ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") in this Quarterly Report on Form 10-Q is provided as a supplement to, and should be read in conjunction with, our audited consolidated financial statements, the accompanying notes and the MD&A included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2020 ("Annual Report"), as well as our unaudited condensed consolidated interim financial statements and the accompanying notes included in this report. Due to the seasonality of our operating results, quarterly financial results are not an appropriate basis from which to project annual results.

Unless otherwise noted in this report, any description of "we," "us" or "our" includes Molson Coors Beverage Company ("MCBC" or the "Company"), principally a holding company, and its operating and non-operating subsidiaries included within our reporting segments. Our reporting segments include North America and Europe. Our North America segment operates in the U.S., Canada and various countries in Latin and South America and our Europe segment operates in Bulgaria, Croatia, Czech Republic, Hungary, Montenegro, the Republic of Ireland, Romania, Serbia, the U.K., various other European countries, and certain countries within the Middle East, Africa and Asia Pacific.

Unless otherwise indicated, information in this report is presented in USD and comparisons are to comparable prior periods. Our primary operating currencies, other than the USD, include the CAD, the GBP, and our Central European operating currencies such as the EUR, CZK, HRK and RSD.

Operational Measures

We have certain operational measures, such as STWs and STRs, which we believe are important metrics. STW is a metric that we use in our business to reflect the sales from our operations to our direct customers, generally wholesalers. We believe the STW metric is important because it gives an indication of the amount of beer and adjacent products that we have produced and shipped to customers. STR is a metric that we use in our business to refer to sales closer to the end consumer than STWs, which generally means sales from wholesalers or our company to retailers, who in turn sell to consumers. We believe the STR metric is important because, unlike STWs, it provides the closest indication of the performance of our brands in relation to market and competitor sales trends.

Executive Summary

For over two centuries, we have been brewing beverages that unite people to celebrate all life’s moments. From *Coors Light*, *Miller Lite, Molson Canadian, Carling* and *Staropramen* to *Coors Banquet, Blue Moon Belgian White, Blue Moon LightSky, Vizzy, Leinenkugel’s Summer Shandy, Creemore Springs, Hop Valley* and more, we produce many beloved and iconic beer brands. While the company’s history is rooted in beer, Molson Coors offers a modern portfolio that expands beyond the beer aisle as well. As a business, our ambition is to be the first choice for our people, our consumers and our customers, and our success depends on our ability to make our products available to meet a wide range of consumer segments and occasions.

Cybersecurity Incident

During March 2021, we experienced a systems outage that was caused by a cybersecurity incident. We engaged leading forensic information technology firms and legal counsel to assist our investigation into the incident and we restored our systems after working to get the systems back up as quickly as possible. Despite these actions, we experienced delays and disruptions to our business, including brewery operations, production and shipments. This incident caused a shift in our production and shipments from the first quarter of 2021 to the balance of fiscal year 2021. During the second quarter of 2021, we made progress recovering from the incident with increased shipments and continue to expect to recover fully by the end of 2021. In addition, we incurred certain incremental net one-time costs of $2.7 million in the six months ended June 30, 2021 related to consultants, experts and data recovery efforts, net of insurance recoveries.

Coronavirus Global Pandemic

Starting at the end of the first quarter of 2020, the coronavirus pandemic had a material adverse effect on our operations, liquidity, financial condition and results of operations in 2020. In 2021, we have begun to see improvements in the marketplace related to the coronavirus global pandemic as on-premise locations begin to open across the world, including in the U.S. which led to a shift in revenue from off-premise to on-premise during the second quarter of 2021. The extent to which our operations will continue to be impacted by the pandemic will depend largely on future developments, which are highly uncertain and cannot be accurately predicted, including the severity and duration of the pandemic, including outbreaks of variants, the rate of vaccination and the efficacy of vaccines against the coronavirus and related variants. We continue to actively monitor the ongoing evolution of the pandemic and resulting impacts to our business.

Despite the improvements in re-openings of on-premise locations, closures and openings with restrictions impacted the financial results during the three and six months ended June 30, 2021. Certain governmental entities across Europe, particularly throughout the U.K., required that bars and restaurants close during the first quarter of 2021 which continued to negatively impact the on-premise sales of our beverages. Certain countries in Europe slowly started to reopen in the second quarter of 2021 with a partial re-opening with restrictions in the U.K. In addition, during the first quarter of 2021 and second quarter of 2021, certain provinces of Canada, including the most populous provinces, continued to endure lockdowns pursuant to which bars and restaurants were required to close. Throughout the first six months of 2021, while the U.S. started to reopen, sales to restaurants and bars have not returned to pre-pandemic levels because certain bars and restaurants remain closed, have modified hours or restricted capacity. Certain sporting events, festivals and other large public gatherings where our products are served have started to return with reduced capacities or other restrictions and other events have been postponed. See "Outlook" for additional details. Sales to on-premise customers tend to be higher margin than sales to off-premise (retail outlets) customers. Throughout the world, any governmental or societal impositions of restrictions on public gatherings, especially if prolonged in nature will continue to impact on-premise traffic and, in turn, our business.

During the three and six months ended June 30, 2020, we recorded charges of $15.5 million within cost of goods sold related to temporary "thank you" pay for certain essential North America brewery employees. Additionally, in order to support and demonstrate our commitment to the continued viability of the many bars and restaurants which were negatively impacted by the coronavirus pandemic, during the first quarter of 2020, we initiated temporary keg relief programs in many of our markets. We committed to provide customers with reimbursements for untapped kegs that met certain established return requirements in conjunction with the voluntary programs. As a result, during the six months ended June 30, 2020, we recognized a reduction to net sales of $31.8 million, substantially all of which was recognized in the first quarter of 2020 other than immaterial adjustments for changes in estimates during the second quarter of 2020, reflecting estimated sales returns and reimbursements through these keg relief programs.

Further, during the six months ended June 30, 2020, we recognized charges of $16.8 million substantially all of which was recognized in the first quarter other than immaterial adjustments for changes in estimates during the second quarter of 2020, within cost of goods sold related to obsolete finished goods keg inventories that were not expected to be sold within our freshness specifications, as well as the estimated costs to facilitate the above mentioned keg returns. See Part I—Item 1. Financial Statements, Note 1, “Basis of Presentation and Summary of Significant Accounting Policies” for additional details.

As a result of the ongoing impacts of the pandemic, we continue to take various mitigating actions to offset some of the implications to our employees and communities, as well as the challenges to performance, while also ensuring liquidity and deleverage remain key priorities. We continue to monitor the pandemic and will take additional actions as necessary if the pandemic takes a negative turn. Such potential actions may include, but are not limited to, drawing on our revolving line of credit facility, issuing additional commercial paper under our U.S. commercial paper program (see Part I—Item 1. Financial Statements, Note 8, "Debt" for further discussion of the facilities and our remaining capacity), further accessing the capital markets, reducing discretionary spending as well as capital expenditures and asset monetization.

In response to the global economic uncertainty created by the coronavirus pandemic, our board of directors suspended our regular quarterly dividends on our Class A and Class B common and exchangeable shares in May 2020. In the third quarter of 2021, a quarterly dividend was reinstated. See "Liquidity and Capital Resources" for additional information regarding the impact of the global coronavirus pandemic on our liquidity. While we are encouraged by the improvements through the second quarter of 2021, we continue to monitor the impacts of the pandemic on the recoverability of our assets, including goodwill and indefinite-lived intangible assets. Given the length and severity of the impacts of the coronavirus pandemic on our Europe business, as well as the protracted recovery expected in certain on-premise markets, we recorded a goodwill impairment loss of $1,484.3 million in the fourth quarter of 2020. If the duration of the pandemic is prolonged and the severity of its impact worsens, it could result in additional significant impairment losses. See Part I—Item 1. Financial Statements, Note 7, "Goodwill and Intangible Assets" for further detail as well as Part I - Item 1A. "Risk Factors" in our Annual Report.

Revitalization Plan

On October 28, 2019, we initiated a revitalization plan designed to allow us to invest across our portfolio to drive long-term, sustainable success. The revitalization plan established Chicago, Illinois as our North American operational headquarters. We closed our office in Denver, Colorado and consolidated certain administrative functions into our other existing office locations. As of January 1, 2020, we changed our name to Molson Coors Beverage Company and changed our management structure to two segments - North America and Europe. We began to incur charges related to these restructuring activities during the fourth quarter of 2019 and will continue to incur charges through fiscal year 2021. See Part I—Item 1. Financial Statements, Note 5, "Special Items" for further details.

Consolidated Results of Operations

The following table highlights summarized components of our unaudited condensed consolidated statements of operations for the three and six months ended June 30, 2021 and June 30, 2020. See Part I-Item 1. Financial Statements for additional details of our U.S. GAAP results.

	Three Months Ended			Six Months Ended		
	June 30, 2021	June 30, 2020	% change	June 30, 2021	June 30, 2020	% change
	(In millions, except percentages and per share data)					
Financial volume in hectoliters	23.823	22.586	5.5 %	40.040	41.014	(2.4)%
Net sales	$ 2,939.4	$ 2,503.4	17.4 %	$ 4,837.8	$ 4,606.2	5.0 %
Net income (loss) attributable to MCBC	$ 388.6	$ 195.0	99.3 %	$ 472.7	$ 78.0	N/M
Net income (loss) attributable to MCBC per diluted share	$ 1.79	$ 0.90	98.9 %	$ 2.17	$ 0.36	N/M

N/M = Not meaningful

Second Quarter 2021 Financial Highlights

Net sales of approximately $2.9 billion in the second quarter of 2021 increased 17.4% from the prior year, primarily due to higher financial volumes, favorable brand and channel mix as well as positive pricing. Financial volume growth of 5.5% was primarily due to improved brand volume growth, particularly in Europe as a result of an increase in on-premise re-openings, as well as favorable shipment timing in the U.S., higher contract brewing and wholesaler volumes. Improved brand volume growth, particularly in Europe, was due to on-premise re-openings, higher above premium and core brand volumes, partially offset by lower economy brand volumes.

During the second quarter of 2021, we recognized net income attributable to MCBC of $388.6 million compared to $195.0 million in the prior year. The increase was primarily due to higher financial volumes, favorable net pricing, positive brand and channel mix, lower tax expense, lower special items charges, as well as favorable unrealized gains in our mark-to-market commodity positions, partially offset by higher marketing, general and administrative ("MG&A") expense and higher cost of goods sold inflation, including higher transportation, brewery and packaging material costs.

Regional financial highlights:

- In our North America segment, income before income taxes increased 4.1% to $428.2 million in the second quarter of 2021, compared to $411.5 million in the prior year primarily due to net pricing increases, lower special items charges, favorable brand mix in the U.S., cost savings in cost of goods sold, higher financial volumes and the cycling of prior year charges for temporary "thank you" pay for certain essential North America brewery employees, partially offset by higher MG&A expense and inflation within cost of goods sold, including higher transportation, brewery and packaging material costs, increased inventory obsolescence, as well as the cycling of favorable prior year resolution of a property tax appeal for the Golden, Colorado brewery. The higher MG&A expense reflects increased marketing investment on innovation brands as well as the cycling of lower spending in the prior year in areas impacted by the coronavirus pandemic.
- In our Europe segment, income before income taxes increased to $47.4 million in the second quarter of 2021, compared to a loss of $11.0 million in the prior year primarily due to higher financial volumes as a result of progressive re-opening of the on-premise channel during the quarter compared to greater restrictions in the same period of the prior year, favorable channel, geographic and brand mix, positive pricing and the impacts of favorable foreign currency, partially offset by higher MG&A expenses due to lower spend in the prior year driven by cost mitigation efforts as a result of the impact of the coronavirus pandemic and higher special items charges.

See "Results of Operations" below for further analysis of our segment results.

Worldwide Brand and Financial Volume

Worldwide brand volume (or "brand volume" when discussed by segment) reflects owned or actively managed brands sold to unrelated external customers within our geographic markets, net of returns and allowances, royalty volume and an adjustment from STWs to STRs calculated consistently with MCBC owned volume. Contract brewing and wholesaler volume is removed from worldwide brand volume as this is non-owned volume for which we do not directly control performance. We believe this definition of worldwide brand volume more closely aligns with how we measure the performance of our owned brands within the markets in which they are sold. Financial volume represents owned brands sold to unrelated external customers within our geographical markets, net of returns and allowances as well as contract brewing, wholesale non-owned brand volume and company-owned distribution volume. Royalty volume consists of our brands produced and sold by third parties under various license and contract-brewing agreements and because this is owned volume, it is included in worldwide brand volume. The adjustment from STWs to STRs provides the closest indication of the performance of our owned brands in relation to market and competitor sales trends, as it reflects sales volume one step closer to the end consumer and generally means sales from our wholesalers or our company to retailers.

	Three Months Ended			Six Months Ended		
	June 30, 2021	June 30, 2020	% change	June 30, 2021	June 30, 2020	% change
	(In millions, except percentages)					
Volume in hectoliters:						
Financial volume	23.823	22.586	5.5 %	40.040	41.014	(2.4)%
Less: Contract brewing and wholesaler volume	(1.833)	(1.566)	17.0 %	(3.071)	(3.163)	(2.9)%
Add: Royalty volume	1.124	0.673	67.0 %	2.050	1.552	32.1 %
Add: STW to STR adjustment	(0.983)	(0.218)	N/M	(0.640)	(0.063)	N/M
Total worldwide brand volume	22.131	21.475	3.1 %	38.379	39.340	(2.4)%
Worldwide Brand Volume by Segment in hectoliters						
North America	15.986	16.151	(1.0)%	28.817	29.897	(3.6)%
Europe	6.145	5.324	15.4 %	9.562	9.443	1.3 %
Total	22.131	21.475	3.1 %	38.379	39.340	(2.4)%

Our worldwide brand volume increased 3.1% for the three months ended June 30, 2021 and decreased 2.4% for the six months ended June 30, 2021, respectively, compared to prior year. Financial volume increased 5.5% for the three months ended June 30, 2021 and decreased 2.4% for the six months ended June 30, 2021, respectively, compared to prior year. The growth in the three months ended June 30, 2021 was primarily due to the increase in re-openings of the on-premise channel, particularly in our Europe segment as well as favorable shipment timing. The decline for the six months ended June 30, 2021 was primarily due to the impacts of the coronavirus pandemic which had a greater impact in the 2021 first quarter due to on-premise restrictions in both North America and Europe, particularly in the U.K. and Canada as well as the cycling of the March 2020 pantry loading at the onset of the coronavirus pandemic.

Net Sales Drivers

For the three months ended June 30, 2021 versus June 30, 2020, by segment (in percentages):

	Financial Volume	Price, Product and Geography Mix	Currency	Total
Consolidated	**5.5 %**	**8.2 %**	**3.7 %**	**17.4 %**
North America	1.9 %	6.4 %	1.8 %	10.1 %
Europe	17.8 %	34.5 %	17.2 %	69.5 %

For the six months ended June 30, 2021 versus June 30, 2020, by segment (in percentages):

	Financial Volume	Price, Product and Geography Mix	Currency	Total
Consolidated	**(2.4)%**	**4.7 %**	**2.7 %**	**5.0 %**
North America	(3.2) %	5.0 %	1.3 %	3.1 %
Europe	— %	5.7 %	10.7 %	16.4 %

Income taxes

	Three Months Ended		Six Months Ended	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
Effective tax rate	25%	51 %	27%	66%

The decrease in the effective tax rate during the three and six months ended June 30, 2021 compared to the prior year was primarily due to a decrease in net discrete tax expense, partially offset by the effect of proportionally higher pretax income in jurisdictions with a higher tax rate. We recognized $38.5 million net discrete tax expense through second quarter of 2021 versus $121.7 million net discrete tax expense through second quarter of 2020. The difference is primarily due to the $135 million discrete tax expense recognized in the second quarter of 2020, which was related to the enactment of the hybrid regulations as further discussed below.

During the second quarter of 2021, the U.K. government enacted, and royal assent was received for, legislation to increase the corporate income tax rate from 19% to 25%. Remeasurement of our deferred tax liabilities under the higher income tax rate resulted in the recognition of additional discrete tax expense of approximately $18 million in second quarter of 2021.

Our tax rate is volatile and may increase or decrease with changes in, among other things, the amount and source of income or loss, our ability to utilize foreign tax credits, excess tax benefits or deficiencies from share-based compensation, changes in tax laws, and the movement of liabilities established pursuant to accounting guidance for uncertain tax positions as statutes of limitations expire, positions are effectively settled, or when additional information becomes available. There are proposed or pending tax law changes in various jurisdictions and other changes to regulatory environments in countries in which we do business that, if enacted, may have an impact on our effective tax rate.

Due to anticipated settlements and expected expiration of statutes of limitations, it is reasonably possible that the amount of unrecognized tax benefits may decrease by approximately $250 million within the next 12 months.

Since 2018, the U.S. Department of Treasury has continued to issue proposed, temporary and final regulations to implement provisions of the 2017 Tax Act. We will continue to monitor these regulations. The final hybrid regulations issued in April 2020 resulted in recognition of approximately $135 million of tax expense in the six months ended June 30, 2020. We currently estimate the impact of the final regulations to be cash tax outflows of approximately $100 million in 2021. We continue to analyze the potential cash impacts of the final regulations to minimize cash outflows over time.

Refer to Part I - Item 1. Financial Statements, Note 6, "Income Tax" for discussion regarding our effective tax rate.

Segment Results of Operations

North America Segment

	Three Months Ended			Six Months Ended		
	June 30, 2021	June 30, 2020	% change	June 30, 2021	June 30, 2020	% change
	(In millions, except percentages)					
Financial volume in hectoliters[(1)(2)]	17.986	17.648	1.9 %	31.088	32.104	(3.2)%
Sales[(2)]	$ 2,775.7	$ 2,548.8	8.9 %	$ 4,711.6	$ 4,603.8	2.3 %
Excise taxes	(353.3)	(348.6)	1.3 %	(597.2)	(613.9)	(2.7)%
Net sales[(2)]	2,422.4	2,200.2	10.1 %	4,114.4	3,989.9	3.1 %
Cost of goods sold[(2)]	(1,448.6)	(1,302.0)	11.3 %	(2,561.9)	(2,434.4)	5.2 %
Gross profit	973.8	898.2	8.4 %	1,552.5	1,555.5	(0.2)%
Marketing, general and administrative expenses	(537.8)	(425.2)	26.5 %	(968.2)	(921.8)	5.0 %
Special items, net[(3)]	(5.8)	(64.1)	(91.0)%	(12.3)	(143.2)	(91.4)%
Operating income (loss)	430.2	408.9	5.2 %	572.0	490.5	16.6 %
Interest income (expense), net	(0.4)	(0.7)	(42.9)%	(0.7)	(1.7)	(58.8)%
Other income (expense), net	(1.6)	3.3	N/M	1.1	(1.1)	N/M
Income (loss) before income taxes	$ 428.2	$ 411.5	4.1 %	$ 572.4	$ 487.7	17.4 %

N/M = Not meaningful

(1) Excludes royalty volume of 0.585 million hectoliters and 1.152 million hectoliters for the three and six months ended June 30, 2021, respectively, and excludes royalty volume of 0.288 million hectoliters and 0.803 million hectoliters for the three and six months ended June 30, 2020, respectively.

(2) Includes gross inter-segment sales, purchases, and volumes, which are eliminated in the consolidated totals.

(3) See Part I—Item 1. Financial Statements, Note 5, "Special Items" for detail of special items.

Significant events

In March 2021, we experienced a systems outage that was caused by a cybersecurity incident. We engaged leading forensic information technology firms and legal counsel to assist our investigation into the incident and we restored our systems after working to get the systems back up as quickly as possible. Despite these actions, we experienced delays and disruptions to our business, including brewery operations, production and shipments. This incident caused a shift in our production and shipments from the first quarter of 2021 to the balance of fiscal year 2021.

In February 2021, a winter ice storm severely impacted the southern United States. In particular, local government authorities in Texas were forced to impose energy restrictions, causing the Fort Worth brewery to be offline which resulted in our inability to produce or ship product during the downtime.

We continue to monitor the coronavirus pandemic, which had a material adverse effect on our North America results of operations for fiscal year 2020, starting at the end of the first quarter of 2020, and we expect it will continue to have a material adverse effect on our results of operations in 2021. While we have begun to see the on-premise reopen, due to limitations and restrictions as well as consumer uncertainty, volume has not returned to pre-pandemic levels. Additionally, continuing governmental or societal impositions on bars and restaurants and restrictions on public gatherings including the growing risk of variants, the rate of vaccination, the effectiveness and prompt distribution of vaccines and further shutdowns, specifically in certain populous provinces of Canada, will continue to have adverse effects on on-premise traffic and, in turn, our business performance, cash flows and liquidity.

Our results for the six months ended June 30, 2020 included a reduction to net sales of $19.6 million and charges to cost of goods sold of $12.2 million related to the recognition of estimated sales returns and finished good obsolescence reserves and related costs resulting from the on-premise impacts at the onset of the coronavirus pandemic. These charges were primarily recognized during the first quarter of 2020, with immaterial adjustments for changes in estimates recognized in the second quarter of 2020. We also recognized charges to cost of goods sold of $15.5 million related to temporary "thank you" pay for certain essential North America brewery employees during the three months ended June 30, 2020.

As part of our revitalization plan announced during the fourth quarter of 2019, we initiated restructuring activities and will continue to incur severance and other employee-related costs as special items through the end of 2021.

Following management approval in December 2019, in January 2020, we announced plans to cease production at our Irwindale, California brewery and entered into an option agreement with Pabst Brewing Company, LLC ("Pabst"), granting Pabst an option to purchase our Irwindale, California brewery, including plant equipment and machinery and the underlying land for $150 million, subject to adjustment as further specified in the option agreement. Pursuant to the option agreement, on May 4, 2020, Pabst exercised its option to purchase the Irwindale brewery and the purchase was completed in the fourth quarter of 2020. Production at the Irwindale brewery ceased during the third quarter of 2020. We recorded special charges related to the Irwindale brewery closure during the six months ended June 30, 2020 as further discussed in Part I—Item 1. Financial Statements, Note 5, "Special Items."

The volatility of aluminum prices, inclusive of Midwest Premium and tariffs, continued to significantly impact our results during the first half of 2021. To the extent these prices continue to fluctuate, our business and financial results could be materially adversely impacted. We continue to monitor these risks and rely on our risk management hedging program to help mitigate price risk exposure for commodities including aluminum and fuel.

In further efforts to help optimize the North America brewery network, in the third quarter of 2017, we announced a plan to build a more efficient and flexible brewery in Longueuil, Quebec. During the second quarter of 2019, we completed the sale of our Montreal brewery for $96.2 million, resulting in a $61.3 million gain, which was recorded as a special item. In conjunction with the sale, we agreed to lease back the existing property to continue operations on an uninterrupted basis until the new brewery is operational, which we currently expect to occur in 2021. However, due to the uncertainty inherent in our estimates, and the impacts of the coronavirus pandemic potentially delaying construction of the new brewery, the timing of the brewery closure is subject to change. We will continue to incur significant capital expenditures associated with the construction of the new brewery in Longueuil, Quebec, through its estimated completion in late 2021.

In June 2019, the Ontario government adopted a bill that, if enacted, would terminate a 10-year Master Framework Agreement that was originally signed between the previous government administration and Molson Canada 2005, a wholly owned indirect subsidiary of the Company, Labatt Brewing Company Limited, Sleeman Breweries Ltd., and Brewers Retail Inc. in 2015 and dictates the terms of the beer distribution and retail systems in Ontario through 2025. The government has not yet proclaimed the bill as law. The impacts of these potential legislative changes are unknown at this time, but could have a negative impact on the results of operations, cash flows and financial position of the North America segment. While discussions remain ongoing with the government to reach a mutually agreeable alternative to the enactment of the law, it is unclear how the coronavirus pandemic will impact these discussions. Molson Canada 2005 and the other Master Framework Agreement signatories are prepared to vigorously defend our rights and pursue legal recourse, should the Master Framework Agreement be unilaterally terminated by the enactment of the legislation. For additional information, see Part I—Item 1. Financial Statements, Note 12, "Commitments and Contingencies."

Foreign currency impact on results

During the three and six months ended June 30, 2021, foreign currency movements favorably impacted our income (loss) before income taxes by $0.7 million and $0.9 million, respectively. Included in these amounts are both translational and transactional impacts of changes in foreign exchange rates. The impact of transactional foreign currency gains and losses is recorded within other income (expense) in our unaudited condensed consolidated statements of operations.

Volume and net sales

Brand volume decreased 1.0% and 3.6% for the three and six months ended June 30, 2021, respectively, compared to prior year. The decrease in brand volume was primarily due to lower economy brand volumes in the U.S. and declines in Canada, partially offset by growth in both the Latin America and the U.S. above premium portfolio. Financial volume increased 1.9% for the three months ended June 30, 2021 and decreased 3.2% for the six months ended June 30, 2021, compared to prior year. The increase in the three months ended June 30, 2021 was driven by favorable shipment timing in the U.S. and strong volume performance in Latin America. The decrease in the six months ended June 30, 2021 was reflective of the lower brand volume and lower U.S. shipments attributed to the March 2021 cybersecurity incident and the February 2021 Fort Worth, Texas brewery shutdown due to a winter storm, partially offset by favorable U.S. shipment timing in the second quarter of 2021.

Net sales per hectoliter on a brand volume basis in local currency increased 4.7% and 3.8% for the three and six months ended June 30, 2021, respectively, compared to prior year. The increase in the three months ended June 30, 2021 was primarily due to positive brand mix in the U.S. and net pricing increases in the U.S. and Canada, partially offset by unfavorable geographic mix attributed to growing license volume in Latin America. The increase for the six months ended June 30, 2021 was primarily due to the same factors as the three month period in addition to cycling prior year estimated keg sales returns and reimbursement related to the on-premise impacts of the coronavirus pandemic. Net sales per hectoliter on a financial volume basis in local currency increased 6.3% and 5.1% for the three and six months ended June 30, 2021, respectively, compared to the prior year.

Cost of goods sold

Cost of goods sold per hectoliter in local currency increased 7.2% and 7.1% for the three and six months ended June 30, 2021, respectively, compared to prior year primarily due to cost inflation, including higher transportation costs, brewery and packaging material costs, mix impacts due to premiumization, increased inventory obsolescence and cycling the favorable prior year resolution of a property tax appeal for the Golden, Colorado brewery, partially offset by cost savings and the cycling of prior year charges for the temporary "thank you" pay for certain essential North America brewery employees. The increase in the six months ended June 30, 2021 was also due to volume deleverage, partially offset by cycling finished good obsolescence reserves and related costs recognized in the first quarter of 2020 resulting from the on-premise impacts of the coronavirus pandemic.

Marketing, general and administrative expenses

Marketing, general and administrative expenses increased 26.5% and 5.0% for the three and six months ended June 30, 2021, respectively, compared to prior year primarily due to increased marketing investment on innovation brands, higher media spend behind *Coors Light* and *Miller Lite* and the cycling of lower spend in the prior year in areas impacted by the coronavirus pandemic, partially offset by cost savings related to the revitalization plan.

Other income (expense), net

The change in other income (expense), net during the three and six months ended June 30, 2021 was primarily due to foreign currency transaction (gains) losses and the unrealized mark-to-market changes on our HEXO warrants.

Europe Segment

	Three Months Ended			Six Months Ended		
	June 30, 2021	June 30, 2020	% change	June 30, 2021	June 30, 2020	% change
	(In millions, except percentages)					
Financial volume in hectoliters[(1)(2)]	5.844	4.963	17.8 %	8.966	8.965	— %
Sales[(2)]	$ 791.8	$ 484.9	63.3 %	$ 1,112.5	$ 972.2	14.4 %
Excise taxes	(271.3)	(177.8)	52.6 %	(385.1)	(347.5)	10.8 %
Net sales[(2)]	520.5	307.1	69.5 %	727.4	624.7	16.4 %
Cost of goods sold[(2)]	(324.7)	(217.9)	49.0 %	(500.8)	(469.9)	6.6 %
Gross profit	195.8	89.2	119.5 %	226.6	154.8	46.4 %
Marketing, general and administrative expenses	(143.9)	(99.3)	44.9 %	(256.4)	(232.4)	10.3 %
Special items, net[(3)]	(3.2)	(0.2)	N/M	(7.6)	(7.7)	(1.3)%
Operating income (loss)	48.7	(10.3)	N/M	(37.4)	(85.3)	(56.2)%
Interest income (expense), net	(1.6)	(1.3)	23.1 %	(3.0)	(2.7)	11.1 %
Other income (expense), net	0.3	0.6	(50.0)%	(1.6)	0.2	N/M
Income (loss) before income taxes	$ 47.4	$ (11.0)	N/M	$ (42.0)	$ (87.8)	(52.2)%

N/M = Not meaningful

(1) Excludes royalty volume of 0.539 million hectoliters and 0.898 million hectoliters for the three and six months ended June 30, 2021, respectively, and excludes royalty volume of 0.385 million hectoliters and 0.749 million hectoliters for the three and six months ended June 30, 2020, respectively.

(2) Includes gross inter-segment sales, purchases, and volumes, which are eliminated in the consolidated totals.

(3) See Part I - Item I. Financial Statements, Note 5, "Special Items" for detail of special items.

Significant events

We continue to monitor the coronavirus pandemic, which had a material adverse effect on our Europe results of operations in 2020 and we expect it will continue to have a material adverse effect on our Europe results of operations in 2021. In the fourth quarter of 2020, a new pandemic wave triggered new lockdowns with different levels of restrictions in Europe from one market to another and continued through the first half of 2021. The additional lockdowns, particularly in the U.K, had an adverse effect on on-premise sales during the first quarter and part of the second quarter and will continue to have adverse effects on our business performance, cash flows and liquidity until on premise locations fully reopen and all restrictions are lifted.

Our results for the six months ended June 30, 2020 included a reduction to net sales of $12.2 million and charges to cost of goods sold of $4.6 million related to the recognition of estimated sales returns and finished good obsolescence reserves and related costs resulting from the on-premise impacts of the coronavirus pandemic. These charges were primarily recognized during the first quarter of 2020, with immaterial adjustments for changes in estimates recognized in the second quarter of 2020.

As part of our revitalization plan announced during the fourth quarter of 2019, we initiated restructuring activities and continue to incur severance and other employee-related costs as special items through the end of 2021.

Foreign currency impact on results

Our Europe segment operates in numerous countries and each country's operations utilize distinct currencies. During the three months ended June 30, 2021, foreign currency movements favorably impacted our income (loss) before income taxes by $4.8 million and during the six months ended June 30, 2021, foreign currency movements unfavorably impacted our income (loss) before income taxes by $3.5 million. Included in this amount are both translational and transactional impacts of changes in foreign exchange rates. The impact of transactional foreign currency gains and losses is recorded within other income (expense) in our unaudited condensed consolidated statements of operations.

Volume and net sales

Our Europe brand volume increased 15.4% and 1.3% for the three and six months ended June 30, 2021, respectively, compared to prior year. The increase in Europe brand volume was primarily due to less severe on-premise restrictions as a result of the coronavirus pandemic across Europe. Financial volume increased 17.8% and was flat for the three and six months ended June 30, 2021, respectively, compared to prior year.

Net sales per hectoliter on a brand volume basis in local currency increased 16.6% and 5.9% for the three and six months ended June 30, 2021, respectively, compared to prior year. The increase in the three months ended June 30, 2021 was primarily due to favorable channel, geographic and brand mix due to on-premise starting to reopen at various levels throughout Europe and positive pricing. The increase for the six months ended June 30, 2021 was primarily due to favorable brand and channel mix and favorable pricing, as well as the cycling of prior year estimated keg sales returns and reimbursements related to the on-premise impacts of the coronavirus pandemic and positive pricing. Net sales per hectoliter on a financial volume basis in local currency increased 29.4% and 5.6% for the three and six months ended June 30, 2021, respectively, compared to prior year.

Cost of goods sold

Cost of goods sold per hectoliter in local currency increased 13.7% and decreased 3.1% for the three and six months ended June 30, 2021, respectively, compared to prior year. The increase in the three months ended June 30, 2021 was primarily due to unfavorable channel and brand mix and cost inflation, partially offset by the positive impact of volume leverage. The decrease in the six months ended June 30, 2021 was primarily due to cost savings and the impact of the cycling of the estimated finished goods obsolescence reserves and costs recognized in the six months ended June 30, 2020 resulting from the on-premise impacts of the coronavirus pandemic, partially offset by unfavorable channel and brand mix and cost inflation.

Marketing, general and administrative expenses

Marketing, general and administrative expenses increased 44.9% and 10.3% for the three and six months ended June 30, 2021, respectively, compared to prior year. The increase in the three months ended June 30, 2021 was primarily due to increased support for our brands, increased incentive compensation as well as unfavorable foreign currency movements. The increase in the six months ended June 30, 2021 was primarily due to unfavorable foreign currency movements and an increase in the marketing support for our brands.

Unallocated

	Three Months Ended			Six Months Ended		
	June 30, 2021	June 30, 2020	% change	June 30, 2021	June 30, 2020	% change
	(In millions, except percentages)					
Financial volume in hectoliters	—	—	— %	—	—	— %
Sales	$ —	$ —	— %	$ —	$ —	— %
Excise taxes	—	—	— %	—	—	— %
Net sales	—	—	— %	—	—	— %
Cost of goods sold	101.9	59.4	71.5 %	223.4	(39.7)	N/M
Gross profit	101.9	59.4	71.5 %	223.4	(39.7)	N/M
Marketing, general and administrative expenses	—	—	— %	—	—	— %
Special items, net	—	—	— %	—	—	— %
Operating income (loss)	101.9	59.4	71.5 %	223.4	(39.7)	N/M
Interest income (expense), net	(65.9)	(67.7)	(2.7)%	(129.5)	(134.2)	(3.5)%
Other pension and postretirement benefits (costs), net	13.0	7.6	71.1 %	26.0	15.1	72.2 %
Other income (expense), net	(2.0)	1.9	N/M	(1.4)	1.9	N/M
Income (loss) before income taxes	$ 47.0	$ 1.2	N/M	$ 118.5	$ (156.9)	N/M

N/M = Not meaningful

Cost of goods sold

The unrealized changes in fair value on our commodity swaps, which are economic hedges, are recorded as cost of goods sold within unallocated and make up the entirety of the activity presented within cost of goods sold in the table above for the three and six months ended June 30, 2021 and June 30, 2020. As the exposure we are managing is realized, we reclassify the gain or loss to the segment in which the underlying exposure resides, allowing our segments to realize the economic effects of the derivative without the resulting unrealized mark-to-market volatility. See Part I—Item 1. Financial Statements, Note 11, "Derivative Instruments and Hedging Activities" for further information.

Interest income (expense), net

Net interest expense decreased for the three and six months ended June 30, 2021 compared to the prior year, primarily due to the repayment of debt as part of our deleveraging commitments. See Part I—Item 1. Financial Statements, Note 8, "Debt" for further details.

Other pension and postretirement benefit (costs), net

Unallocated other pension and postretirement benefits increased for the three and six months ended June 30, 2021 compared to the prior year primarily due to lower pension and postretirement non-service costs.

Liquidity and Capital Resources

Our primary sources of liquidity have included cash provided by operating activities and access to external capital. However, the worldwide disruption caused by the coronavirus pandemic could materially affect our future access to our sources of liquidity. In the event of a sustained market deterioration and declines in net sales, profit and operating cash flow, we may need additional liquidity, which would require us to evaluate available alternatives and take appropriate actions. We currently believe that our cash and cash equivalents, cash flows from operations and cash provided by short-term and long-term borrowings, when necessary, will be adequate to meet our ongoing operating requirements, scheduled principal and interest payments on debt, capital expenditures and other obligations for the twelve months subsequent to the date of the issuance of this quarterly report, and our long-term liquidity requirements.

We continue to focus on navigating the lingering challenges presented by the coronavirus pandemic by preserving our liquidity and managing our cash flow through taking preemptive action to enhance our ability to meet our short-term liquidity needs. Specifically, we have taken several actions and considered various potential actions that may be needed to meet short-term and mid-term liquidity needs and have resources in place should we need to act on any of these quickly. Such potential actions include, but are not limited to, drawing on our $1.5 billion revolving credit facility, including issuing commercial paper under our U.S. commercial paper program (see Part I—Item 1. Financial Statements, Note 8, "Debt" regarding details of our current borrowings and remaining capacities under these programs), further accessing the capital markets, reducing discretionary spending including marketing, general and administrative as well as capital expenditures, asset monetization, and taking advantage of certain government-sponsored legislation and programs. In addition, we and our board of directors continue to actively evaluate various capital allocation considerations.

While we currently expect to have the necessary cash on hand to repay obligations when due, declines in net sales and profit could have a material adverse effect on our financial operations, cash flow and our ability to raise capital. The effects of the coronavirus pandemic are ongoing, and because of its dynamic nature, including uncertainties relating to the spread of variants, the rate of vaccinations and the efficacy of vaccines, the duration of the pandemic, the duration of on-premise restrictions and closures and related prolonged weakening of economic or other negative conditions, and governmental reactions, we cannot fully anticipate future conditions given the substantial uncertainties in the economy in general. We may have unexpected costs and liabilities; revenue and cash provided by operations may decline; macroeconomic conditions may weaken; prolonged and severe levels of unemployment may negatively impact our consumers; and competitive pressures may increase. These factors may result in difficulty maintaining liquidity, meeting our deleverage commitments and complying with our revolving credit facility covenants. As a result, our credit ratings could be downgraded, which would increase our costs of future borrowing and harm our ability to refinance our debt in the future on acceptable terms or at all. However, in anticipation of these uncertainties, we entered into Amendment No. 2 to our $1.5 billion revolving credit facility on June 19, 2020. While the amendment did not increase our borrowing capacity or extend the term of the facility, it, among other things, (i) temporarily increased certain levels of the applicable rate by 25 basis points for the period beginning June 19, 2020 and ending on the last day of the fiscal quarter ending September 30, 2021, and (ii) revised the leverage ratios under the financial maintenance covenant for each fiscal quarter ending on or after June 30, 2020 through the maturity of the credit agreement.

There can be no assurance that we will be able to secure additional liquidity if our revolving credit facility is fully drawn, the capital markets become inaccessible or if our credit rating is adversely impacted, which may result in difficulties in accessing debt markets or increase our debt costs. Even if we have access to the capital markets, we may not be able to raise capital on acceptable terms or at all. If we are unable to maintain or access adequate liquidity, our ability to timely pay our obligations when due could be adversely affected.

Continued disruption and declines in the global economy could also impact our customers' liquidity and capital resources and therefore our ability to collect, or the timeliness of collection of our accounts receivable from them, which may have a material adverse impact on our performance, cash flows and capital resources. We continue to monitor our accounts receivable aging and have recorded reserves as appropriate. In addition, measures taken by governmental agencies to provide relief to businesses could further impact our ability to collect from customers. See Part I—Item 1. Financial Statements, Note 1, "Basis of Presentation and Summary of Significant Accounting Policies" for additional discussion related to our accounts receivable and associated reserves.

Additionally, in response to the coronavirus pandemic, various governmental authorities globally have implemented relief programs which we continue to monitor and evaluate, such as the CARES Act in the U.S. Certain of these relief programs provide temporary deferrals of non-income based tax payments, which positively impacted our operating cash flows in 2020. Of the approximate $130 million of cash flow benefits recognized in 2020 from these temporary deferrals, the majority is expected to be paid in the second half of 2021.

While a significant portion of our cash flows from operating activities is generated within the U.S., our cash balances may be comprised of cash held outside the U.S. and in currencies other than USD. As of June 30, 2021, approximately 35% of our cash and cash equivalents were located outside the U.S., largely denominated in foreign currencies. The recent fluctuations in foreign currency exchange rates may have a material impact on these foreign cash balances. When the earnings are considered indefinitely reinvested outside of the U.S., we do not accrue taxes. To the extent necessary, we accrue for tax consequences on the earnings of our foreign subsidiaries upon repatriation. However, we continue to assess the impact of the 2017 Tax Act and related U.S. Department of Treasury proposed, temporary and final regulations, on the tax consequences of future cash repatriations. We utilize a variety of tax planning and financing strategies in an effort to ensure that our worldwide cash is available in the locations in which it is needed. We periodically review and evaluate these strategies, including external committed and non-committed credit agreements accessible by MCBC and each of our operating subsidiaries. We believe these financing arrangements, along with the cash generated from the operations of our U.S. business and other liquidity measures resulting from considerations of the on-going coronavirus global pandemic, as discussed above, are sufficient to fund our current cash needs in the U.S..

Additionally, our cash balances in foreign countries are often subject to additional restrictions and covenants. We may, therefore, have difficulties repatriating cash held outside of the U.S. which would also be subject to various repatriation taxes. In some countries repatriation of certain foreign balances is restricted by local laws and could have adverse tax consequences if we were to move the cash to another country. These limitations may affect our ability to fully utilize our cash resources for needs in the U.S. or other countries and may adversely affect our liquidity.

Separately, as discussed in Part I - Item 1. Financial Statements, Note 6, "Income Tax", the U.S. Department of Treasury issued final hybrid regulations in April 2020, which resulted in recognition of approximately $135 million in the six months ended June 30, 2020. We currently estimate the impact of the final regulations to be cash tax outflows of approximately $100 million in 2021. We continue to analyze the potential cash impacts of the final regulations to minimize any cash outflows over time.

Cash Flows and Use of Cash

Our business generates positive operating cash flow each year, and our debt maturities are of a longer-term nature. However, our liquidity could be impacted significantly by the risk factors we described in Part I—Item 1A. "Risk Factors" in our Annual Report, Part II-Item 1A. "Risk Factors" in this report and the items listed above.

Cash Flows from Operating Activities

Net cash provided by operating activities was $748.5 million for the six months ended June 30, 2021 compared to $1,059.9 million for the six months ended June 30, 2020. The decrease in net cash provided by operating activities of $311.4 million was primarily due to the unfavorable timing of working capital and higher cash paid for taxes partially offset by higher net income adjusted for non-cash add-backs and lower interest paid during the six months ended June 30, 2021. The unfavorable timing of working capital was impacted by prior year tax payment deferrals, timing of receipts related to higher volumes as well as incentive payments. During the six months ended June 30, 2020, working capital and cash paid for taxes benefited from over $500 million in tax payment deferrals from various government-sponsored payment deferral programs initiated in response to the coronavirus pandemic.

Cash Flows from Investing Activities

Net cash used in investing activities of $200.1 million for the six months ended June 30, 2021 decreased by $141.4 million compared to the six months ended June 30, 2020, primarily due to lower capital expenditures and higher inflows from other investing activities, including the sale of the India disposal group. The decrease in capital expenditures was primarily due to the timing of capital projects.

Cash Flows from Financing Activities

Net cash used in financing activities was $3.9 million for the six months ended June 30, 2021 compared to $449.8 million for the six months ended June 30, 2020. The decrease in the net cash used in financing activities was primarily due to lower net debt repayments, lower dividend payments as a result of the suspension of our dividend from May 2020 through the second quarter of 2021 and lower net cash outflows from other financing activities, partially offset by lower borrowings under our revolving credit facility and commercial paper program.

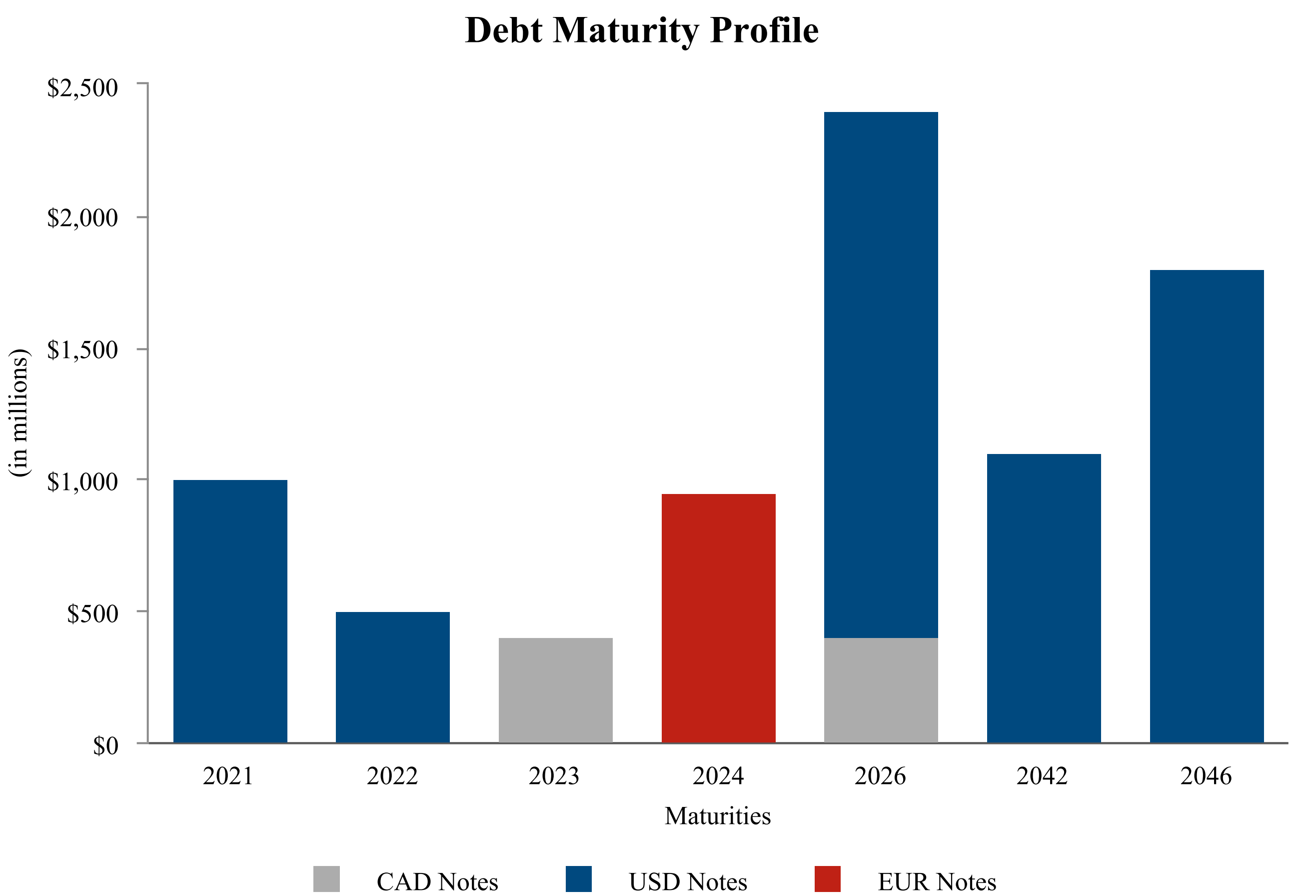
Capital Resources

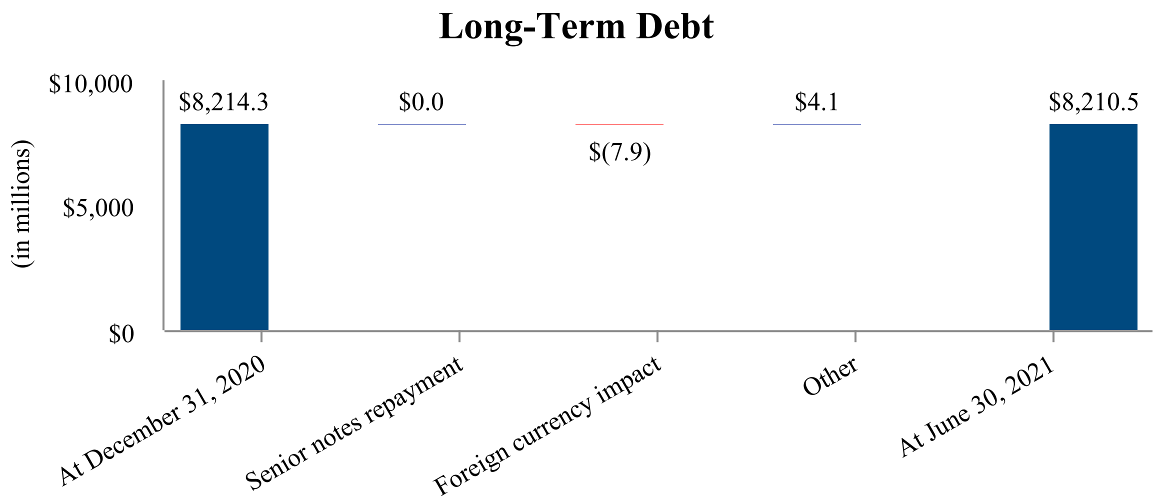
Cash and Cash Equivalents

As of June 30, 2021, we had total cash and cash equivalents of $1,308.9 million, compared to $770.1 million as of December 31, 2020 and $780.8 million as of June 30, 2020. The increase in cash and cash equivalents from December 31, 2020 was primarily due to the cash generated from operating activities, partially offset by capital expenditures. The increase in cash and cash equivalents from June 30, 2020 was primarily due to cash generated from operating activities and the proceeds from the sale of properties and other assets, including the prior year Irwindale brewery sale, partially offset by capital expenditures, the repayment of debt and repayment of borrowings under our revolving credit facility and commercial paper program.

Borrowings

We repaid in full our $1.0 billion 2.1% notes that matured on July 15, 2021 using a combination of commercial paper borrowings and cash on hand and also settled the associated cross currency swap. Notional amounts below are presented in USD based on the applicable exchange rate as of June 30, 2021. Refer to Part I—Item 1. Financial Statements, Note 8, "Debt" for details.





Based on the credit profile of our lenders that are party to our credit facilities, we are confident in our ability to continue to draw on our revolving credit facility if the need arises. As of June 30, 2021 and December 31, 2020, we had $1.5 billion available to draw on our $1.5 billion revolving credit facility, as there were no outstanding revolving credit facility or commercial paper borrowings. Subsequent to June 30, 2021, we had net commercial paper borrowings of approximately $140 million as of July 29, 2021. As such, as of July 29, 2021, we have approximately $1.4 billion available to draw on our total $1.5 billion revolving credit facility.

We intend to further utilize our cross-border, cross currency cash pool as well as our commercial paper programs for liquidity as needed. We also have JPY, CAD, GBP and USD overdraft facilities as well as an additional JPY line of credit across several banks should we need additional short-term liquidity.

Under the terms of each of our debt facilities, we must comply with certain restrictions. These include customary events of default and specified representations, warranties and covenants, as well as covenants that restrict our ability to incur certain additional priority indebtedness (certain thresholds of secured consolidated net tangible assets), certain leverage threshold percentages, create or permit liens on assets and restrictions on mergers, acquisitions and certain types of sale lease-back transactions. Additionally, under the $1.5 billion revolving credit facility, the maximum leverage ratio as of June 30, 2021 is 4.75x net debt to EBITDA with a 0.25x reduction to 4.50x net debt to EBITDA for the fiscal quarter ending September 30, 2021. The leverage ratio requirement is reduced by a further 0.50x to 4.00x net debt to EBITDA as of the last day of the fiscal quarter ending December 31, 2021 through maturity of the credit facility. As of June 30, 2021 and December 31, 2020, we were in compliance with all of these restrictions, have met such financial ratios and have met all debt payment obligations. All of our outstanding senior notes as of June 30, 2021 rank pari-passu.

See Part I—Item 1. Financial Statements, Note 8, "Debt" for further discussion of our borrowings and available sources of borrowing, including lines of credit.

Credit Rating

Our current long-term credit ratings are BBB-/Negative Outlook, Baa3/Stable Outlook and BBB(Low)/Negative Outlook with Standard & Poor's, Moody's and DBRS, respectively. Our short-term credit ratings are A-3, Prime-3 and R-2(low), respectively. A securities rating is not a recommendation to buy, sell or hold securities, and it may be revised or withdrawn at any time by the applicable rating agency.

Guarantor Information

SEC Registered Securities

For purposes of this disclosure, including the tables, "Parent Issuer" shall mean MCBC. "Subsidiary Guarantors" shall mean certain Canadian and U.S. subsidiaries reflecting the substantial operations of our North America segment.

Pursuant to the indenture dated May 3, 2012 (as amended, the "May 2012 Indenture"), MCBC issued its outstanding 3.5% senior notes due 2022 and 5.0% senior notes due 2042. Additionally, pursuant to the indenture dated July 7, 2016, MCBC issued its outstanding 2.1% senior notes due 2021 (subsequently repaid in July 2021), 3.0% senior notes due 2026, 4.2% senior notes due 2046 and 1.25% senior notes due 2024. The senior notes issued under the May 2012 Indenture and the July 2016 Indenture were registered under the Securities Act of 1933, as amended. These senior notes are guaranteed on a senior unsecured basis by certain subsidiaries of MCBC, which are listed on Exhibit 22 of our Annual Report (the "Subsidiary Guarantors", and together with the Parent Issuer, the "Obligor Group"). "Parent Issuer" in this section is specifically referring to MCBC in its capacity as the issuer of the senior notes under the May 2012 Indenture and the July 2016 Indenture. Each of the Subsidiary Guarantors is 100% owned by the Parent Issuer. The guarantees are full and unconditional and joint and several.

None of our other outstanding debt was issued in a transaction that was registered with the SEC, and such other outstanding debt is issued or otherwise generally guaranteed on a senior unsecured basis by the Obligor Group or other consolidated subsidiaries of MCBC. These other guarantees are also full and unconditional and joint and several.

The senior notes and related guarantees rank pari-passu with all other unsubordinated debt of the Obligor Group and senior to all future subordinated debt of the Obligor Group. The guarantees can be released upon the sale or transfer of a Subsidiary Guarantors' capital stock or substantially all of its assets, or if such Subsidiary Guarantor ceases to be a guarantor under our other outstanding debt.

See Part I—Item 1. Financial Statements, Note 8, "Debt" for details of all debt issued and outstanding as of June 30, 2021.

The following summarized financial information relates to the Obligor Group as of June 30, 2021 on a combined basis, after elimination of intercompany transactions and balances between the Obligor Group, and excluding the investments in and equity in the earnings of any non-guarantor subsidiaries. The balances and transactions with non-guarantor subsidiaries have been separately presented.

Summarized Financial Information of Obligor Group

		Six Months Ended June 30, 2021 (in millions)
Net sales, out of which:	$	4,072.1
Intercompany sales to non-guarantor subsidiaries	$	14.3
Gross profit, out of which:	$	1,743.1
Intercompany net costs from non-guarantor subsidiaries	$	(210.8)
Net interest expense third parties	$	(130.1)
Intercompany net interest income from non-guarantor subsidiaries	$	60.7
Income before income taxes	$	744.6
Net income	$	570.3

	As of June 30, 2021	As of December 31, 2020
	(in millions)	
Total current assets, out of which:	$ 2,630.5	$ 1,662.5
Intercompany receivables from non-guarantor subsidiaries	$ 248.7	$ 184.4
Total noncurrent assets, out of which:	$ 25,500.3	$ 25,378.7
Noncurrent intercompany notes receivable from non-guarantor subsidiaries	$ 4,053.4	$ 3,962.2
Total current liabilities, out of which:	$ 3,786.4	$ 3,089.4
Current portion of long-term debt and short-term borrowings	$ 1,503.7	$ 1,001.4
Intercompany payables due to non-guarantor subsidiaries	$ 90.0	$ 72.3
Total noncurrent liabilities, out of which:	$ 13,666.3	$ 14,046.4
Long-term debt	$ 6,624.0	$ 7,129.8
Noncurrent intercompany notes payable due to non-guarantor subsidiaries	$ 4,226.2	$ 4,117.6

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. 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 16, "Derivative Instruments and Hedging Activities" of our Annual Report for additional information on our financial risk management strategies.

Our consolidated financial statements are presented in USD, which is our reporting currency. 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. Translation adjustments resulting from this process are reported as a separate component of other comprehensive income. Revenue and expenses are translated at the average exchange rates during the respective period throughout the year. Gains and losses from foreign currency transactions are included in earnings for the period. The significant exchange rates to the USD used in the preparation of our consolidated financial results for the primary foreign currencies used in our foreign operations (functional currency) are as follows:

	Three Months Ended		Six Months Ended	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
Weighted-Average Exchange Rate (1 USD equals)				
Canadian Dollar (CAD)	1.22	1.36	1.25	1.36
Euro (EUR)	0.83	0.91	0.83	0.91
British Pound (GBP)	0.71	0.81	0.72	0.80
Czech Koruna (CZK)	21.17	23.91	21.27	23.80
Croatian Kuna (HRK)	6.23	6.74	6.23	6.75
Serbian Dinar (RSD)	97.59	107.44	97.76	106.92
Romanian Leu (RON)	4.09	4.35	4.07	4.35
Bulgarian Lev (BGN)	1.62	1.77	1.62	1.77
Hungarian Forint (HUF)	291.45	313.79	297.71	311.51

	As of	
	June 30, 2021	December 31, 2020
Closing Exchange Rate (1 USD equals)		
Canadian Dollar (CAD)	1.24	1.27
Euro (EUR)	0.84	0.82
British Pound (GBP)	0.72	0.73
Czech Koruna (CZK)	21.51	21.47
Croatian Kuna (HRK)	6.32	6.18
Serbian Dinar (RSD)	99.11	96.34
Romanian Leu (RON)	4.16	3.98
Bulgarian Lev (BGN)	1.65	1.60
Hungarian Forint (HUF)	296.32	296.94

The weighted-average exchange rates in the above table have been calculated based on the average of the foreign exchange rates during the relevant period and have been weighted according to the foreign denominated earnings from operations of the USD equivalent. If foreign currencies in the countries in which we operate devalue significantly in future periods, most significantly the CAD, GBP, EUR and other European operating currencies included in the above table, then the impact on USD reported earnings may be material.

Capital Expenditures

We incurred $204.3 million, and paid $211.9 million, for capital improvement projects worldwide in the six months ended June 30, 2021, excluding capital spending by equity method joint ventures, representing a decrease of $67.1 million from the $271.4 million of capital expenditures incurred in the six months ended June 30, 2020. This decrease was primarily due to the timing of expenditures for capital projects. We continue to focus on where and how we employ our planned capital expenditures, with an emphasis on strengthening our focus on required returns on invested capital as we determine how to best allocate cash within the business.

Contractual Obligations and Commercial Commitments

There were no material changes to our contractual obligations and commercial commitments outside the ordinary course of business or due to factors similar in nature to inflation, changing prices on operations or changes in the remaining terms of the contracts since December 31, 2020, as reported in Part II - Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations, Contractual Obligations and Commercial Commitments in our Annual Report with the exception of the repayment of our $1.0 billion 2.1% notes in July 2021. We continue to review and monitor our contractual obligations and commitments relative to the potential considerations resulting from the on-going coronavirus pandemic.

Guarantees

We guarantee indebtedness and other obligations to banks and other third parties for some of our equity method investments and consolidated subsidiaries. See Part I - Item 1. Financial Statements, Note 12, "Commitments and Contingencies" for further discussion.

Contingencies

We are party to various legal proceedings arising in the ordinary course of business, environmental litigation and indemnities associated with our sale of Kaiser to FEMSA. See Part I—Item 1. Financial Statements, Note 12, "Commitments and Contingencies" for further discussion.

Off-Balance Sheet Arrangements

Refer to Part II—Item 8 Financial Statements, Note 18, "Commitments and Contingencies" in our Annual Report for discussion of off-balance sheet arrangements. As of June 30, 2021, we did not have any other material off-balance sheet arrangements.

Outlook

While the first quarter of 2021 was a challenge with the February 2021 Texas winter storm, the March 2021 cybersecurity incident, and the continued government restrictions related to the pandemic, including those that shut down the entire on-premise channel in the U.K., the second quarter of 2021 showed improvements in our performance. We continue to strive to build on the strength of our iconic core brands, grow our above premium portfolio, expand beyond the beer aisle, invest in our capabilities and support our people and communities. While uncertainty still exists in the severity and duration of the pandemic, including outbreaks of variants, the rate of vaccination and the efficacy of vaccines against the coronavirus and related variants we continue to make progress under the revitalization plan, and continue to reinvest in the business to drive sustainable top- and bottom-line growth.

We experienced delays and disruptions to our business, including brewery operations, production and shipments in the first quarter of 2021 as a result of the March 2021 cybersecurity incident. This incident caused a shift in our production and shipments from the first quarter of 2021 to the balance of fiscal year 2021. During the second quarter of 2021, we made progress recovering from the incident with increased shipments and expect to recover fully by the end of the year. In addition, we expect on-premise trends to improve in the balance of the year as we lap restrictions in the prior year comparison period.

We plan to build on the strength of our core brands, *Coors Light* and *Miller Lite*, by putting even more marketing behind these two iconic brands in 2021.

Our revitalization plan continues to deliver results as we grow our above premium portfolio and expand beyond the beer aisle. We delivered positive brand mix in the U.S. in the second quarter of 2021 which was driven by strong growth in our U.S. hard seltzer portfolio. To continue to grow our share of the hard seltzer market, we introduced line extensions of our hard seltzer *Vizzy* and improved the supply of *Topo Chico Hard Seltze*r to meet the demand. In addition, we expanded our hard seltzer portfolio around the world with *Vizzy* and *Coors Seltzer* recently launching in Canada. We launched the Three Fold hard seltzer brand in the U.K. and extended seltzers into Central Europe as well. We are also investing in our hard seltzer production capacity in the U.S., Canada and the U.K. which will drive efficiencies and improve our profit margin. We plan to continue to grow our share of the hard seltzer market.

We also expect to have further growth opportunities in 2021 as we bring Yuengling brands west in the U.S. under our new joint venture, which will oversee any new market expansion outside Yuengling's current 22-state footprint and New England, beginning with plans to bring Yuengling to Texas in the third quarter of 2021.

We expect this expansion beyond beer to continue throughout 2021. In early 2021, we commenced our new energy drink partnership with *ZOA* and co-owner Dwayne Johnson continues to amplify the product across his social media presence as well as through new TV campaigns that will debut during the Olympics.

We are mindful of the continued challenges and the uncertainty that remains and are focused on doing what is best not only in the near-term, but also positioning the business for medium- and long-term success. Our improved financial flexibility has enabled us to invest in our business while continuing to de-lever our balance sheet and to reinstate a dividend.

Interest

We anticipate 2021 consolidated net interest expense of approximately $270 million, plus or minus 5%.

Deleverage & Dividends

We repaid in full our $1.0 billion 2.1% notes at maturity on July 15, 2021 using a combination of commercial paper borrowings and cash on hand and also settled the associated cross currency swap. In addition, a quarterly dividend was reinstated in the third quarter of 2021. We currently intend to maintain our investment grade debt rating and we are committed to further deleveraging in 2021 in accordance with our plans.

Critical Accounting Estimates

Our accounting policies and accounting estimates critical to our financial condition and results of operations are set forth in our Annual Report and did not change during the first half of 2021, except as noted below. See Part I—Item 1. Financial Statements, Note 2, "New Accounting Pronouncements" for discussion of recently adopted accounting pronouncements. See also Part I—Item 1. Financial Statements, Note 7, "Goodwill and Intangible Assets" for discussion of the results of our 2020 annual impairment testing analysis, the related risks to our indefinite-lived intangible brand assets and the goodwill amounts associated with our reporting units.

New Accounting Pronouncements Not Yet Adopted

See Part I—Item 1. Financial Statements, Note 2, "New Accounting Pronouncements" for a description of any new accounting pronouncements that have or could have a significant impact on our financial statements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

In the normal course of business, we actively manage our exposure to various market risks by entering into various supplier-based and market-based hedging transactions, authorized under established risk management policies that place clear