilities were not capacity constrained.

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ITEM 3. Legal Proceedings

We are a party to various legal proceedings arising in the ordinary course of business as described in Part II—Item 8 Financial Statements, Note 20 "Commitments and Contingencies—Litigation and Other Disputes", which if decided adversely to or settled by us, may, individually or in the aggregate, be material to our financial condition or results of operations. We may enter into discussions regarding settlement of these and other lawsuits, and may enter into settlement agreements if we believe such settlement is in the best interests of our stockholders.

In 1999, Molson entered into an agreement for the distribution of Molson products in Brazil. In 2000, before commencing distribution in Brazil, Molson terminated the distribution agreement and paid the distributor $150,000 in settlement. The distributor sued Molson to set aside the settlement and to seek additional compensation. The Appellate Court of the State of Rio de Janeiro ("Appellate Court") set aside the settlement agreement and determined that Molson was liable to the distributor, with the amount of damages to be determined through subsequent proceedings. An appeal of the liability decision is currently pending before the Brazilian Superior Court of Justice, which allowed Molson's appeal during the fourth quarter of fiscal year 2009 and agreed to hear the merits of Molson's appeal. The case was remanded to a Rio de Janeiro trial court to determine the amount of damages. The trial court retained an expert who provided a report adopting the position of the distributor and recommended damages based on a business plan that was never implemented. Molson challenged the irregularity of the expert process, the impartiality of the expert, as well as the report's specific recommendation. The trial court denied Molson's challenges. Molson filed an appeal before the Appellate Court regarding these procedural irregularities, which was denied during the fourth quarter of fiscal year 2009. Following the trial court's procedural ruling during the third quarter of 2009, that court handed down a decision in the distributor's favor granting the full amount of the lost anticipated profits alleged by the distributor, approximately $42 million, plus attorney's fees and accrued interest from the termination of the distribution agreement. Molson appealed the judgment to the Appellate Court. During the fourth quarter of 2009, the Appellate Court directed the court-retained expert to explain the basis for his damages calculation. During the first quarter of 2010, the Appellate Court granted Molson's appeal and vacated the $42 million judgment. The Appellate Court remanded the proceeding to the trial court and ordered that court to select a different expert. The Appellate Court furthermore directed the trial court to use specific criteria in setting damages, the effect of which should be to substantially reduce the award. Molson sought clarification as to the precise criteria to be used. In April 2010, the Appellate Court denied Molson's motion for clarification, but limited the accrual of interest in this matter. In October 2010, the Appellate Court denied the distributor's motion to set aside the vacation of the $42 million judgment. In July 2011, the trial court selected a new expert who is beginning to formulate a new calculation of damages.

During the second quarter of 2011, a competitor in our Canadian market filed a lawsuit in a trial court in Ontario, Canada, challenging a sponsorship agreement between our Canadian and U.S. businesses and the National Hockey League ("NHL") (Labatt Brewing Co. Ltd. et al. v. NHL Enterprises Canada Ltd., et al., Sup. Ct. of Justice-Ontario, CV-11-9122-00CL). Following an expedited trial, the court ruled against us and the NHL, holding that there was a binding agreement between Labatt and the NHL. The Court of Appeal of Ontario reversed that judgment on July 12, 2011 (C53817 & C53818). Labatt subsequently re-initiated a lawsuit in the Ontario trial court, which has since ruled in our favor, upholding the NHL sponsorship (Sup. Ct. of Justice-Ontario, 2011 ONSC 5652 (October 20, 2011)). Labatt had thirty days in which to appeal the decision and declined to do so.

On February 9, 2012, the Oglala Sioux Tribe ("OST") of South Dakota filed a lawsuit in federal district court in Nebraska against four beer retailers in Whiteclay, Nebraska and the distributors and brewers, including MillerCoors (and its parents which include us), who make and distribute the beer sold at those retailers. Whiteclay, Nebraska is across the state border from the Pine Ridge Indian Reservation ("PRIR") in South Dakota where the OST resides. The sale and consumption of beer is prohibited in the PRIR. The complaint was amended on February 17, 2012. The amended complaint alleges that the manufacturing and distributor defendants acted in concert with the retailers to promote and sell beer that they knew would be transported to and eventually resold and consumed in the PRIR, and that these sales of beer were illegal under federal law and the laws of Nebraska and the OST. The amended complaint also seeks injunctive relief limiting the amount of beer sold by the retailers in Whiteclay. We have not yet filed a response to the complaint. We intend to vigorously defend this matter and are unable to estimate our potential liability, if any, at this time.

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

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ITEM 4. Mine Safety Disclosures

Not applicable.

PART II

ITEM 5. Market For Registrant's Common Equity, Related Stockholder Matters, and Issuer Purchases of Equity Securities

We have Class A common stock and Class B non-voting common stock trading on the New York Stock Exchange under the symbols "TAP A" and "TAP," respectively. "TAP A" and "TAP" were de-listed from the Toronto Stock Exchange at the close of business on May 1, 2009. In addition, our indirect subsidiary, Molson Coors Canada Inc., has Class A exchangeable shares and Class B exchangeable shares trading on the Toronto Stock Exchange under the symbols "TPX.A" and "TPX.B," respectively. The Class A and B exchangeable shares are a means for shareholders to defer tax in Canada and have substantially the same economic and voting rights as the respective common shares. The exchangeable shares can be exchanged for our Class A or B common stock at any time and at the exchange ratios described in the Merger documents, and receive the same dividends. At the time of exchange, shareholders' taxes are due. The exchangeable shares have voting rights through special voting shares held by a trustee, and the holders thereof are able to elect members of the Board of Directors. The approximate number of record security holders by class of stock at February 17, 2012, is as follows:

Title of class	Number of record security holders
Class A common stock, voting, $0.01 par value	29
Class B common stock, non-voting, $0.01 par value	3,153
Class A exchangeable shares	265
Class B exchangeable shares	2,758

The following table sets forth the high and low sales prices per share of our Class A common stock for each fiscal quarter of 2011 and 2010 as reported by the New York Stock Exchange, as well as dividends paid in such fiscal quarter.

	High	Low	Dividends
2011			
First quarter	$50.50	$42.85	$0.28
Second quarter	$49.10	$43.75	$0.32
Third quarter	$46.51	$40.00	$0.32
Fourth quarter	$44.11	$39.25	$0.32
2010			
First quarter	$44.25	$38.00	$0.24
Second quarter	$43.94	$39.60	$0.28
Third quarter	$46.02	$41.40	$0.28
Fourth quarter	$50.75	$45.00	$0.28

The following table sets forth the high and low sales prices per share of our Class B common stock for each fiscal quarter of 2011 and 2010 as reported by the New York Stock Exchange, as well as dividends paid in such fiscal quarter.

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	High	Low	Dividends
2011			
First quarter	$50.74	$42.50	$0.28
Second quarter	$49.58	$43.41	$0.32
Third quarter	$46.71	$38.72	$0.32
Fourth quarter	$44.13	$37.99	$0.32
2010			
First quarter	$46.07	$38.44	$0.24
Second quarter	$45.00	$39.89	$0.28
Third quarter	$47.11	$41.88	$0.28
Fourth quarter	$51.11	$46.17	$0.28

The following table sets forth the high and low sales prices per share of our Class A exchangeable shares for each fiscal quarter of 2011 and 2010 as reported by the Toronto Stock Exchange, as well as dividends paid in such fiscal quarter.

	High	Low	Dividends
2011			
First quarter	C$50.67	C$42.65	$0.28
Second quarter	C$46.75	C$42.00	$0.32
Third quarter	C$44.14	C$40.66	$0.32
Fourth quarter	C$44.89	C$39.90	$0.32
2010			
First quarter	C$47.82	C$41.13	$0.24
Second quarter	C$45.79	C$42.00	$0.28
Third quarter	C$48.09	C$44.10	$0.28
Fourth quarter	C$51.55	C$46.92	$0.28

The following table sets forth the high and low sales prices per share of our Class B exchangeable shares for each fiscal quarter of 2011 and 2010 as reported by the Toronto Stock Exchange, as well as dividends paid in such fiscal quarter.

	High	Low	Dividends
2011			
First quarter	C$50.50	C$42.26	$0.28
Second quarter	C$46.75	C$42.57	$0.32
Third quarter	C$44.74	C$40.17	$0.32
Fourth quarter	C$45.74	C$39.89	$0.32
2010			
First quarter	C$48.01	C$41.25	$0.24
Second quarter	C$45.80	C$42.36	$0.28
Third quarter	C$48.35	C$44.00	$0.28
Fourth quarter	C$51.75	C$46.71	$0.28

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PERFORMANCE GRAPH

The following graph compares our cumulative total stockholder return over the last five fiscal years with the Standard and Poor's 500 Index® ("S&P 500"), and a customized index including, MCBC, SABMiller, ABI, Carlsberg, Heineken, Modelo and Asahi (the "Peer Group"). We have used an arithmetic average to determine the return for the Peer Group. In 2011, we removed Fosters from the Peer Group as it was acquired by SABMiller. Additionally, in 2011, we determined that Asahi should be included in the Peer Group. We have accordingly adjusted cumulative total returns for the changes in Peer Group composition to reflect these adjustments for all periods presented. The graph assumes $100 was invested on December 29, 2006, (the last trading day of our fiscal year 2006) in our Class B common stock, the S&P 500 and the Peer Group, and assumes reinvestment of all dividends.

On August 1, 2007, our Board of Directors declared a two-for-one stock split issued in the form of a dividend for all classes of capital stock, with a record date of September 19, 2007, and an effective date of October 3, 2007. All share and per share data included in the consolidated financial statements and accompanying notes have been adjusted to reflect this stock split.

Molson Coors Brewing Company

Comparison of Five-Year Cumulative Total Return

	At Fiscal-Year End					
	2006	2007	2008	2009	2010	2011
Molson Coors	$100.00	$138.26	$126.69	$122.85	$143.66	$126.43
S&P 500	$100.00	$106.22	$64.19	$84.88	$96.63	$98.76
Peer Group(1)	$100.00	$123.71	$69.70	$128.55	$148.68	$152.67

(1) The Peer Group represents the arithmetic average of the common stock of MCBC, SABMiller, ABI, Carlsberg, Heineken, Modelo and Asahi. These securities are traded on various exchanges throughout the world.

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Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (1)
September 25, 2011 - October 22, 2011	—	—	—	928,851,852
October 23, 2011 - November 19, 2011	—	$—	—	$928,851,852
November 20, 2011 - December 31, 2011	1,198,100	$41.73	1,198,100	878,855,139
Total	1,198,100	$41.73	1,198,100	$878,855,139

(1) On August 2, 2011, we announced that our Board of Directors approved and authorized a new program to repurchase up to $1.2 billion of our Class B common stock. The program has an expected term of three years and we plan to repurchase our Class B common stock from time to time, principally in the open market or through private transactions. The number, price, and timing of the repurchases will be at our sole discretion and will be evaluated depending on market conditions, liquidity needs or other factors. Our Board of Directors may suspend, modify, or terminate the program at any time without prior notice. During the third quarter of 2011, our Board of Directors expanded this program to include the repurchase of our Class A common stock.

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ITEM 6. Selected Financial Data

The table below summarizes selected financial information for the five years ended as noted. For further information, refer to our consolidated financial statements and notes thereto presented under Part II—Item 8 Financial Statements and Supplementary Data. Due to an accounting pronouncement issued in 2008 related to convertible debt, certain amounts have been adjusted from amounts reported prior to 2009. The pronouncement pertains to our 2.5% Convertible Senior Notes due July 30, 2013, that were issued in 2007 and resulted in adjustments to 2007 and 2008 income from continuing operations, per share amounts, total assets, and long-term debt in the table below.

	2011(1)	2010(1)	2009(1)	2008(1)	2007(1)
	(In millions, except per share data)				
Consolidated Statement of Operations:					
Net sales(2)	$3,515.7	$3,254.4	$3,032.4	$4,774.3	$6,190.6
Income from continuing operations attributable to MCBC	$674.0	$668.1	$729.4	$390.8	$509.7
Income from continuing operations attributable to MCBC per share:					
Basic	$3.65	$3.59	$3.96	$2.14	$2.85
Diluted	$3.62	$3.57	$3.92	$2.11	$2.81
Consolidated Balance Sheet data:					
Total assets	$12,423.8	$12,697.6	$12,021.1	$10,386.6	$13,415.1
Short-term borrowings and current portion of long-term debt	$46.9	$1.1	$300.3	$0.1	$4.2
Long-term debt	$1,914.9	$1,959.6	$1,412.7	$1,752.0	$2,165.1
Other information:					
Dividends per share of common stock	$1.24	$1.08	$0.92	$0.76	$0.64

(1) Fiscal year 2011 contained 53 weeks whereas fiscal years 2007, 2008, 2009, and 2010 contained 52 weeks.

(2) As a result of the MillerCoors formation on July 1, 2008, and MCBC's prospective equity accounting for MillerCoors, net sales for the fifty-two weeks ended December 28, 2008, only include net U.S. sales through the period ended June 30, 2008.

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ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Unless otherwise noted in this report, any description of "we", "us" or "our" includes Molson Coors Brewing Company ("MCBC" or the "Company"), principally a holding company, and its subsidiaries: Molson Coors Canada ("MCC"), operating in Canada; Coors Brewing Company ("CBC"), operating in the United States ("U.S.") until June 30, 2008 when MCBC and SABMiller plc ("SABMiller") combined the U.S. and Puerto Rico operations of their respective subsidiaries, CBC and Miller Brewing Company ("Miller"), and the results and financial position of U.S. operations, which had historically comprised substantially all of our U.S. reporting segment were, in all material respects, deconsolidated from MCBC prospectively upon formation of MillerCoors LLC ("MillerCoors"); Molson Coors Brewing Company (UK) Limited ("MCBC-UK"), operating in the United Kingdom ("U.K.") and the Republic of Ireland; Molson Coors International ("MCI") operating in various other countries; and our other non-operating subsidiaries. Any reference to "Coors" means the Adolph Coors Company prior to the 2005 merger with Molson Inc. (the "Merger"). Any reference to Molson Inc. or Molson means MCC prior to the Merger. Any reference to "Molson Coors" means MCBC after the Merger.

Unless otherwise indicated, (a) all $ amounts are in U.S. Dollars ("USD"), (b) comparisons are to comparable prior periods, and (c) 2011 refers to the 53 weeks ended on December 31, 2011, 2010 refers to the 52 weeks ended on December 25, 2010, and 2009 refers to the 52 weeks ended on December 26, 2009.

MillerCoors follows a monthly reporting calendar. 2011, 2010 and 2009 refer to the 12 months ended December 31, 2011, December 31, 2010, and December 31, 2009, respectively.

In addition to financial measures presented on the basis of accounting principles generally accepted in the United States of America ("U.S. GAAP"), we also present pre-tax and after-tax "underlying income", "underlying income per diluted share", "underlying effective tax rate", and "underlying free cash flow", which are non-GAAP measures and should be viewed as supplements to-not substitutes for-our results of operations presented under U.S. GAAP. Our management uses underlying income, underlying income per diluted share, underlying effective tax rate and underlying free cash flow as measures of operating performance to assist in comparing performance from period to period on a consistent basis; as a measure for planning and forecasting overall expectations and for evaluating actual results against such expectations; and in communications with the board of directors, stockholders, analysts and investors concerning our financial performance. We believe that underlying income, underlying tax rate and underlying free cash flow performance are used by and are useful to investors and other users of our financial statements in evaluating our operating performance because they provide an additional tool to evaluate our performance without regard to special and non-core items, which can vary substantially from company to company depending upon accounting methods and book value of assets and capital structure. We have provided reconciliations of all non-GAAP measures to their nearest U.S. GAAP measure.

Executive Summary

2011 Key Financial Highlights:

Our focus in 2011 continued to be on the three pillars of our growth strategy: to grow profitably in our core businesses through brands and innovation; to grow in new and emerging markets; and when it meets our strict shareholder return criteria, to grow through mergers and acquisitions.

In 2011, our primary focus remained on the first of these pillars as we continued to invest in our key brands and fill our innovation pipeline. Increased sales, pricing and underlying earnings tell us we are moving in the right direction. Highlights for 2011 include:

- Based on the strength of our brands, we achieved positive beer pricing in both the U.S. and Canada.
- The acquisition of Sharp's Brewery Ltd. in the U.K. has gone well with the Doom Bar brand growing strongly and now in the top 3 among U.K. cask ale brands. In the MCI segment, MC Cobra India is also off to a solid start.
- Cost savings initiatives contributed to our financial performance, delivering $107 million of total reductions in 2011, which includes 42% of MillerCoors savings.
- As a result, we increased net sales, gross profit, operating income and underlying after-tax income in 2011.
- Net income from continuing operations attributable to MCBC of $674.0 million, or $3.62 per diluted share, increased 0.9% from a year ago. Underlying after-tax income of $701.5 million, or $3.76 per diluted share, increased 5.2% compared to 2010 due to higher sales volume, positive pricing, continued cost reductions, favorable foreign exchange

and the benefit of an additional week in our 2011 fiscal calendar offset by higher commodity inflation and investments in MCI. Our underlying income excludes some special and other non-

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core gains, losses and expenses that net to a $46.7 million pre-tax charge. The additional week in fiscal 2011 increased worldwide beer volume by approximately 0.3 million hectoliters and increased pre-tax profit by approximately $9 million, which includes increased pre-tax income in Canada of approximately $12 million and approximately $3 million of increased interest and overhead expenses in Corporate. 2011 worldwide beer volume for Molson Coors decreased 0.7% compared to 2010, primarily due to continued volume weakness in the U.S. and Canada while U.K. volume grew during the year. Additionally, total-company net sales increased 8.0% due to positive pricing in the U.S. and Canada, international growth, foreign currency movements, and the benefit of an additional week in our 2011 fiscal calendar.

- We generated cash flow from operating activities of $868.1 million, representing a 15.8% increase from $749.7 million in 2010 and a 1.1% increase from $858.3 million in 2009, respectively. Underlying free cash flow in 2011 was $635.3 million compared to $924.3 million in 2010 and $729.0 million in 2009, representing decreases of 31.3% and 12.9%, respectively. These decreases were driven by lower net income, higher capital expenditures, and timing of working capital in 2011.
- We used free cash flow to repurchase 7.5 million Class B shares for $321.1 million, settled 25% of our cross currency swaps and extinguished $98.7 million of the outstanding liability, and we made a capital contribution to BRI of approximately $94 million, which eliminated our guarantee liability. These cash uses of more than $500 million strengthened our balance sheet, improved our debt ratios with the rating agencies, and reduced our share count at an attractive price.
- In the area of Corporate Social Responsibility, we were selected for inclusion in the Dow Jones Sustainability Index, which is the most recognized global benchmark of sustainability among global corporations. We were one of only six North American food and beverage companies chosen to be in this index.
- Regionally:
- In Canada, we grew volume and profit in the back half of the year through improved performance by Coors Light, Molson Canadian and our above-premium portfolio, highlighted by the launch of Rickard's Blonde and the expansion of Creemore and Granville Island to new markets. Our Canada team secured the key National Hockey League ("NHL") sponsorship property, which is adding visibility to our brands. We introduced Molson Canadian 67 Sublime and Miller Chill Lemon, and we expanded Molson Canadian 67 into Quebec and Molson M into Ontario and the West. 2011 income from continuing operations before income taxes and underlying pre-tax income increased by 4.6% to $474.9 million and by 3.3% to $486.5 million, respectively, compared to 2010. Increased net pricing, the benefit from an additional week in 2011, lower general and administrative expense and favorable foreign currency were partially offset by input. The additional week in 2011 added approximately 0.140 million hectoliters of sales volume and $12 million to pre-tax income.
- In the U.S., Coors Light outperformed the premium light segment in both share and average price, and became the second largest beer in the market. The Blue Moon brands continued to lead the craft beer segment with double-digit volume growth. Leinenkugel's also grew at a double-digit rate. These brands drive the Tenth and Blake business, which is focused on our craft and import brands. MillerCoors introduced value-driving innovations, including Coors Light Super Cold Activation, and expanded the Miller Lite aluminum pint, Leinenkugel's Summer Shandy, Blue Moon seasonals and Batch 19 to new markets. Miller Lite performance, however, was a disappointment. 2011 equity income in MillerCoors increased 0.4% to $457.9 million, while underlying equity income in MillerCoors increased 2.4% to $480.1 million compared to 2010, driven by positive pricing, cost savings, favorable brand mix and lower marketing, general and administrative expense partially offset by lower sales volume and higher commodity inflation. MillerCoors reports on a regular calendar basis, so our U.S. segment did not have an extra week of results in 2011.
- In a very challenging U.K. beer market, we gained market share and in the first half of the year successfully completed a major SAP system implementation and then focused on brands and innovation in the second half, resulting in accelerated share performance. We acquired the Sharp's Brewery and Doom Bar brand early in 2011, added the Modelo brands to our portfolio, and relaunched Carling and Coors Light in the second half of 2011. We introduced new aluminum bottles for Carling, Coors Light and Caffrey's, and we had a limited launch of new brands Carling Chrome and Animée. Also in the second half of 2011, we initiated a multi-year redevelopment program for our U.K. brewing network, which will support brand growth, innovation and operations efficiencies in the years

ahead. 2011 income from continuing operations before income taxes and underlying pre-tax income of $99.3 million and $101.5 million, respectively, represent increases of $4.0 million and $3.1 million, respectively, compared to 2010, driven by higher sales volume, positive sales mix, especially the addition of the Modelo brands, and lower marketing, general and administrative expense partially offset by input inflation and lower net pricing. The U.K. 2011 results reflect

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an insignificant pre-tax profit impact from the additional week in 2011; however, the additional week added approximately 0.165 million hectoliters of sales volume to the 2011 results.

Our approach to International organic growth within MCI is based upon disciplined market development, strong strategic partnerships and sound investment in our brands. Specifically in 2011, we expanded our Cobra partnership to include the Indian subcontinent, which now gives us global control of this promising premium brand. We entered into an exclusive licensing agreement with Obolon CJSC for manufacturing and distribution of Carling in Ukraine, Eastern Europe's second biggest beer market. This venture is off to a strong start. 2011 loss from continuing operations before income taxes and underlying pre-tax loss increased by 29.6% to $33.3 million and by 31.3% to $32.3 million, respectively, compared to 2010. Increased marketing, sales and other investments in our priority international markets were partially offset by higher sales volume. The additional week in 2011 had insignificant impacts on both sales volume and pre-tax loss.

The following table highlights summarized components of our condensed consolidated summary of operations for the fiscal years ended December 31, 2011, December 25, 2010, and December 26, 2009.

	For the Years Ended				
	December 31, 2011	% change	December 25, 2010	% change	December 26, 2009
	(In millions, except percentages and per share data)				
Volume in hectoliters	18.861	2.2 %	18.464	(1.7)%	18.779
Net sales	$3,515.7	8.0 %	$ 3,254.4	7.3 %	$ 3,032.4
Income attributable to MCBC from continuing operations, net of tax	$674.0	0.9 %	$ 668.1	(8.4)%	$ 729.4
Specials and other non-core items					
Special items(1)	12.3	(42.3)%	21.3	(34.9)%	32.7
42% of MillerCoors specials(2)	47.4	N/M	12.7	(38.9)%	20.8
Basis amortization related to the Sparks brand impairment(3)	(25.2)	N/M	—	N/M	—
MillerCoors accounting elections(3)	—	N/M	—	(100.0)%	(7.3)
Gain on sale of non-core real estate(4)	(1.0)	100.0 %	(0.5)	N/M	—
Changes to environmental litigation provisions(5)	0.2	(200.0)%	(0.2)	(113.3)%	1.5
Foster's total return swap(6)	(0.8)	(98.3)%	(47.9)	N/M	(0.7)
Gain related to sale of Montréal Canadiens(7)	—	N/M	—	(100.0)%	(46.0)
Unrealized loss on commodity swaps(8)	4.6	N/M	—	N/M	—
One-time employee related expenses(9)	2.5	N/M	—	N/M	—
Loss related to the change in designation of cross currency swaps(10)	6.7	N/M	—	N/M	—
Tax effect on special items(11)	(19.2)	N/M	13.4	(158.3)%	(23.0)
Non-GAAP: Underlying income attributable to MCBC from continuing operations, net of tax	$701.5	5.2 %	$ 666.9	(5.7)%	$ 707.4
Income attributable to MCBC per diluted share from continuing operations	$3.62	1.4 %	$ 3.57	(8.9)%	$ 3.92
Non-GAAP: Underlying income attributable to MCBC per diluted share from continuing operations	$3.76	5.6 %	$ 3.56	(6.6)%	$ 3.81

N/M = not meaningful

(1) See Part II—Item 8 Financial Statements and Supplementary Data, Note 8 "Special Items" of the Notes to the Consolidated Financial Statements ("Notes") for additional information.

(2) See "Results of Operations", "United States Segment" under the sub-heading "Special Items" in this section for additional information.

(3) See Part II—Item 8 Financial Statements and Supplementary Data, Note 4 "Investments" of the Notes under the sub-headings "Equity Investments" and "Investment in MillerCoors" for additional information.

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(4) See Part II—Item 8 Financial Statements and Supplementary Data, Note 6 "Other Income and Expense" of the Notes for additional information.

(5) See Part II—Item 8 Financial Statements and Supplementary Data, Note 20 "Commitments and Contingencies" of the Notes under the sub-heading "Environmental" for additional information.

(6) See Part II—Item 8 Financial Statements and Supplementary Data, Note 6 "Other Income and Expense" of the Notes for additional information.

(7) See Part II—Item 8 Financial Statements and Supplementary Data, Note 4 "Investments" of the Notes under the sub-headings "All Other Equity Investments" and "Montréal Canadiens" for additional information.

(8) The unrealized loss related to changes in fair value on aluminum swaps recorded in cost of goods sold within our non-reportable Corporate business activities. Once the exposure we are managing is realized, we will reclassify the gain or loss to the operating segment, allowing our operating segments to realize the economic effects of the derivative without the resulting unrealized mark-to-market volatility. Unlike the majority of our derivative contracts, these swaps are not designated in a hedge accounting relationship. We entered into these swaps to hedge our commodity exposure while we renegotiated our contract with our aluminum supplier in Canada.

(9) Under governmental pension arrangements in the U.K., we received tax rebates from 2003 to 2009. Following the identification that some of these rebates related to former employees, these rebates are now required to be repaid. This has resulted in a charge to employee related expenses of $1.1 million in cost of goods sold and $1.4 million in marketing, general and administrative expenses.

(10) See Part II—Item 8 Financial Statements and Supplementary Data, Note 18 "Derivative Instruments and Hedging Activities" of the Notes for additional information.

(11) The effect of taxes on the adjustments used to arrive at underlying income, a non-GAAP measure, is calculated based on the statutory tax rate applicable to the item being adjusted for the jurisdiction from which each adjustment arises.

The following table highlights summarized components of our sales volume for the years ended December 31, 2011, December 25, 2010, and December 26, 2009:

	For the years ended				
	December 31, 2011	% change	December 25, 2010	% change	December 26, 2009
	(In millions, except percentages)				
Volume in hectoliters:					
Financial volume	18.861	2.2 %	18.464	(1.7)%	18.779
Royalty volume(1)	0.451	30.0 %	0.347	15.3 %	0.301
Owned volume	19.312	2.7 %	18.811	(1.4)%	19.080
Proportionate share of equity investment sales-to-retail(2)	29.046	(2.8)%	29.878	(3.3)%	30.888
Total worldwide beer volume	48.358	(0.7)%	48.689	(2.6)%	49.968

(1) Includes our U.K. segment's volume in Ireland and our MCI segment's volume in Mexico, a portion of continental Europe, Russia, Vietnam and Philippines.

(2) Reflects the addition of our proportionate share of equity method investments sales-to-retail for the periods presented, adjusted for comparable trading days, if applicable.

Worldwide beer volume is composed of our financial volume, royalty volume and proportionate share of equity investment sales-to-retail. Financial volume represents owned beer brands sold to unrelated external customers within our geographical markets net of returns and allowances. Royalty beer volume consists of product produced and sold by third parties under various license and contract-brewing agreements. Equity investment sales-to-retail brand volume represents our ownership percentage share of volume in our subsidiaries accounted for under the equity method, including MillerCoors and Modelo Molson Imports, L.P. ("MMI"), our joint venture in Canada with Grupo Modelo S.A.B. de C.V. ("Modelo").

Synergies and other cost savings initiatives

We achieved $60 million and $126 million of cost savings in 2011 and program to date, respectively, toward our second Resources for Growth ("RFG2") program's three-year goal of $150 million of annualized cost reductions by 2012.

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In addition to our RFG2 savings, MillerCoors delivered $41 million of cost synergies in the first half of 2011, bringing the total synergies realized to $546 million since beginning operations on July 1, 2008, surpassing the original commitment to deliver $500 million by June 30, 2011. MillerCoors also delivered incremental cost savings of $70 million in 2011. We benefit from 42% of both the MillerCoors cost synergies and cost savings.

Components of our Statement of Operations

Net sales—Our net sales represent the sale of beer and other malt beverages net of excise taxes, the vast majority of which are brands that we own and brew ourselves. We import or brew and sell certain non-owned partner brands under licensing and related arrangements. We also sell certain "factored" brands (beverage brands owned by other companies, but sold and distributed by us), to on-premise customers in the U.K.

Cost of goods sold—Our cost of goods sold includes costs we incur to make and ship beer. These costs include brewing materials, such as barley, hops, and various grains. Packaging materials, including glass bottles, aluminum and steel cans, cardboard and paperboard are also included in our cost of goods sold. Additionally, our cost of goods sold include both direct and indirect labor, freight costs, utilities, maintenance costs, depreciation, and other manufacturing overheads, as well as the cost to purchase factored brands from suppliers.

Marketing, general and administrative—These costs include media advertising (television, radio, print), tactical advertising (signs, banners, point-of-sale materials) and promotion costs on both local and national levels within our operating segments. This classification includes general and administrative costs for functions such as finance, legal, human resources and information technology, which consist primarily of labor and outside services. These costs also include our marketing and sales organizations, including labor and other overheads. This line item includes amortization costs associated with intangible assets, as well as certain depreciation costs related to non-production equipment.

Special Items—Our special items represent charges incurred or benefits realized that we do not believe to be indicative of our core operations; specifically, such items are considered to be one of the following:

- infrequent or unusual items,
- impairment or asset abandonment-related losses, or
- restructuring charges and other atypical employee-related costs.

Although we believe these items are not indicative of our core operations, the items classified as Special Items are not necessarily non-recurring.

Equity income in MillerCoors—This item represents our proportionate share for the period of the net income of our investment in MillerCoors accounted for under the equity method. Such amount typically reflects adjustments similar to those made in preparing consolidated statements, including adjustments to eliminate intercompany gains and losses, and to amortize, if appropriate, any difference between cost and underlying equity in net assets upon the formation of MillerCoors.

Interest expense, net—Interest costs associated with borrowings to finance our operations are classified here. Interest income in the U.K. segment is associated with trade loans receivable from customers.

Other income (expense)—This classification includes primarily gains and losses associated with activities not directly related to brewing and selling beer. For instance, certain gains or losses on foreign exchange and on sales of non-operating assets are classified in this line item.

Discussions of statement of operations line items such as noncontrolling interests and discontinued operations are discussed in detail elsewhere in MD&A and in Part II—Item 8 Financial Statements and Supplementary Data in the Notes.

Depreciation and Amortization

Depreciation and amortization expense increased $14.8 million in 2011 versus 2010 and decreased $5.7 million in 2010 versus 2009.

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Income Taxes

Our effective tax rate was approximately 13% in 2011, 17% in 2010, and -2% in 2009. 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 Canadian and U.K. businesses. Our 2011 and 2009 tax rates were low due primarily to the favorable resolution of unrecognized tax positions. Our underlying effective tax rate was approximately 14% in 2011, 16% in 2010, and 1% in 2009. See table below for adjustments from effective tax rate.

	For the Years ended		
	December 31, 2011	December 25, 2010	December 26, 2009
Effective tax rate	13 %	17 %	(2)%
Adjustments:			
Foster's total return swap	— %	(1)%	— %
MillerCoors special items	1 %	— %	— %
Tax rate changes	— %	— %	3 %
Non-GAAP: Underlying effective tax rate	14 %	16 %	1 %

Discontinued Operations

In 2006, we sold our equity interest in our Brazilian unit, Cervejarias Kaiser Brasil S.A. ("Kaiser") to FEMSA Cerveza S.A. de C.V. ("FEMSA"). The terms of the sale agreement require us to indemnify FEMSA for exposures related to certain purchased tax credits and civil and labor contingencies arising prior to FEMSA's purchase of Kaiser. See Part II—Item 8 Financial Statements and Supplementary Data, Note 5 "Discontinued Operations" of the Notes for further discussion.

We recognized gains of $2.7 million and $39.6 million and a loss of $9.0 million for 2011, 2010, and 2009, respectively. This amount is typically associated with adjustments to the indemnity liabilities due to changes in estimates and foreign exchange losses. However, during 2010, we recognized a gain of $42.6 million related to our settlement of a portion of our indemnity liabilities to FEMSA.

In 2011, we incurred a loss related to an adjustment in legal reserves related to discontinued operations of $0.4 million.

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Results of Operations

Canada Segment

Our Canada segment consists primarily of our beer business in Canada, including the production and sale of the Molson brands, Coors Light, and other licensed brands in Canada. The Canada segment also includes MMI, established to import, distribute, and market the Modelo beer brand portfolio across all Canadian provinces and territories. MMI is accounted for under the equity method. In addition, the Canada segment includes our arrangements related to the distribution of beer in Ontario, Brewers' Retail, Inc. ("BRI") and, in Western Canada, Brewers' Distributor Ltd. ("BDL"). BRI was a consolidated joint venture through February 28, 2009. As of March 1, 2009, we deconsolidated BRI, and prospectively began accounting for BRI results under the equity method as a result of the reduction in our BRI ownership interest. BDL is also accounted for under the equity method.

See "Outlook for 2012" for discussion of forward looking trends regarding the Canada segment.

	Fiscal year ended				
	December 31, 2011	% change	December 25, 2010	% change	December 26, 2009
	(In millions, except percentages)				
Volume in hectoliters	8.850	(0.8)%	8.922	2.1%	8.741
Net sales	$2,067.3	6.7%	$1,938.2	11.9%	$1,732.3
Cost of goods sold	(1,087.8)	12.2%	(969.6)	9.2%	(887.7)
Gross profit	979.5	1.1%	968.6	14.7%	$844.6
Marketing, general and administrative expenses	(485.6)	(1.1)%	(491.1)	17.2%	(418.9)
Special items, net	(11.6)	(31.8)%	(17.0)	31.8%	(12.9)
Operating income	482.3	4.7%	460.5	11.6%	412.8
Other income (expense), net	(7.4)	13.8%	(6.5)	N/M	49.8
Earnings before income taxes	$474.9	4.6%	$454.0	(1.9)%	$462.6
Adjusting items:					
Special items(1)	11.6	(31.8)%	17.0	31.8%	12.9
Gain related to sale of Montréal Canadiens(1)	—	N/M	—	N/M	(46.0)
Non-GAAP: Underlying pre-tax income	$486.5	3.3%	$471.0	9.7%	$429.5

N/M = Not meaningful

(1) See the sub-headings "Special Items" and "Other income (expense) net" in this section for additional information.

Foreign currency impact on results

Our Canada segment was favorably impacted by a 4.4% year-over-year increase in the value of the Canadian Dollar ("CAD") against the USD in 2011 versus 2010. This represented an approximate $12 million and $13 million increase to our 2011 USD earnings before income taxes and USD underlying pre-tax income, respectively. Our Canada segment was favorably impacted by a 9.7% year-over-year increase in the value of the CAD against the USD in 2010 versus 2009. This represented an approximate $33 million and $35 million increase to USD earnings before income taxes and USD underlying pre-tax income, respectively, for 2010.

Assets and liabilities recorded in foreign currencies that are the functional currencies for the respective operations are translated at the prevailing exchange rate at the balance sheet date. Revenue and expenses are translated at the average exchange rates during the period. Translation adjustments resulting from this process are reported as a separate component of other comprehensive income. Gains and losses from foreign currency transactions are included in earnings for the period.

Volume and net sales

Our 2011 Canada sales to retail ("STRs") decreased 1.0% versus 2010. Declines in established brands offset volume gains from our new brands, including the continued expansion of Molson M in Ontario and Western Canada, Keystone Lager into Ontario and the introduction of Molson Canadian 67 Sublime and Rickard's Blonde along with the continued expansion of Creemore and Granville Island to new markets. These declines were driven by increased

competitor price discounting in key regions.

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The Canadian beer industry STRs decreased in calendar year 2011 compared to 2010. As a result, our market share declined approximately a half-share point on a full-year basis.
Our 2011 Canada sales volume decreased by 0.8% to 8.9 million hectoliters, driven by the decline in STRs.
Our 2011 net sales per hectoliter increased 3.0% in local currency compared to 2010, driven by positive net pricing and the addition of the contract brewing sales to North American Breweries ("NAB").
Net sales increased to $2,067.3 million in 2011 compared to $1,938.2 million in 2010, driven by the increase in net sales per hectoliter and favorable foreign exchange rates partially offset by lower sales volume.
Our 2010 Canada STRs increased 1.4% versus 2009. Volume gains from our newly launched brands including Keystone Lager, Molson M and Molson Canadian 67 and the positive impact from the 2010 Vancouver Winter Olympics were partially offset by declines in our established brands.
Canada industry volumes declined an estimated 0.9% in 2010 compared to the 2009 calendar year. As a result, in 2010, we increased our market share nearly a full point on a full-year basis.
2010 sales volume in Canada increased by 2.1% to 8.9 million hectoliters versus 2009 sales volume of 8.7 million hectoliters, driven by the increase in STRs.
2010 net sales per hectoliter decreased 0.5% in local currency compared to 2009, driven by increased discounting activity and price segment shifts partially offset by favorable net pricing, which was led by price increases across all major markets.
Net sales increased to $1,938.2 million in 2010 compared to $1,732.3 million in 2009. This increase was driven by increased sales volume and favorable foreign exchange rates partially offset by the decrease in net sales per hectoliter.

Cost of goods sold

2011 cost of goods sold per hectoliter increased 8.4% in local currency versus 2010, driven by input inflation, the cost of brewing beer under our NAB contract this year, fixed cost de-leverage from lower volume, unfavorable package mix and cycling one-time cost reductions in 2010. These factors were partially offset by RFG2 savings in 2011.
2010 cost of goods sold per hectoliter decreased 3.1% in local currency versus 2009, primarily due to our RFG2 cost savings initiatives.

Marketing, general and administrative expenses

Our 2011 marketing, general and administrative expenses decreased 5.3% in local currency versus 2010, driven by lower employee incentive compensation and other overhead expenses, along with the release of an indirect tax reserve in 2011.
Our 2010 marketing, general and administrative expenses increased 6.4% in local currency compared to 2009, driven by increased sales support costs.

Special items, net

During 2011, we recognized special termination benefits of $5.2 million related to defined benefit pension plans. Additionally, we recognized a $7.6 million loss in 2011 related to the correction of an immaterial error to adjust fixed assets resulting from the performance of a fixed asset count. We also recognized a $2.0 million gain in 2011 resulting from a reduction of our guarantee of BRI's debt obligations.
During 2010, we recognized $12.8 million of expense related to a capital asset write-off and associated costs for the abandonment of sales support software, which had been under development. Additionally, we recognized expense for special termination benefits of $3.2 million in 2010 related to defined benefit pension plans and recognized $1.0 million of expense for restructuring costs.
During 2009, we recognized a $5.3 million pension curtailment loss and $3.0 million of restructuring costs associated with employee terminations at the Montréal brewery driven by the decision to shift Blue Moon production to facilities in the U.S. Additionally, we incurred $4.6 million of Edmonton brewery site preparation and impairment closure costs during the year. See Part II—Item 8 Financial Statements and Supplementary Data, Note 8 "Special Items" of the Notes for further discussion.

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Other income (expense), net

Other expense in 2011 increased $0.9 million compared to 2010, primarily due to foreign currency movements. Other income (expense), net in 2010 was $56.3 million lower than 2009, driven by foreign currency movements and a $46.0 million gain in 2009 on the sale of the Montréal Canadiens. See Part II—Item 8 Financial Statements and Supplementary Data, Note 4 "Investments" of the Notes for further discussion.

United States Segment

The results and financial position of our U.S. segment operations are fully composed of our interest in MillerCoors and are being accounted for and reported by us under the equity method of accounting. See Part II—Item 8 Financial Statements and Supplementary Data, Note 1 "Basis of Presentation and Summary of Significant Accounting Policies" of the Notes regarding the MillerCoors joint venture.

See "Outlook for 2012" for discussion of forward looking trends regarding the U.S. segment.

The results of operations for MillerCoors for the years ended December 31, 2011, December 31, 2010, and December 31, 2009 are presented below.

	For the year ended			
	December 31, 2011	% change	December 31, 2010	% change	December 31, 2009
	(In millions, except percentages)				
Volumes in hectoliters	76.652	(2.8)%	78.823	(2.8)%	81.085
Net sales	$7,550.2	(0.3)%	$7,570.6	—%	$7,574.3
Cost of goods sold	(4,647.9)	(0.8)%	(4,686.3)	(0.7)%	(4,720.9)
Gross profit	2,902.3	0.6%	2,884.3	1.1%	2,853.4
Marketing, general and administrative expenses	(1,768.6)	(0.4)%	(1,775.1)	(8.4)%	(1,937.9)
Special items, net	(113.4)	N/M	(30.3)	(38.7)%	(49.4)
Operating income	1,020.3	(5.4)%	1,078.9	24.6%	866.1
Other income (expense), net	1.2	(50.0)%	2.4	166.7%	0.9
Income from continuing operations before income taxes and noncontrolling interests	1,021.5	(5.5)%	1,081.3	24.7%	867.0
Income tax expense	(7.5)	(1.3)%	(7.6)	(9.5)%	(8.4)
Income from continuing operations	1,014.0	(5.6)%	1,073.7	25.1%	858.6
Less: Net income attributable to noncontrolling interests	(10.2)	(38.9)%	(16.7)	5.7%	(15.8)
Net income attributable to MillerCoors	$1,003.8	(5.0)%	$1,057.0	25.4%	$842.8
Adjusting items:					
Special items(1)	113.4	N/M	30.3	(38.7)%	49.4
Tax effect on special items, net	(0.4)	N/M	(0.1)	N/M	(0.1)
Non-GAAP: Underlying net income attributable to MillerCoors	$1,116.8	2.7%	$1,087.2	21.9%	$892.1

N/M = not meaningful

(1) See the sub-heading "Special Items" in this section for additional information.

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The following represents our proportional share of MillerCoors net income reported under the equity method (in millions):

	For the year ended December 31, 2011	% change	For the year ended December 25, 2010	% change	For the year ended December 26, 2009
Net income attributable to MillerCoors	$1,003.8	(5.0)%	$1,057.0	25.4%	$842.8
MCBC economic interest	42%		42%		42%
MCBC proportionate share of MillerCoors net income	421.6	(5.0)%	443.9	25.4%	354.0
MillerCoors accounting policy elections(1)(2)	—	N/M	—	N/M	7.3
Amortization of the difference between MCBC contributed cost basis and proportional share of the underlying equity in net assets of MillerCoors(1)	35.4	N/M	6.9	(41.0)%	11.7
Share-based compensation adjustment(1)	0.9	(83.0)%	5.3	(41.1)%	9.0
Equity Income in MillerCoors	$457.9	0.4%	$456.1	19.4%	$382.0
Adjusting items:					
MCBC proportionate share of MillerCoors special items	47.6	N/M	12.7	(38.9)%	20.8
Basis amortization related to Sparks brand impairment(1)	(25.2)	N/M	—	N/M	—
Tax effect on special items	(0.2)	N/M	—	N/M	—
Non-GAAP Equity Income in MillerCoors	$480.1	2.4%	$468.8	16.4%	$402.8

N/M = not meaningful

(1) See Part II—Item 8 Financial Statements and Supplementary Data, Note 4 "Investments" of the Notes, for a detailed discussion of these equity method adjustments.

(2) We reported income of $7.3 million in 2009 related to MillerCoors' accounting policy elections. We did not report any further adjustments in 2011 or 2010.

The discussion below highlights the MillerCoors results of operations for the year ended December 31, 2011, versus the year ended December 31, 2010, and for the year ended December 31, 2010, versus the year ended December 31, 2009.

Volume and net sales

Adjusted for trading days, 2011 domestic STRs declined 2.3% versus 2010, driven by continued weak economic conditions affecting the entire industry. Declines in below premium and premium regular brands offset brand growth in Tenth and Blake. Additionally, premium light brands were down slightly. Blue Moon continued growing at a double-digit rate, Coors Light was up slightly, and the remaining focus brands (Miller Lite, Miller High Life, Keystone, and MGD 64) declined.

Total sales volume declined 2.8% in 2011 compared to 2010. Domestic sales-to-wholesalers decreased 3.0% driven by the decline in STRs, and contract brewing volume was unchanged versus 2010.

Domestic net sales per hectoliter increased 2.4% in 2011 compared to 2010, due to higher domestic net pricing and favorable sales mix.

Net sales decreased slightly to $7,550.2 million in 2011, compared to $7,570.6 million in 2010. This decrease was driven by lower sales volume largely offset by the increase in domestic net sales per hectoliter.

2010 domestic STRs decreased 3.2% versus 2009. The 2010 STR performance reflects growth in two of MillerCoors' six focus brands (Blue Moon achieved double-digit growth, while Keystone brands achieved single-digit growth), which was more than offset by reductions in MGD 64, Miller High Life, Miller Lite and losses in non-focus brands (Miller Genuine Draft, Miller Chill, Sparks, and Milwaukee's Best). Coors Light STRs were virtually unchanged for 2010.

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Total sales volume declined 2.8% in 2010 versus 2009. Domestic sales-to wholesalers declined 3.0% due primarily to lower STRs, while contract brewing volume declined 0.7%.
Total net sales per hectoliter increased 2.8% in 2010 compared to 2009, due to higher domestic net pricing and favorable sales mix.
2010 net sales decreased to $7,570.6 million compared to $7,574.3 million in 2009. This decrease was driven by lower sales volume partially offset by the increase in domestic net sales per hectoliter.

Cost of goods sold

Cost of goods sold per hectoliter increased 2.0% to $60.64 in 2011 compared to 2010 of $59.45 per hectoliter. The increase was due to higher freight, fuel and packaging costs, and fixed-cost deleverage, which were partially offset by cost savings.
2010 cost of goods sold per hectoliter increased 2.1% to $59.45 compared to $58.22 per hectoliter in 2009. The increase was driven by an increase in packaging costs, fixed-cost deleverage, higher fuel prices and carrier rates. These increases were partially offset by savings from synergies and other cost-reduction initiatives and lower brewing materials costs.

Marketing, general and administrative expenses

2011 marketing, general and administrative expenses decreased by 0.4%, or $6.5 million versus 2010, driven by the one-time receipt of $14.0 million from a third party and lower marketing spending as strategic initiatives changed in 2011, specifically Coors Light changing its focus to local university alliances from the National Football League sponsorship, partially offset by higher information systems costs.
2010 marketing, general and administrative expenses decreased by 8.4%, or $162.8 million compared to 2009. These decreases were due to the delivery of synergy savings and other cost reductions, as well as lower benefit costs and share-based compensation.

Special Items

During 2011, MillerCoors recognized special charges totaling $113.4 million, driven primarily by a $60.0 million write-down of the value of the Sparks brand and a $50.9 million charge resulting from the planned assumption of the Milwaukee Brewery Worker's Pension Plan, an underfunded multi-employer pension plan.
During 2010, MillerCoors recognized $30.3 million of special charges driven largely by pension curtailment losses, as well as integration costs including severance and relocation costs resulting from the sales office reorganization.
During 2009, MillerCoors recognized $49.4 million of special charges for pension curtailment losses and integration-related expenses for the MillerCoors joint venture including costs for relocation, severance and sales office closures.

United Kingdom Segment

The U.K. segment produces and sells our owned brands principally in England and Wales. Results of the segment also include our licensing arrangements in the Republic of Ireland; our consolidated joint venture arrangement to produce, import and distribute the Grolsch brands in the U.K. and the Republic of Ireland; our consolidated joint venture agreement to produce and distribute the Cobra beer brands in the U.K. and the Republic of Ireland; factored brand sales (beverage brands owned by other companies, but sold and delivered to retail by us) in the U.K.; and our joint venture arrangement with DHL ("Tradeteam") for the distribution of products throughout the U.K. accounted for under the equity method. Additionally, we distribute the Modelo brands, including Corona, pursuant to a distribution agreement with Modelo.
See "Outlook for 2012" for discussion of forward looking trends regarding the U.K. segment.

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	Fiscal year ended				
	December 31, 2011	% change	December 25, 2010	% change	December 26, 2009
	(In millions, except percentages)				
Volume in hectoliters(1)	9.151	3.2 %	8.870	(6.7)%	9.510
Net sales(1)	$1,333.5	8.0 %	$ 1,234.9	0.7 %	$ 1,226.2
Cost of goods sold	(887.4)	12.0 %	(792.6)	(0.4)%	(795.9)
Gross profit	446.1	0.9 %	442.3	2.8 %	430.3
Marketing, general and administrative expenses	(352.6)	1.0 %	(349.2)	7.7 %	(324.2)
Special items, net	0.3	(109.7)%	(3.1)	(83.6)%	(18.9)
Operating income	93.8	4.2 %	90.0	3.2 %	87.2
Interest income(2)	6.3	(6.0)%	6.7	(19.3)%	8.3
Other income (expense), net	(0.8)	(42.9)%	(1.4)	(70.2)%	(4.7)
Earnings before income taxes	$99.3	4.2 %	$ 95.3	5.0 %	$ 90.8
Adjusting items:					
Special items(3)	(0.3)	(109.7)%	3.1	(83.6)%	18.9
One-time employee related expenses	2.5	N/M	—	N/M	—
Non-GAAP: Underlying pre-tax income	$101.5	3.2 %	$ 98.4	(10.3)%	$ 109.7

N/M = Not meaningful

(1) Reflects gross segment sales and for 2011 includes intercompany sales to MCI of 0.152 million hectoliters and $9.0 million of net sales. The offset is included within MCI cost of goods sold. These amounts are eliminated in the consolidated totals.

(2) Interest income is earned on trade loans to U.K. on-premise customers and is typically driven by note receivable balances outstanding from period-to-period.

(3) See the sub-heading "Special Items" in this section for additional information.

Foreign currency impact on results

Our U.K. segment results were positively affected by a 4.2% year-over-year increase in the value of the British Pound ("GBP") against the USD in 2011 versus 2010. This represented an approximate $4 million increase to both USD earnings before income taxes and USD underlying pre-tax income for 2011. For 2010, we were unfavorably impacted by a 2% year-over year decrease in the value of the GBP against the USD. This represented an approximate $5 million decrease to both USD earnings before income taxes and USD underlying pre-tax income for 2010.

Assets and liabilities recorded in foreign currencies that are the functional currencies for the respective operations are translated at the prevailing exchange rate at the balance sheet date. Revenue and expenses are translated at the average exchange rates during the period. Translation adjustments resulting from this process are reported as a separate component of other comprehensive income. Gains and losses from foreign currency transactions are included in earnings for the period.

Volume and net sales

Our 2011 U.K. STRs increased 1.6% compared to 2010, driven by the addition of the Modelo brands and Sharp's brands this year. Market share increased nearly a half-share point in 2011 with the U.K. beer industry decreasing approximately 4%.

Our 2011 net sales per hectoliter of owned brand increased 4.1% in local currency versus 2010, driven by positive sales mix, especially the addition of the higher-priced Modelo brands, partially offset by lower net pricing.

Net sales increased to $1,333.5 million in 2011 compared to $1,234.9 million in 2010, driven by the increase in net sales per hectoliter, higher sales volume and favorable foreign exchange rates.

STRs for the our U.K. segment decreased 6.5% in 2010 versus 2009 predominantly reflecting declining industry volume in the U.K. and strong pricing for our brands.

Our 2010 net sales per hectoliter for owned brands increased 11.3% in local currency compared to 2009, due to positive pricing and sales mix.

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Net sales increased to $1,234.9 million in 2010, compared to $1,226.2 million in 2009, driven by the increase in net sales per hectoliter partially offset by lower sales volume and unfavorable foreign exchange rates.

Cost of goods sold

Cost of goods sold per hectoliter in local currency increased by 4.6% in 2011 compared to 2010, primarily due to the addition of the Modelo brands along with input inflation.

2010 cost of goods sold per hectoliter in local currency increased by 9% versus 2009, driven by higher pension expense, the impact of channel and brand mix, and fixed-cost deleverage from lower volume.

Marketing, general and administrative expenses

2011 marketing, general and administrative expenses in local currency decreased 2.8% compared to 2010, due to lower employee incentive compensation and lower pension expense, partially offset by higher marketing spending.

2010 marketing, general and administrative expenses in local currency increased by 9% versus 2009, driven by higher pension expense, marketing and information systems costs, as well as the cost of adding the Cobra U.K. sales force in the middle of 2009.

Special items, net

During 2011, we recognized employee termination costs of $2.1 million related to supply chain restructuring activity and company-wide efforts to increase efficiency in certain operations, finance, information technology and human resource activities. Additionally, we recognized a $2.3 million gain related to a release of a portion of a non-income-related-tax reserve that was recorded as a special item in 2009.

During 2010, we recognized $2.6 million of employee termination costs related to restructuring activity resulting from on-going company-wide efforts to increase efficiency throughout the segment.

During 2009, we recognized $2.5 million of costs associated with the Cobra U.K. acquisition and recognized employee severance costs of $3.2 million related to individuals not retained subsequent to the acquisition. Additionally, we recognized $2.8 million of employee termination costs related to supply chain restructuring activity and company-wide efforts to increase efficiency in certain finance, information technology and human resource activities by outsourcing portions of those functions. During 2009, we also established a non-income-related tax reserve. See Part II—Item 8 Financial Statements and Supplementary Data, Note 8 "Special Items" of the Notes for further discussion.

Other income (expense), net

We incurred net other expense of $0.8 million, $1.4 million and $4.7 million in 2011, 2010 and 2009, respectively. The 2011 other expense is due to leasehold costs. 2010 other expense includes $1.0 million of leasehold costs and $0.3 million of foreign currency loss. The 2009 other expense includes $3.6 million of leasehold costs and $1.2 million of foreign currency loss.

Interest income

Interest income is earned on trade loans to U.K. on-premise customers. Interest income in local currency declined 6.0% and 19.3% in 2011 and 2010, respectively. The declines in both 2011 and 2010 were due to reductions in trade loan balances.

Molson Coors International Segment

The MCI segment is focused on growing and expanding our business and brand portfolios in our non-core and emerging markets, including Asia, Mexico, Latin America, the Caribbean (not including Puerto Rico as it is a part of the U.S. segment) and continental Europe. This segment includes our MC Si'hai joint venture in China and our MC Cobra India joint venture in India.

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	Fiscal year ended				
	December 31, 2011	% change	December 25, 2010	% change	December 26, 2009
	(In millions, except percentages)				
Volume in hectoliters(1)	1.012	50.6 %	0.672	27.3 %	0.528
Net sales	$ 122.6	53.3 %	$ 80.0	9.7 %	$ 72.9
Cost of goods sold(2)	(77.6)	58.4 %	(49.0)	14.8 %	(42.7)
Gross profit	45.0	45.2 %	31.0	2.6 %	30.2
Marketing, general and administrative expenses	(77.4)	38.7 %	(55.8)	7.1 %	(52.1)
Special items, net	(1.0)	(9.1)%	(1.1)	N/M	—
Operating loss	(33.4)	29.0 %	(25.9)	18.3 %	(21.9)
Other income (expense), net	0.1	(50.0)%	0.2	(33.3)%	0.3
Losses before income taxes(3)	$ (33.3)	29.6 %	$ (25.7)	19.0 %	$ (21.6)
Adjusting items:					
Special items(4)	1.0	(9.1)%	1.1	N/M	—
Non-GAAP: Underlying pre-tax loss	$ (32.3)	31.3 %	$ (24.6)	13.9 %	$ (21.6)

N/M = Not meaningful

(1) Excludes royalty volume of 0.265 million hectoliters, 0.177 million hectoliters and 0.138 million hectoliters in 2011, 2010 and 2009, respectively.

(2) Reflects gross segment amounts and for 2011 includes intercompany cost of goods sold from the U.K. of $9.0 million. The offset is included within U.K. net sales. These amounts are eliminated in the consolidated totals.

(3) Includes loss attributable to noncontrolling interest of $3.0 million, $1.1 million and zero in 2011, 2010 and 2009, respectively.

(4) See the sub-headings "Special Items" in this section for additional information.

Foreign currency impact on results

Our MCI segment operates in numerous countries around the world and each country's operations utilize distinct currencies. MCI's results were insignificantly impacted by foreign currency movements in both 2011 and 2010. This includes an insignificant effect on both USD losses before income taxes and USD underlying pre-tax loss.

Assets and liabilities recorded in foreign currencies that are the functional currencies for the respective operations are translated at the prevailing exchange rate at the balance sheet date. Revenue and expenses are translated at the average exchange rates during the period. Translation adjustments resulting from this process are reported as a separate component of other comprehensive income. Gains and losses from foreign currency transactions are included in earnings for the period.

Volume and net sales

MCI reported sales volume increased 50.6% in 2011 compared to 2010. The increase in sales volume was driven by our Asian market sales, primarily by sales in China and India, which included the addition of the MC Si'hai brands in mid-2010 and the MC Cobra India brands in mid-2011. Volume increases in continental Europe and Latin America also contributed to overall MCI volume growth in 2011.

2011 net sales increased 53.3% to $122.6 million versus 2010, driven primarily by higher sales volume.

MCI reported sales volume increased 27.3% in 2010 compared to 2009. The increase in sales volume was driven by our Asian market sales, primarily by sales in China, which included the addition of the MC Si'hai brands in mid-2010. Volume increases in continental Europe also contributed to overall volume growth.

Net sales increased 9.7% to $80.0 million in 2010 versus 2009, driven by higher sales volume.

Cost of goods sold

Cost of goods sold increased 58.4% and 14.8% in 2011 and 2010, respectively. Both of these increases were primarily driven by higher sales volume.

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Marketing, general and administrative expenses

2011 marketing, general and administrative expenses were $77.4 million, an increase of $21.6 million, or 38.7%, compared to 2010. This increase was driven by investments in our priority international markets and the additions of the MC Si'hai and MC Cobra India joint ventures in China and India, respectively.

2010 marketing, general and administrative expenses were $55.8 million, an increase of $3.7 million, or 7.1%, versus 2009. This increase was driven by incremental investments in our priority international markets and the addition of the MC Si'hai joint venture in mid-2010.

Special items, net

Special items for 2011 and 2010 were charges of $1.0 million and $1.1 million, respectively, related to our acquisition and integration of our MC Si'hai and MC Cobra India joint ventures. There were no special items in 2009. See Part II—Item 8 Financial Statements and Supplementary Data, Note 8 "Special Items" of the Notes for further discussion.

Corporate

Corporate includes corporate interest and certain other general and administrative costs that are not allocated to any of the operating segments. The majority of these corporate costs relate to worldwide administrative functions, such as corporate affairs, legal, human resources, finance and accounting, treasury, insurance and risk management.

	Fiscal year ended December 31, 2011	% change	December 25, 2010	% change	December 26, 2009
	(In millions, except percentages)				
Volume in hectoliters	—	— %	—	— %	—
Net sales	$1.3	— %	$1.3	30.0 %	$1.0
Cost of goods sold	(5.3)	N/M	(1.0)	66.7 %	(0.6)
Gross profit	(4.0)	N/M	0.3	(25.0)%	0.4
Marketing, general and administrative expenses	(103.4)	(11.2)%	(116.4)	10.2 %	(105.6)
Special items, net	—	(100.0)%	(0.1)	(88.9)%	(0.9)
Operating loss	(107.4)	(7.6)%	(116.2)	9.5 %	(106.1)
Interest expense, net	(114.3)	7.7 %	(106.1)	12.6 %	(94.2)
Other income (expense), net	(2.9)	N/M	51.6	N/M	4.0
Loss before income taxes	$(224.6)	31.6 %	$(170.7)	(13.0)%	$(196.3)
Adjusting items:					
Special items(1)	—	(100.0)%	0.1	(88.9)%	0.9
Sale of property(2)	(1.0)	100.0 %	(0.5)	N/M	—
Environmental litigation provisions(3)	0.2	(200.0)%	(0.2)	(113.3)%	1.5
Foster's total return swap(1)	(0.8)	(98.3)%	(47.9)	N/M	(0.7)
Unrealized loss on commodity swaps	4.6	N/M	—	N/M	—
Loss related to the change in designation of cross currency swaps	6.7	N/M	—	N/M	—
Non-GAAP: Underlying pre-tax loss	$(214.9)	(2.0)%	$(219.2)	12.6 %	$(194.6)

N/M = Not meaningful

(1) See the sub-headings "Special Items" and "Other income (expense) net" in this section for additional information.

(2) During 2010, we sold the Coors family home in Golden, Colorado to the Adolph Coors Company LLC and during 2011, we sold property to MillerCoors. In both transactions, the sales price was based on a market appraisal by an independent third party.

(3) See Part II—Item 8 Financial Statements and Supplementary Data, Note 20 "Commitments and Contingencies" of the Notes under the sub-heading "Environmental" for additional information.

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Marketing, general and administrative expenses

2011 marketing, general and administrative expenses were $103.4 million, a decrease of $13.0 million or 11.2% versus 2010, due to lower project and employee incentive compensation costs.

2010 marketing, general and administrative expenses were $116.4 million, an increase of $10.8 million or 10.2% compared to 2009, primarily driven by costs to implement the RFG2 initiatives.

Special items, net

There were no special items for 2011, and we recorded net charges for 2010 and 2009 of $0.1 million and $0.9 million, respectively. These special items related to costs associated with strategic initiatives. See Part II—Item 8 Financial Statements and Supplementary Data, Note 8 "Special Items" of the Notes for further discussion.

Interest expense, net

Corporate net interest expense was $114.3 million, $106.1 million and $94.2 million in 2011, 2010 and 2009, respectively. The increase in 2011 compared to 2010 is due primarily to foreign currency movements (CAD strengthening against the USD impacting our CAD denominated debt) and moderately higher debt levels in 2011. The increase in 2010 compared to 2009 was driven primarily by the strengthening of the CAD versus the USD.

During the first quarter of 2009, we adopted a new accounting pronouncement related to accounting for convertible debt instruments that may be settled in cash upon conversion (including partial cash settlement). The adoption, which requires retroactive application, impacted the historical accounting for the 2.5% Convertible Senior Notes due July 30, 2013. For the years ended December 31, 2011, December 25, 2010, and December 26, 2009, the additional non-cash interest expense was $17.5 million, $16.9 million and $16.4 million, respectively.

Other income (expense), net

Corporate other expense was $2.9 million for 2011, driven by $6.7 million expense related to the change in designation of our cross currency swaps from a cash flow hedge to a net investment hedge, partially offset by a $0.8 million realized gain related to the final settlement of the remaining Foster's total return swaps and related instruments, $0.5 million gain related to foreign currency movements and $1.0 million gain on the sale of non-core real estate to MillerCoors.

Corporate other income was $51.6 million for 2010. This primarily consisted of $47.9 million of income associated with the Foster's total return swaps and related instruments.

We initially transacted these swaps in the third quarter of 2008 with a total notional amount of Australian dollars ("AUD") $496.5 million, which equated to approximately 90.1 million shares of Foster's stock at a weighted average of AUD 5.51 per share. During the third quarter of 2010, we accelerated the maturity dates of our total return swaps related to Foster's stock, and the majority of these swaps were settled prior to year end—with the remaining swaps settling by the end of January 2011. As of December 25, 2010, we had settled total return swaps equating to 82.5 million shares, or approximately 92%. These settlements reduced the notional amount of the total return swaps to AUD 42.1 million as of year-end. The full year income associated with these swaps was $28.3 million, of which approximately $5.4 million was unrealized as of year-end.

Simultaneously with our decision to exit our total return swaps, we entered into a series of option contracts that allowed us to effectively fix a range of settlement values for the total return swap positions as of the end of the third quarter of 2010. These option contracts were a combination of put and call options for which no premiums were paid or received. As of December 25, 2010, we had settled the option contracts related to the settled swaps. These settlements reduced the notional amount of the option contracts to 7.6 million Foster's shares as of 2010 year-end. The full year income associated with these option contracts was $21.7 million, of which approximately $12.4 million was unrealized as of 2010 year-end.

Simultaneously with entering into these new option contracts, we also amended our total return swap agreements with our counterparty to change the maturity dates to match the settlement dates of the option contracts. Given that these forecasted swap and option settlements were AUD-based, we also executed a series of foreign exchange AUD forward contracts to hedge our foreign currency risk associated with the forecasted AUD cash flows from the settlements of the total return swaps and option contracts. As of December 25, 2010, we had settled the AUD forward contracts related to the above settled positions. The full year loss associated with these AUD forward contracts was $2.1 million, of which approximately $0.8 million was unrealized as of year-end.

As of December 25, 2010, we had cash settled approximately $35 million related to these positions. During 2011, we settled out of the remaining positions and received an additional approximate $16 million, for total cash proceeds received of approximately $51 million.

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Other income (expense), net in 2009 was to $4.3 million of income due to foreign currency movements.

Liquidity and Capital Resources

Our primary sources of liquidity include cash provided by operating activities, access to external borrowings and monetization of assets. We believe that cash flows from operations, including distributions from MillerCoors, and cash provided by short-term and long-term borrowings, when necessary, will be more than adequate to meet our ongoing operating requirements, scheduled principal and interest payments on debt, and anticipated dividend payments and capital expenditures for the next twelve months and our long-term liquidity requirements.

A significant portion of our cash flows from operating activities is generated outside the U.S., in currencies other than USD. As of December 31, 2011, approximately 43% of our cash and cash equivalents are denominated in foreign currencies. Most of the amounts held outside of the U.S. could be repatriated to the U.S., but, under current law, would be subject to U.S. federal and state income taxes, less applicable foreign tax credits. We have accrued for U.S. federal and state tax liabilities on the earnings of our foreign subsidiaries, except when the earnings are considered indefinitely reinvested outside of the U.S. Repatriation could result in additional U.S. federal and state income tax payments in future years. We utilize a variety of financing strategies in an effort to ensure that our worldwide cash is available in the locations in which it is needed.

Net Working Capital

As of December 31, 2011, and December 25, 2010, we had debt-free net working capital of $887.7 million and $888.1 million, respectively, excluding short-term borrowings and current portion of long-term debt. We commonly operate at minimal positive working capital levels or working capital deficits given the relatively quick turnover of our receivables and inventory, the levels of which fluctuate with the seasonality in our business. However, our current working capital level is bolstered by a high level of cash generated from revenue growth, as well as various cost saving initiatives. Our working capital is also sensitive to foreign exchange rates, as a significant majority of current assets and current liabilities are denominated in either CAD or GBP, while financial results are reported in USD.

Below is a table outlining our current and historical net working capital levels (in millions):

	As of	
	December 31, 2011	December 25, 2010
Current assets	$2,118.0	$2,220.9
Less: Current liabilities	(1,277.2)	(1,333.9)
Add back: Current portion of long-term debt and short-term borrowings	46.9	1.1
Debt-free net working capital	$887.7	$888.1

Cash Flows

Our business usually generates positive operating cash flow each year, and our debt maturities are generally of a longer-term nature. However, our liquidity could be impacted significantly by other risk factors described in Part I, "Item 1A. Risk Factors" presented herein.

Cash Flows from Operating activities

Net cash provided by operating activities of $868.1 million in 2011, was higher by $118.4 million compared to 2010. Drivers of this change include:

- Lower pension contributions of approximately $270 million drove higher operating cash flow during 2011. This was partially offset by the timing of working capital in 2011, which drove lower operating cash flow.
- Net income for 2011 including noncontrolling interest was lower by $32.8 million driven by lower worldwide beer volume, higher commodity inflation and the non-cash gain from discontinued operations in 2010.

Net cash provided by operating activities of $749.7 million in 2010, was lower by $108.6 million compared to 2009. Drivers of this change include:

- Cash contributions to pension plans were greater by $224.6 million versus 2009. In 2010, we made additional voluntary contributions of $195.5 million and $47.5 million to our U.K. and Canada pension plans, respectively.
- Net current and long-term deferred tax liabilities increased by $40.9 million in 2010 versus 2009.

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Additionally, we paid approximately $38.4 million in income taxes in 2010, which represents a decrease of $12.5 million versus the prior year.

Cash Flows from Investing activities

Net cash used in investing activities of $338.1 million in 2011, was higher by $70.7 million compared to the fiscal year 2010. Drivers of this change include:

- In 2011, we made a $93.6 million capital contribution to BRI, which BRI used, along with the capital contributions received from its other shareholders, to repay its CAD 200 million debt releasing us from our guarantee of this debt.
- Our additions to properties increased by $57.5 million in 2011 driven by the addition of a high-speed can line in our Montréal brewery.
- We acquired Sharp's Brewery Ltd. for $29.4 million and paid $10.3 million for the controlling stake of MC Cobra India in 2011.
- These increases in cash use were partially offset by the $96.0 million paid in 2010 to settle indemnities related to our discontinued operations.

Net cash used in investing activities of $267.4 million in 2010, was higher by $39.2 million compared to 2009. Drivers of this change include:

- We paid $96 million in 2010 to settle indemnities related to our discontinued operations.
- Our additions to properties and intangibles increased by $19.1 million.
- Our trade loan repayments from customers decreased $15.5 million due to a reduction in trade loan balances.
- These items that resulted in a higher use of net cash in investing activities were partially offset by a $55.4 million decrease in our net cash investment in MillerCoors and $35.1 million of proceeds from settlements of derivative instruments.

Cash Flows from Financing activities

Our debt position significantly affects our financing activity. See Part II—Item 8 Financial Statements and Supplementary Data, Note 13 "Debt" to the Notes for a summary of our debt position at December 31, 2011 and December 25, 2010.

Net cash used in financing activities totaled $665.1 million in 2011, compared to net cash used of $7.6 million in 2010, an increase of $657.5 million. Drivers of this change include:

- In 2011, we initiated a stock repurchase plan through which we paid $321.1 million in exchange for 7.5 million shares.
- We paid higher dividends of $27.0 million following our announcement of a 14.3% dividend increase effective in the second quarter of 2011.
- Settlement of 25% of our cross currency swaps resulted in a cash use of $104.5 million in 2011 compared to the settlement of cross currency swaps of $42.0 million in 2010.
- In 2010, we received proceeds from the issuance of long-term debt of $488.4 million offset by $300.0 million of payments on long-term debt.

Net cash used in financing activities totaled $7.6 million in 2010, compared to net cash used of $117.2 million compared to 2009, a decrease of $109.6 million. Drivers of this change include:

- In 2010, we received $488.4 million of proceeds from issuance of long-term debt offset by $300.0 million of payments on long-term debt.
- Additionally, we paid $42.0 million on settlements of debt-related derivatives and cash paid for dividends increased $31.5 million following our announcement of a 16.7% dividend increase effective in the second quarter of 2010.

Underlying Free Cash Flow

We generated $635.3 million of underlying free cash flow in 2011. This represents a decrease in underlying free cash

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flow compared to $924.3 million in 2010, driven primarily by lower net income, higher capital expenditures, changes in working capital, and the cycling of the 2010 gain from discontinued operations. With regard to our use of underlying free cash flow in 2011, we initiated a stock repurchase plan, made a capital contribution to BRI, settled a portion of the cross currency swaps, acquired Sharp's Brewery Ltd. in the U.K., and acquired a controlling stake in MC Cobra India. Additionally, in the second quarter of 2011, we announced our fourth consecutive annual dividend increase, a 14.3% increase, to an annual equivalent dividend rate of $1.28 per share.

The following table provides a reconciliation of Underlying Free Cash Flow to the nearest U.S. GAAP measure (Net Cash Provided by Operating Activities).

		For the Years Ended		
		December 31, 2011	December 25, 2010	December 26, 2009
		(In millions)		
U.S. GAAP:	Net Cash Provided by Operating Activities	$868.1	$749.7	$858.3
Less:	Additions to properties(1)	(235.4)	(177.9)	(158.8)
Less:	Investment in MillerCoors(1)	(800.1)	(1,071.2)	(514.5)
Add:	Return of capital from MillerCoors(1)	782.7	1,060.3	448.2
Add:	Proceeds from sale of assets and businesses(1)	4.6	5.2	58.0
Add:	Proceeds from settlements of derivative instruments(1)	15.4	35.1	—
Add:	Additional voluntary pension contributions(2)	—	285.0	—
Less:	Reduction of MillerCoors derivatives collateral requirements(3)	—	(6.7)	(54.9)
Add:	MillerCoors capital expenditures to attain synergies(3)	—	8.0	64.8
Add:	MillerCoors special cash expenses to attain synergies(3)	—	11.0	27.9
Add:	MillerCoors purchase of Western Beverage(3)	—	25.8	—
Non-GAAP:	Underlying Free Cash Flow (adjusted for special cash sources/uses at MillerCoors)	$635.3	$924.3	$729.0

(1) Included in "Net Cash Used in Investing Activities".

(2) Additional voluntary cash contributions of $195.5 million, $47.5 million and $42.0 million made to U.K., Canada and U.S. (MillerCoors at 42%) pension plans, respectively.

(3) Amounts represent our proportionate 42% share of the cash flow impacts, as determined by management. These items adjust operating cash flow to arrive at our underlying free cash flow for 2011 and the comparable prior-year periods.

Capital Resources

Cash and Cash Equivalents

As of December 31, 2011, we had total cash and cash equivalents of $1,078.9 million, compared to $1,217.6 million at December 25, 2010. Our cash and cash equivalents are invested in a variety of highly liquid investments with original maturities of 90 days or less. These investments are viewed by management as low-risk investments and on which there are little to no restrictions regarding our ability to access the underlying cash to fund our operations as necessary. Long-term debt was $1,914.9 million and $1,959.6 million at December 31, 2011, and December 25, 2010, respectively. Not included in these amounts are $44.7 million as of December 31, 2011, related to the current portion of long-term debt.

Borrowings

See Part II—Item 8 Financial Statements and Supplementary Data, Note 13 "Debt" of the Notes for a complete discussion and presentation of all borrowings and available sources of borrowing, including lines of credit.

The majority of our remaining debt outstanding as of December 31, 2011, consists of publicly traded and privately placed notes, with maturities ranging from 2012 to 2017. During the third quarter of 2010, we repaid our

$300.0 million 4.85% notes that were due September 2010 and settled all related derivatives, including our cross currency swap which effectively swapped our USD borrowing to CAD 355.5 million, as well as our forward starting interest rate swap. During the fourth quarter of 2010, our wholly owned subsidiary, Molson Coors International LP, completed a 7-year CAD 500.0 million 3.95% fixed rate Series A Notes private placement in Canada. The Series A Notes will mature on October 6, 2017. The notes are guaranteed by MCBC

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and certain of our United States and Canadian subsidiaries and rank equally with our other outstanding notes and our credit facility.

Credit markets in the United States and across the globe have improved significantly since the financial crisis of late 2008. Based on communications with the lenders that are party to our credit facilities, we are confident in our ability to draw on such credit facilities if the need arose. There were no outstanding borrowings on our 4-year revolving $400 million credit facility as of December 31, 2011, which was issued in the second quarter of 2011. Concurrently, we terminated our $750 million revolving credit facility in the second quarter 2011, which was scheduled to expire in August 2011. We also have uncommitted lines of credit with several banks should certain business units need additional short-term liquidity.

Under the terms of some 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. As of December 31, 2011, we were in compliance with all of these restrictions.

Use of Cash

We expect to take a balanced approach to our use of cash in 2012 and beyond, which could include cash dividends, stock repurchases, pension plan funding, settling out-of-the money cross currency swaps, preserving cash flexibility for potential growth opportunities and other general corporate uses.

On August 2, 2011, we announced that our Board of Directors approved a new program authorizing the repurchase of up to $1.2 billion of our Class B common stock, with an expected program term of three years. We may purchase shares from time to time, in the open market or through private transactions. The number, price and timing of the repurchases will be at our sole discretion and will be evaluated depending on market conditions, liquidity needs or other factors. Our Board of Directors may suspend, modify, or terminate the program at any time without prior notice. We expect to use existing cash balances and future free cash flow generation to fund the share repurchases. During the third quarter of 2011, our Board of Directors expanded this program to include the repurchase of our Class A common stock. There are fewer Class A shares available to repurchase on the open market, so the repurchases will continue to be primarily of Class B shares. We purchased a total of 7.5 million shares of our Class B common stock under the program in 2011 for $321.1 million.

Credit Rating

On November 8, 2011, Standard and Poor's raised our credit outlook to positive from stable while maintaining our BBB- credit rating. Our other long-term credit issuer ratings are Baa1 (stable outlook) from Moody's Investor Service and BBB High (stable outlook) from DBRS (Canadian rating agency). Our BBB- rating from Standard & Poor's is one notch above "below investment grade." Any future downgrade to "below investment grade" would increase borrowing costs under our revolving line of credit (under which there were no borrowings as of December 31, 2011, or as of December 25, 2010).

MillerCoors

MillerCoors distributes its excess cash to its owners, SABMiller and MCBC, on a 58%/42% basis, respectively. MillerCoors does not carry significant debt obligations, and there are no restrictions from external sources on its ability to make cash distributions to its owners.

MillerCoors recognized $301.8 million, $284.5 million and $291.5 million of depreciation and amortization during 2011, 2010 and 2009, respectively.

As of December 31, 2011, and December 31, 2010, MillerCoors had cash of $30.4 million and $46.1 million, respectively. As of December 31, 2011, and December 31, 2010, total debt was $28.2 million and $32.8 million, respectively.

MillerCoors contributed $86.3 million (our 42% share is $36.2 million) to its defined benefit pension plans in 2011. For 2012, MillerCoors' contributions to its defined benefit pension plans are expected to be approximately $110 million to $130 million (our 42% share is $46 million to $55 million), which are not included in our contractual cash obligations.

Foreign Exchange

Foreign exchange risk is inherent in our operations primarily due to the significant operating results that are denominated in currencies other than USD, predominantly CAD and GBP. Our approach is to reduce the volatility of cash flows and reported earnings which result from currency fluctuations rather than business related factors. Therefore, we closely monitor our operations in each country and seek to adopt appropriate strategies that are responsive to foreign currency fluctuations. Our financial risk management policy is intended to offset a portion of the potentially unfavorable impact of exchange rate changes on net income and earnings per share. See Part II—Item 8 Financial Statements and Supplementary Data, Note 18 "Derivative

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Instruments and Hedging Activities" of the Notes for additional information on our financial risk management strategies.

Capital Expenditures

In 2011, we spent $235.4 million on capital improvement projects worldwide, which excludes capital spending by MillerCoors and other equity method joint ventures, representing a 32% increase versus 2010 capital expenditures of $177.9 million. Of this, approximately 59% was in support of the Canada segment, with the remainder split between the U.K. (34%), MCI (5%) and Corporate (2%). The capital expenditure plan for 2012 is expected to be approximately $200 million, excluding MillerCoors.

Contractual Obligations and Commercial Commitments

Contractual Cash Obligations

A summary of our consolidated contractual obligations as of December 31, 2011, and based on foreign exchange rates at fiscal year end 2011, is as follows:

	Payments due by period				
	Total	Less than 1 year	1 - 3 years	3 - 5 years	More than 5 years
	(In millions)				
Debt obligations	$1,992.7	$46.9	$575.0	$881.2	$489.6
Interest payments on debt obligations	300.8	79.1	135.2	71.7	14.8
Derivative payments(1)	320.1	107.6	212.5	—	—
Retirement plan expenditures(2)	159.6	66.3	16.9		