MOLSON COORS BREWING CO
Form 10-Q
November 01, 2017
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q
(Mark One)
ý QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Quarterly period ended September 30, 2017
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.)
1801 California Street, Suite 4600, Denver, Colorado, USA	80202
1555 Notre Dame Street East, Montréal, Québec, Canada	H2L 2R5
(Address of principal executive offices)	(Zip Code)

303-927-2337 (Colorado)
514-521-1786 (Québec)
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ý No o
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ý No o
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o

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

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of October 27, 2017:
Class A Common Stock— 2,560,568 shares
Class B Common Stock—195,243,251 shares

Exchangeable shares:
As of October 27, 2017, the following number of exchangeable shares were outstanding for Molson Coors Canada, Inc.:
Class A Exchangeable shares—2,878,535 shares
Class B Exchangeable shares—14,719,836 shares
The Class A exchangeable shares and Class B exchangeable shares are shares of the share capital in Molson Coors Canada Inc., a wholly-owned subsidiary of the registrant. They are publicly traded on the Toronto Stock Exchange under the symbols TPX.A and TPX.B, respectively. These shares are intended to provide substantially the same economic and voting rights as the corresponding class of Molson Coors common stock in which they may be exchanged. In addition to the registered Class A common stock and the Class B common stock, the registrant has also issued and outstanding one share each of a Special Class A voting stock and Special Class B voting stock. The Special Class A voting stock and the Special Class B voting stock provide the mechanism for holders of Class A exchangeable shares and Class B exchangeable shares to be provided instructions to vote with the holders of the Class A common stock and the Class B common stock, respectively. The holders of the Special Class A voting stock and Special Class B voting stock are entitled to one vote for each outstanding Class A exchangeable share and Class B exchangeable share, respectively, excluding shares held by the registrant or its subsidiaries, and generally vote together with the Class A common stock and Class B common stock, respectively, on all matters on which the Class A common stock and Class B common stock are entitled to vote. The Special Class A voting stock and Special Class B voting stock are subject to a voting trust arrangement. The trustee which holds the Special Class A voting stock and the Special Class B voting stock is required to cast a number of votes equal to the number of then-outstanding Class A exchangeable shares and Class B exchangeable shares, respectively, but will only cast a number of votes equal to the number of Class A exchangeable shares and Class B exchangeable shares as to which it has received voting instructions from the owners of record of those Class A exchangeable shares and Class B exchangeable shares, other than the registrant or its subsidiaries, respectively, on the record date, and will cast the votes in accordance with such instructions so received.

MOLSON COORS BREWING COMPANY AND SUBSIDIARIES
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Cautionary Statement Pursuant to Safe Harbor Provisions of the Private Securities Litigation Reform Act of 1995

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

Statements that refer to projections of our future financial performance, anticipated trends in our businesses, and other characterizations of future events or circumstances are forward-looking statements, and include, but are not limited to, statements under the headings "Management's Discussion and Analysis of Financial Condition and Results of Operations," and under the heading "Outlook for 2017" therein, relating to overall volume trends, consumer preferences, pricing trends, industry forces, cost reduction strategies, anticipated results, anticipated synergies, anticipated tax rates and benefits, expectations for funding future capital expenditures and operations, debt service capabilities, shipment levels and profitability, market share and the sufficiency of capital resources. In addition, statements that we make in this report that are not statements of historical fact may also be forward-looking statements. Words such as "expects," "goals," "plans," "believes," "continues," "may," "anticipate," "seek," "estimate," "outlook," "trends," "future benefits," "potential," "projects," "strategies," and variations of such words and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are subject to risks and uncertainties that could cause actual results to be materially different from those indicated (both favorably and unfavorably). These risks and uncertainties include, but are not limited to those described under the heading "Risk Factors," elsewhere throughout this report, and those described from time to time in our past and future reports filed with the Securities and Exchange Commission ("SEC"), including in our Annual Report on Form 10-K for the year ended December 31, 2016. Caution should be taken not to place undue reliance on any such forward-looking statements. Forward-looking statements speak only as of the date when made and we undertake no obligation to update any forward-looking statement, whether as a result of new information, future events or otherwise.

Market and Industry Data

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

PART I. FINANCIAL INFORMATION

ITEM 1.

MOLSON COORS BREWING COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(IN MILLIONS, EXCEPT PER SHARE DATA)
(UNAUDITED)

	Three Months Ended		Nine Months Ended	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
Sales	$3,552.9	$ 1,337.7	$10,259.8	$ 3,695.5
Excise taxes	(669.7)	(390.1)	(1,836.6)	(1,104.5)
Net sales	2,883.2	947.6	8,423.2	2,591.0
Cost of goods sold	(1,589.6)	(541.3)	(4,718.6)	(1,517.5)
Gross profit	1,293.6	406.3	3,704.6	1,073.5
Marketing, general and administrative expenses	(782.8)	(278.9)	(2,266.8)	(843.4)
Special items, net	(4.1)	4.9	(24.4)	79.0
Equity income in MillerCoors	—	156.9	—	491.2
Operating income (loss)	506.7	289.2	1,413.4	800.3
Interest income (expense), net	(72.6)	(66.6)	(258.4)	(154.4)
Other income (expense), net	(2.5)	0.8	(0.6)	(44.9)
Income (loss) from continuing operations before income taxes	431.6	223.4	1,154.4	601.0
Income tax benefit (expense)	(145.3)	(19.6)	(332.9)	(57.5)
Net income (loss) from continuing operations	286.3	203.8	821.5	543.5
Income (loss) from discontinued operations, net of tax	(0.2)	—	0.8	(2.3)
Net income (loss) including noncontrolling interests	286.1	203.8	822.3	541.2
Net (income) loss attributable to noncontrolling interests	(6.1)	(1.3)	(17.7)	(3.7)
Net income (loss) attributable to Molson Coors Brewing Company	$280.0	$ 202.5	$804.6	$ 537.5
Basic net income (loss) attributable to Molson Coors Brewing Company per share:				
From continuing operations	$1.30	$ 0.94	$3.73	$ 2.56
From discontinued operations	—	—	0.01	(0.01)
Basic net income (loss) attributable to Molson Coors Brewing Company per share	$1.30	$ 0.94	$3.74	$ 2.55
Diluted net income (loss) attributable to Molson Coors Brewing Company per share:				
From continuing operations	$1.29	$ 0.94	$3.71	$ 2.54
From discontinued operations	—	—	0.01	(0.01)
Diluted net income (loss) attributable to Molson Coors Brewing Company per share	$1.29	$ 0.94	$3.72	$ 2.53
Weighted-average shares—basic	215.5	214.8	215.4	211.1
Weighted-average shares—diluted	216.5	216.3	216.5	212.6
Amounts attributable to Molson Coors Brewing Company				
Net income (loss) from continuing operations	$280.2	$ 202.5	$803.8	$ 539.8
Income (loss) from discontinued operations, net of tax	(0.2)	—	0.8	(2.3)
Net income (loss) attributable to Molson Coors Brewing Company	$280.0	$ 202.5	$804.6	$ 537.5

See notes to unaudited condensed consolidated financial statements.

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MOLSON COORS BREWING COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(IN MILLIONS)
(UNAUDITED)

	Three Months Ended		Nine Months Ended	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
Net income (loss) including noncontrolling interests	$286.1	$ 203.8	$822.3	$ 541.2
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments	214.9	(57.8)	607.0	55.9
Unrealized gain (loss) on derivative and non-derivative financial instruments	(38.9)	(8.8)	(116.1)	(35.4)
Reclassification of derivative (gain) loss to income	0.9	—	0.5	(3.1)
Amortization of net prior service (benefit) cost and net actuarial (gain) loss to income	6.7	6.9	15.0	20.9
Ownership share of unconsolidated subsidiaries' other comprehensive income (loss)	0.9	0.3	2.9	21.7
Total other comprehensive income (loss), net of tax	184.5	(59.4)	509.3	60.0
Comprehensive income (loss)	470.6	144.4	1,331.6	601.2
Comprehensive (income) loss attributable to noncontrolling interests	(6.9)	(1.3)	(20.1)	(2.1)
Comprehensive income (loss) attributable to Molson Coors Brewing Company	$463.7	$ 143.1	$1,311.5	$ 599.1

See notes to unaudited condensed consolidated financial statements.

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

	As of September 30, 2017	December 31, 2016
Assets		
Current assets:		
Cash and cash equivalents	$971.3	$ 560.9
Accounts receivable, net	833.4	669.5
Other receivables, net	197.9	135.8
Inventories, net	636.0	592.7
Other current assets, net	277.8	210.7
Total current assets	2,916.4	2,169.6
Properties, net	4,590.2	4,507.4
Goodwill	8,346.9	8,250.1
Other intangibles, net	14,315.8	14,031.9
Other assets	508.4	382.5
Total assets	$30,677.7	$ 29,341.5
Liabilities and equity		
Current liabilities:		
Accounts payable and other current liabilities	$2,506.1	$ 2,467.7
Current portion of long-term debt and short-term borrowings	1,745.0	684.8
Discontinued operations	5.1	5.0
Total current liabilities	4,256.2	3,157.5
Long-term debt	10,574.2	11,387.7
Pension and postretirement benefits	895.5	1,196.0
Deferred tax liabilities	1,932.4	1,699.0
Other liabilities	309.9	267.0
Discontinued operations	12.9	12.6
Total liabilities	17,981.1	17,719.8
Commitments and contingencies (Note 16)		
Molson Coors Brewing Company stockholders' equity		
Capital stock:		
Preferred stock, $0.01 par value (authorized: 25.0 shares; none issued)	—	—
Class A common stock, $0.01 par value per share (authorized: 500.0 shares; issued and outstanding: 2.6 shares and 2.6 shares, respectively)	—	—
Class B common stock, $0.01 par value per share (authorized: 500.0 shares; issued: 204.7 shares and 203.7 shares, respectively)	2.0	2.0
Class A exchangeable shares, no par value (issued and outstanding: 2.9 shares and 2.9 shares, respectively)	107.7	108.1
Class B exchangeable shares, no par value (issued and outstanding: 14.7 shares and 15.2 shares, respectively)	553.2	571.2
Paid-in capital	6,676.6	6,635.3
Retained earnings	6,658.7	6,119.0
Accumulated other comprehensive income (loss)	(1,038.6)	(1,545.5)
Class B common stock held in treasury at cost (9.5 shares and 9.5 shares, respectively)	(471.4)	(471.4)
Total Molson Coors Brewing Company stockholders' equity	12,488.2	11,418.7
Noncontrolling interests	208.4	203.0

Total equity	12,696.6	11,621.7
Total liabilities and equity	$ 30,677.7	$ 29,341.5

See notes to unaudited condensed consolidated financial statements.

MOLSON COORS BREWING COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN MILLIONS)
(UNAUDITED)

	Nine Months Ended	
	September 30, 2017	September 30, 2016
Cash flows from operating activities:		
Net income (loss) including noncontrolling interests	$822.3	$ 541.2
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	604.3	204.3
Amortization of debt issuance costs and discounts	17.6	63.2
Share-based compensation	46.2	17.6
(Gain) loss on sale or impairment of properties and other assets, net	(9.6)	(89.4)
Equity income in MillerCoors	—	(478.9)
Distributions from MillerCoors	—	478.9
Unrealized (gain) loss on foreign currency fluctuations and derivative instruments, net	(83.7)	(19.6)
Income tax (benefit) expense	332.9	57.5
Income tax (paid) received	15.9	(152.2)
Interest expense, excluding interest amortization	259.3	170.9
Interest paid	(299.0)	(105.8)
Pension expense (benefit)	(20.5)	6.4
Pension contributions paid	(307.7)	(10.1)
Change in current assets and liabilities (net of impact of business combinations) and other	(231.8)	(56.1)
(Gain) loss from discontinued operations	(0.8)	2.3
Net cash provided by (used in) operating activities	1,145.4	630.2
Cash flows from investing activities:		
Additions to properties	(466.0)	(188.9)
Proceeds from sales of properties and other assets	56.9	155.4
Investment in MillerCoors	—	(1,253.7)
Return of capital from MillerCoors	—	1,089.7
Other	11.1	8.6
Net cash provided by (used in) investing activities	(398.0)	(188.9)
Cash flows from financing activities:		
Proceeds from issuance of common stock, net	—	2,525.6
Exercise of stock options under equity compensation plans	3.6	8.2
Dividends paid	(264.9)	(264.6)
Debt issuance costs	(7.0)	(60.2)
Payments on debt and borrowings	(2,601.5)	(23.3)
Proceeds on debt and borrowings	1,536.0	6,971.9
Net proceeds from (payments on) revolving credit facilities and commercial paper	999.7	1.6
Change in overdraft balances and other	(33.7)	(39.1)
Net cash provided by (used in) financing activities	(367.8)	9,120.1
Cash and cash equivalents:		
Net increase (decrease) in cash and cash equivalents	379.6	9,561.4
Effect of foreign exchange rate changes on cash and cash equivalents	30.8	(10.8)
Balance at beginning of year	560.9	430.9
Balance at end of period	$971.3	$ 9,981.5

See notes to unaudited condensed consolidated financial statements.

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MOLSON COORS BREWING COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
AND NONCONTROLLING INTERESTS
(IN MILLIONS)
(UNAUDITED)

		MCBC Stockholders' Equity								
		Common stock issued		Exchangeable shares issued				Accumulated other comprehensive income (loss)	Common Stock held in treasury	Non controlling
	Total	Class A	Class B	Class A	Class B	Paid-in-capital	Retained earnings		Class B	interests
Balance at December 31, 2015	$7,063.1	$—	$ 1.7	$108.2	$603.0	$4,000.4	$4,496.0	$ (1,694.9)	$(471.4)	$ 20.1
Exchange of shares	—	—	—	(0.1)	(23.4)	23.5	—	—	—	—
Shares issued under equity compensation plan	(3.6)	—	—	—	—	(3.6)	—	—	—	—
Amortization of share-based compensation	20.0	—	—	—	—	20.0	—	—	—	—
Acquisition of business and purchase of noncontrolling interest	1.2	—	—	—	—	—	—	—	—	1.2
Net income (loss) including noncontrolling interests	541.2	—	—	—	—	—	537.5	—	—	3.7
Other comprehensive income (loss), net of tax	60.0	—	—	—	—	—	—	61.6	—	(1.6)
Issuance of common stock	2,525.6	—	0.3	—	—	2,525.3	—	—	—	—
Dividends declared and paid	(267.1)	—	—	—	—	—	(264.6)	—	—	(2.5)
Balance at September 30, 2016	$9,940.4	$—	$ 2.0	$108.1	$579.6	$6,565.6	$4,768.9	$ (1,633.3)	$(471.4)	$ 20.9

		MCBC Stockholders' Equity								
		Common stock issued		Exchangeable shares issued				Accumulated other comprehensive income (loss)	Common Stock held in treasury	Non controlling
	Total	Class A	Class B	Class A	Class B	Paid-in-capital	Retained earnings		Class B	interests
Balance at December 31, 2016	$11,621.7	$—	$ 2.0	$108.1	$571.2	$6,635.3	$6,119.0	$ (1,545.5)	$(471.4)	$ 203.0
Exchange of shares	—	—	—	(0.4)	(18.0)	18.4	—	—	—	—

Shares issued under equity compensation plan	(22.4)	—	—	—	—	(22.4)	—	—	—	—
Amortization of share-based compensation	45.3	—	—	—	—	45.3	—	—	—	—
Acquisition of business and purchase of noncontrolling interest	1.6	—	—	—	—	—	—	—	—	1.6
Net income (loss) including noncontrolling interests	822.3	—	—	—	—	—	804.6	—	—	17.7
Other comprehensive income (loss), net of tax	509.3	—	—	—	—	—	—	506.9	—	2.4
Dividends declared and paid	(281.2)	—	—	—	—	—	(264.9)	—	—	(16.3)
Balance at September 30, 2017	$12,696.6	$—	$2.0	$107.7	$553.2	$6,676.6	$6,658.7	$(1,038.6)	$(471.4)	$208.4

See notes to unaudited condensed consolidated financial statements.

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

1. Basis of Presentation and Summary of Significant Accounting Policies

Unless otherwise noted in this report, any description of "we," "us" or "our" includes Molson Coors Brewing Company ("MCBC" or the "Company"), principally a holding company, and its operating and non-operating subsidiaries included within our reporting segments and Corporate. Our reporting segments include: MillerCoors LLC ("MillerCoors" or U.S. segment), operating in the United States ("U.S."); Molson Coors Canada ("MCC" or Canada segment), operating in Canada; Molson Coors Europe (Europe segment), operating in Bulgaria, Croatia, Czech Republic, Hungary, Montenegro, Republic of Ireland, Romania, Serbia, the United Kingdom ("U.K.") and various other European countries; and Molson Coors International ("MCI" or International segment), operating in various other countries.

On October 11, 2016, we completed the acquisition of SABMiller plc's ("SABMiller") 58% economic interest and 50% voting interest in MillerCoors and all trademarks, contracts and other assets primarily related to the "Miller International Business," as defined in the purchase agreement, outside of the U.S. and Puerto Rico (the "Acquisition") from Anheuser-Busch InBev SA/NV ("ABI"), and MillerCoors, previously a joint venture between MCBC and SABMiller, became a wholly-owned subsidiary of MCBC. Accordingly, for periods prior to October 11, 2016, our 42% economic ownership interest in MillerCoors was accounted for under the equity method of accounting, and, therefore, its results of operations were reported as equity income in MillerCoors in the unaudited condensed consolidated statements of operations, and our 42% share of MillerCoors' net assets was reported as investment in MillerCoors in the unaudited condensed consolidated balance sheets. Beginning October 11, 2016, MillerCoors was fully consolidated and continues to be reported as our U.S. segment. Additionally, our unaudited condensed consolidated balance sheets as of September 30, 2017, and December 31, 2016, include our acquired assets and liabilities, which were recorded at their respective acquisition-date fair values upon completion of the Acquisition. See Note 4, "Acquisition and Investments" for further discussion.

Unless otherwise indicated, information in this report is presented in U.S. dollars ("USD" or "$") and comparisons are to comparable prior periods. Our primary operating currencies, other than USD, include the Canadian Dollar ("CAD"), the British Pound ("GBP"), and our Central European operating currencies such as the Euro ("EUR"), Czech Koruna ("CZK"), Croatian Kuna ("HRK") and Serbian Dinar ("RSD").

The accompanying unaudited condensed consolidated interim financial statements reflect all adjustments which are necessary for a fair statement of the financial position, results of operations and cash flows for the periods presented in accordance with accounting principles generally accepted in the U.S. ("U.S. GAAP"). Such unaudited interim condensed consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q pursuant to the rules and regulations of the U.S. Securities and Exchange Commission ("SEC"). Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to such rules and regulations.

These unaudited condensed consolidated interim financial statements should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2016 ("Annual Report"), and have been prepared on a consistent basis with the accounting policies described in Note 1 of the Notes to the Audited Consolidated Financial Statements included in our Annual Report. Our accounting policies did not change in the first three quarters of 2017.

The results of operations for the three and nine months ended September 30, 2017, are not necessarily indicative of the results that may be achieved for the full year.

2. New Accounting Pronouncements

New Accounting Pronouncements Recently Adopted

In January 2017, the Financial Accounting Standards Board ("FASB") issued authoritative guidance intended to simplify the subsequent measurement of goodwill by eliminating step two from the goodwill impairment test. Under the new guidance, the recognition of an impairment charge is calculated based on the amount by which the carrying amount exceeds the reporting unit’s fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. The guidance should be applied on a prospective basis and is effective for annual or any interim goodwill impairment tests in fiscal years beginning after December 15, 2019. We early adopted this guidance during the quarter ended March 31, 2017. The adoption of this guidance will impact our goodwill impairment testing on a prospective basis, to the extent that an impairment is identified in step one of our testing procedures.

New Accounting Pronouncements Not Yet Adopted

In August 2017, the FASB issued authoritative guidance intended to refine and expand hedge accounting for both financial and commodity risks. The revised guidance will create more transparency around how economic results are presented, both on the face of the financial statements and in the footnotes. In addition, this guidance makes certain targeted improvements to simplify the application of hedge accounting guidance. This guidance is effective for annual periods beginning after December 15, 2018, including interim periods within those annual periods, with early adoption permitted. We are currently evaluating the potential impact on our financial position and results of operations upon adoption of this guidance.

In March 2017, the FASB issued authoritative guidance intended to improve the consistency, transparency and usefulness of financial information related to defined benefit pension or other postretirement plans. Under the new guidance, an employer must disaggregate the service cost component from the other components of net benefit cost within the income statement. Specifically, the new guidance will require us only to report the service cost component in the same line item as other compensation costs arising from services rendered by the pertinent employees during the period; while the other components of net benefit cost will now be presented in the income statement separately from the service cost component and outside of operating income. The amendments in this update also allow only the service cost component to be eligible for capitalization when applicable. This guidance is effective for annual periods beginning after December 15, 2017, including interim periods within those annual periods. The guidance related to the income statement presentation of service costs and other pension and postretirement benefit costs should be applied retrospectively, while the capitalization of service costs component should be applied prospectively. These changes will impact the presentation of net periodic pension costs and net periodic postretirement benefit costs within our results of operations upon adoption of this guidance.

In February 2016, the FASB issued authoritative guidance intended to increase transparency and comparability among organizations by recognizing lease assets and liabilities on the balance sheet and disclosing key information about leasing arrangements. Under the new guidance, lessees will be required to recognize a right-of-use asset and a lease liability, measured on a discounted basis, at the commencement date for all leases with terms greater than twelve months. Additionally, this guidance will require disclosures to help investors and other financial statement users to better understand the amount, timing, and uncertainty of cash flows arising from leases, including qualitative and quantitative requirements. The guidance should be applied under a modified retrospective transition approach for leases existing at the beginning of the earliest comparative period presented in the adoption-period financial statements. Any leases that expire before the initial application date will not require any accounting adjustment. This guidance is effective for annual reporting periods beginning after December 15, 2018, including interim periods within those annual periods, with early adoption permitted. We are currently evaluating the potential impact on our financial position and results of operations upon adoption of this guidance. This guidance will result in our existing operating leases, for certain real estate and equipment, to be recognized on our balance sheet. We will further analyze our lease arrangements as we complete our assessment and implementation of this new guidance.

In May 2014, the FASB issued authoritative guidance related to new accounting requirements for the recognition of revenue from contracts with customers. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for the goods or services. The guidance also includes enhanced disclosure requirements which are intended to help financial statement users better understand the nature, amount, timing and uncertainty of revenue being recognized. Subsequent to the release of this guidance, the FASB has issued additional updates intended to provide interpretive clarifications and to reduce the cost and complexity of applying the new revenue recognition standard both at transition and on an ongoing basis. The new standard and related amendments are effective for annual reporting periods beginning after December 15, 2017, and interim periods within those annual periods. Upon adoption of the new standard, the use of either a full retrospective or cumulative effect transition method is permitted. We currently anticipate that we will utilize the cumulative effect transition method, however, this expectation may change following the completion of our evaluation of the impact of this guidance on our financial statements.

We are currently in the process of evaluating the impact this new guidance will have on our financial statements and to our revenue recognition policies, controls and procedures. Based on the work completed to-date and our evaluation of the five-step approach outlined within the guidance, we do not believe that the new guidance will have a significant impact to our core revenue generating activities. However, we currently anticipate that the new standard may impact the presentation of certain cash payments made to customers, as well as the timing of recognition of certain promotional discounts. Specifically, certain cash payments to customers are currently recorded within marketing, general and administrative expenses in the consolidated statements of operations. Upon adoption of the new guidance, we anticipate that many of these cash payments may not meet the specific criteria within the new guidance of providing a “distinct” good or service, and therefore, would be required to be presented as a reduction of revenue. Furthermore, upon adoption of the new guidance, certain of our promotional discounts, which are deemed variable consideration under the new guidance, will be recognized at the time of the related shipment of product, which is earlier than recognized under current guidance. We anticipate that this change in recognition timing will shift financial statement recognition primarily amongst quarters, however, do not anticipate that the full-year impact will be significant to our financial results.

We are continuing to evaluate the potential impact the new guidance will have on our financial statements. We have not fully completed this evaluation and therefore, we may identify further impacts in addition to those identified above. We have begun training related to the implications of the new guidance and commenced implementation efforts for areas of impact identified to-date. As we further complete our evaluation process, we will update our discussion of the anticipated impacts of the new standard as appropriate.

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

3. Segment Reporting

Our reporting segments are based on the key geographic regions in which we operate, which are the basis on which our chief operating decision maker evaluates the performance of the business. Our reporting segments consist of the U.S., Canada, Europe and International. Corporate is not a segment and primarily includes interest and certain other general and administrative costs that are not allocated to any of the operating segments as well as the unrealized changes in fair value on our commodity swaps not designated in hedging relationships recorded within cost of goods sold, which are later reclassified when realized to the segment in which the underlying exposure resides. Effective January 1, 2017, European markets including Sweden, Spain, Germany, Ukraine and Russia, which were previously reported under our International segment, are reported within our Europe segment. Additionally, effective January 1, 2017, the results of the MillerCoors Puerto Rico business, which were previously reported as part of the U.S. segment, are reported within the International segment. We have not recast historical results for these changes on the basis of immateriality.

No single customer accounted for more than 10% of our consolidated sales for the three and nine months ended September 30, 2017, or September 30, 2016. Consolidated net sales represent sales to third-party external customers less excise taxes. Inter-segment transactions impacting net sales revenues and income (loss) from continuing operations before income taxes eliminate in consolidation and are primarily related to U.S. segment sales to the other segments.

The following tables present net sales, income (loss) from continuing operations before income taxes and total assets by segment:

	Three Months Ended		Nine Months Ended	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
	(In millions)			
U.S.[1]	$1,892.2	$ —	$5,781.0	$ —
Canada	406.4	402.2	1,105.1	1,096.1
Europe	561.2	512.6	1,467.5	1,393.4
International	65.7	33.4	192.6	103.6
Corporate	0.3	0.2	0.9	0.8
Inter-segment net sales eliminations	(42.6)	(0.8)	(123.9)	(2.9)
Consolidated net sales	$2,883.2	$ 947.6	$8,423.2	$ 2,591.0

(1) Prior to October 11, 2016, MCBC’s 42% share of MillerCoors' results of operations was reported as equity income in MillerCoors in the unaudited condensed consolidated statements of operations. As a result of the Acquisition, beginning October 11, 2016, MillerCoors' results were fully consolidated into MCBC’s consolidated financial statements.

	Three Months Ended		Nine Months Ended	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
	(In millions)			
U.S.(1)	$365.1	$ 156.9	$1,165.4	$ 491.2
Canada	76.3	90.3	168.1	325.4
Europe(2)	98.3	98.5	202.2	156.3
International	(6.0)	(2.7)	(12.2)	(38.4)
Corporate	(102.1)	(119.6)	(369.1)	(333.5)
Consolidated income (loss) from continuing operations before income taxes	$431.6	$ 223.4	$1,154.4	$ 601.0

(1) Prior to October 11, 2016, MCBC's 42% share of MillerCoors' results of operations was reported as equity income in MillerCoors in the unaudited condensed consolidated statements of operations. As a result of the Acquisition, beginning October 11, 2016, MillerCoors' results were fully consolidated into MCBC's consolidated financial statements.

(2) In the first quarter of 2017, the largest food and retail company in Croatia, Agrokor, announced that it was facing significant financial difficulties that raised doubt about the collectibility of certain of our outstanding receivables with its direct subsidiaries. These subsidiaries are customers of ours within the Europe segment and, therefore, we are closely monitoring the situation. Specifically, Agrokor has entered into active discussions with local regulators, financial institutions and other creditors to stabilize and restructure its business and sustain ongoing operations. Our exposure related to Agrokor, as of September 30, 2017, was approximately $11 million, based on foreign exchange rates as of September 30, 2017. Based on the facts and circumstances known at this time, we recorded a provision for an estimate of uncollectible receivables of approximately $11 million in the first quarter of 2017, and this allowance, in local currency, remains at September 30, 2017. Separately, we released an indirect tax loss contingency, which was initially recorded in the fourth quarter of 2016, for a benefit of approximately $50 million during the first quarter of 2017; see Note 16, "Commitments and Contingencies" for details.

Income (loss) from continuing operations before income taxes includes the impact of special items. Refer to Note 6, "Special Items" for further discussion. Additionally, various costs associated with the Acquisition, including its related financing, were recorded for the three and nine months ended September 30, 2017, and September 30, 2016. Refer to Note 4, "Acquisition and Investments" for further details.

	As of	
	September 30, 2017	December 31, 2016(1)
	(In millions)	
U.S.	$19,753.5	$19,844.7
Canada	4,604.0	4,206.8
Europe	5,371.6	4,673.7
International	302.7	302.8
Corporate	645.9	313.5
Consolidated total assets	$30,677.7	$29,341.5

(1) The allocation of total assets by segment as of December 31, 2016, has been adjusted for a reclassification between Corporate and International to reflect certain assets acquired in the Acquisition that have been subsequently allocated to International for segment reporting.

4. Acquisition and Investments

Acquisition

On October 11, 2016, we completed the Acquisition for $12.0 billion in cash, subject to a downward adjustment as described in the purchase agreement. Prior to the Acquisition, MCBC owned a 50% voting and 42% economic interest in MillerCoors and MillerCoors was accounted for under the equity method of accounting. Following the completion of the Acquisition, MillerCoors, which was previously a joint venture between MCBC and SABMiller, became a wholly-owned subsidiary of MCBC and its results were fully consolidated by MCBC prospectively beginning on October 11, 2016.

We have a downward purchase price adjustment, as described in the purchase agreement, if the unaudited U.S. GAAP earnings before interest, tax, depreciation and amortization ("EBITDA") for the Miller International Business for the twelve months prior to closing is below $70 million. The determination for the amount of the downward purchase price adjustment, if any, is ongoing pursuant to the terms of the purchase agreement.

Under the acquisition method of accounting, MCBC recorded all assets acquired and liabilities assumed at their respective acquisition-date fair values. The excess of total consideration, including the estimated fair value of our previously held equity interest in MillerCoors, over the net identifiable assets acquired and liabilities assumed was recorded as goodwill. During the nine months ended September 30, 2017, we recorded adjustments to our preliminary purchase price allocation, primarily related to the recognition of certain deferred tax assets, partially offset by the recognition of certain accrued liabilities. The net impact of these changes was a decrease to goodwill of $92.1 million. There were no other changes to our allocated amounts during the first three quarters of 2017, and our purchase price allocation is now finalized.

Separately, early in the fourth quarter of 2017, and prior to the completion of our one year measurement period, we completed the allocation of goodwill to our reporting units resulting from synergies, with the goodwill predominantly assigned to the U.S. reporting unit, and a portion allocated to the Canada and Europe reporting units.

Unaudited Pro Forma Financial Information

The following unaudited pro forma financial information gives effect to the Acquisition and the completed financing as if they were completed on January 1, 2016, the first day of our 2016 fiscal year and the pro forma adjustments are based on items that are factually supportable, are directly attributable to the Acquisition and are expected to have a continuing impact on MCBC's results of operations. The unaudited pro forma financial information has been calculated after applying MCBC’s accounting policies and adjusting the results of MillerCoors to reflect the additional depreciation and amortization that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had been applied from January 1, 2016, together with the consequential tax effects. Pro forma adjustments have been made to remove non-recurring transaction-related costs included in historical results as well as to reflect the incremental interest expense to be prospectively incurred on the debt and term loans issued to finance the Acquisition, in addition to other pro forma adjustments. See the below table for significant non-recurring costs. Also, see Note 7, "Other Income and Expense" for details related to certain financing-related expenses incurred.

Additionally, the following unaudited pro forma financial information does not reflect the impact of the acquisition of the Miller global brand portfolio and other assets primarily related to the Miller International Business as we are not able to estimate the historical results of operations from this business and have concluded, based on the limited information available to MCBC, that it is insignificant to the overall Acquisition. The purchase price allocation reflects the estimated value allocated to the Miller global brand portfolio reported within identifiable intangible assets subject to amortization.

The unaudited pro forma financial information below does not reflect the realization of any expected ongoing synergies relating to the integration of MillerCoors. Further, the unaudited pro forma financial information should not be considered indicative of the results that would have occurred if the Acquisition and related financing had been consummated on January 1, 2016, nor are they indicative of future results.

	Three Months Ended	Nine Months Ended
	September 30, 2016	
	(in millions, except per share amounts)	
Net sales	$2,944.6	$8,515.2
Net income from continuing operations attributable to MCBC	$318.9	$885.6
Net income attributable to MCBC	$318.9	$883.3
Net income from continuing operations attributable to MCBC per share:		

Basic	$1.48	$4.12
Diluted	$1.47	$4.10

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For the three and nine months ended September 30, 2016, the following non-recurring charges (benefits) directly attributable to the Acquisition were made as adjustments to our pro forma results to remove the impact from our historical operating results within the below noted line items.

	Three Months Ended	Nine Months Ended	
	September 30, 2016 (In millions)		
Non-recurring charges (benefits)			Location
Other transaction-related costs	$ 17.2	$ 51.7	Marketing, general and administrative expenses
Bridge loan - amortization of financing costs	$ 24.8	$ 63.4	Other income (expense)
Foreign currency forwards and transactional foreign currency - net gain	$ (13.8)	$ (2.2)	Other income (expense)
Term loan - commitment fee	$ 1.3	$ 3.8	Interest expense, net
Swaption - unrealized loss	$ —	$ 36.4	Interest expense, net
Interest income earned on money market and fixed rate deposit accounts	$ (10.6)	$ (17.0)	Interest income, net

MillerCoors Pre-Acquisition Financial Information

Summarized financial information for MillerCoors for the periods prior to the Acquisition under the equity method of accounting are as follows:

Results of Operations

	Three Months Ended	Nine Months Ended
	September 30, 2016 (in millions)	
Net sales	$2,007.7	$5,950.5
Cost of goods sold	(1,150.8)	(3,358.3)
Gross profit	$856.9	$2,592.2
Operating income(1)	$373.4	$1,145.6
Net income attributable to MillerCoors(1)	$369.2	$1,134.0

(1) Results include special charges related to the closure of the Eden, North Carolina, brewery of $8.3 million and $84.6 million for the three and nine months ended September 30, 2016, respectively, including $34.3 million and $103.2 million of accelerated depreciation in excess of normal depreciation associated with the brewery. Special items during the three and nine months ended September 30, 2016, also include a postretirement benefit curtailment gain related to the closure of Eden of $25.7 million.

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

	Three Months Ended	Nine Months Ended
	September 30, 2016 (in millions, except percentages)	
Net income attributable to MillerCoors	$369.2	$1,134.0
MCBC's economic interest	42 %	42 %
MCBC's proportionate share of MillerCoors' net income	155.1	476.3
Amortization of the difference between MCBC's contributed cost basis and proportionate share of the underlying equity in net assets of MillerCoors	1.1	3.3

Share-based compensation adjustment[(1)]	(0.5)	(0.7)
U.S. import tax benefit[(2)]	1.2	12.3
Equity income in MillerCoors	$156.9	$491.2

(1) The net adjustment is to eliminate all share-based compensation impacts related to pre-existing SABMiller equity awards held by former Miller Brewing Company employees employed by MillerCoors, as well as to add back all share-based compensation impacts related to pre-existing MCBC equity awards held by former MCBC employees who transferred to MillerCoors.

(2) Represents a benefit associated with an anticipated refund to Coors Brewing Company ("CBC"), a wholly-owned subsidiary of MCBC, of U.S. federal excise tax paid on products imported by CBC based on qualifying volumes exported by CBC from the U.S.

The following table summarizes our transactions with MillerCoors prior to the Acquisition when it was accounted for under the equity method of accounting:

	Three Months Ended September 30, 2016	Nine Months Ended September 30, 2016
	(In millions)	
Beer sales to MillerCoors	$ 2.6	$ 7.2
Beer purchases from MillerCoors	$ 9.3	$ 31.4
Service agreement costs and other charges to MillerCoors	$ 0.6	$ 1.9
Service agreement costs and other charges from MillerCoors	$ 0.7	$ 0.9

Investments

Our investments include both equity method and consolidated investments. Those entities identified as variable interest entities ("VIEs") have been evaluated to determine whether we are the primary beneficiary. The VIEs included under "Consolidated VIEs" below are those for which we have concluded that we are the primary beneficiary and accordingly, consolidate these entities. None of our consolidated VIEs held debt as of September 30, 2017, or December 31, 2016. We have not provided any financial support to any of our VIEs during the year that we were not previously contractually obligated to provide. Amounts due to and due from our equity method investments are recorded as affiliate accounts payable and affiliate accounts receivable.

Authoritative guidance related to the consolidation of VIEs requires that we continually reassess whether we are the primary beneficiary of VIEs in which we have an interest. As such, the conclusion regarding the primary beneficiary status is subject to change and we continually evaluate circumstances that could require consolidation or deconsolidation. As of September 30, 2017, and December 31, 2016, our consolidated VIEs are Cobra Beer Partnership, Ltd. ("Cobra U.K."), Grolsch U.K. Ltd. ("Grolsch"), Rocky Mountain Metal Container ("RMMC") and Rocky Mountain Bottle Company ("RMBC"). RMMC and RMBC were previously consolidated VIEs of MillerCoors and as a result of the Acquisition, are now MCBC consolidated VIEs. Our unconsolidated VIEs are Brewers Retail Inc. ("BRI") and Brewers' Distributor Ltd. ("BDL").

Both BRI and BDL have outstanding third party debt which is guaranteed by its shareholders. As a result, we have a guarantee liability of $47.0 million and $31.7 million recorded as of September 30, 2017, and December 31, 2016, respectively, which is presented within accounts payable and other current liabilities on the unaudited condensed consolidated balance sheets and represents our proportionate share of the outstanding balance of these debt instruments. The carrying value of the guarantee liability equals fair value, which considers an adjustment for our own non-performance risk and is considered a Level 2 measurement. The offset to the guarantee liability was recorded as an adjustment to our respective equity method investment within the unaudited condensed consolidated balance sheets. The resulting change in our equity method investments during the year due to movements in the guarantee represents a non-cash investing activity.

Consolidated VIEs

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

	As of September 30, 2017		December 31, 2016	
	Total Assets	Total Liabilities	Total Assets	Total Liabilities
	(In millions)			
Grolsch	$9.0	$ 0.2	$ 4.4	$ 0.5
Cobra U.K.	$17.4	$ 0.2	$ 14.2	$ 1.1
RMMC	$71.2	$ 4.3	$ 70.2	$ 3.5
RMBC	$55.4	$ 2.3	$ 53.1	$ 2.5

5. Share-Based Payments

We have one share-based compensation plan, the MCBC Incentive Compensation Plan (the "Incentive Compensation Plan"), as of September 30, 2017, and all outstanding awards fall under this plan. During the three and nine months ended September 30, 2017, and September 30, 2016, we recognized share-based compensation expense related to the following Class B common stock awards to certain directors, officers and other eligible employees, pursuant to the Incentive Compensation Plan: restricted stock units ("RSUs"), deferred stock units ("DSUs"), performance share units ("PSUs") and stock options. The settlement amount of the PSUs is determined based on market and performance metrics, which include our total shareholder return performance relative to the S&P 500 and specified internal performance metrics designed to drive greater shareholder return. PSU compensation expense is based on a fair value assigned to the market metric using a Monte Carlo model upon grant, which remains constant throughout the vesting period of three years, and a performance multiplier, which will vary due to changing estimates of the performance metric condition.

	Three Months Ended		Nine Months Ended	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
	(In millions)			
Pretax compensation expense	$14.6	$ 6.9	$46.2	$ 20.0
Tax benefit	(5.1)	(1.9)	(15.9)	(5.7)
After-tax compensation expense	$9.5	$ 5.0	$30.3	$ 14.3

The increase in expense in the first three quarters of 2017 was primarily driven by the issuance of replacement awards to MillerCoors employees in connection with the completion of the Acquisition, as well as accelerated expense related to certain awards during the first quarter of 2017.

As of September 30, 2017, there was $75.0 million of total unrecognized compensation expense from all share-based compensation arrangements granted under the Incentive Compensation Plan, related to unvested awards. This total compensation expense is expected to be recognized over a weighted-average period of 1.8 years.

	RSUs and DSUs		PSUs	
	Units	Weighted-average grant date fair value per unit	Units	Weighted-average grant date fair value per unit
	(In millions, except per unit amounts)			
Non-vested as of December 31, 2016	0.8	$87.01	0.5	$81.67
Granted	0.3	$92.12	0.2	$97.13
Vested	(0.3)	$77.51	(0.2)	$57.46
Converted(1)	0.3	$106.17	(0.1)	$106.17
Forfeited	—	$—	—	$—
Non-vested as of September 30, 2017	1.1	$95.64	0.4	$89.53

(1) During the three months ended March 31, 2017, the MillerCoors 2016 PSU replacement awards were converted to RSUs under the Incentive Compensation Plan based on the achievement of the performance metric during the one year performance period ended December 31, 2016. These awards cliff vest at the end of a three year service period in the first quarter of 2019.

The weighted-average fair value per unit for the non-vested PSUs is $110.54 as of September 30, 2017.

	Stock options and SOSARs			
	Awards	Weighted-average exercise price per share	Weighted-average remaining contractual life (years)	Aggregate intrinsic value
	(In millions, except per share amounts and years)			
Outstanding as of December 31, 2016	1.5	$59.79	5.4	$ 58.2
Granted	0.2	$96.77		
Exercised	(0.2)	$56.23		
Forfeited	—	$—		
Outstanding as of September 30, 2017	1.5	$64.10	5.3	$ 31.0
Expected to vest at September 30, 2017	0.4	$89.79	8.7	$ 0.4
Exercisable at September 30, 2017	1.1	$56.24	4.3	$ 30.6

The total intrinsic values of stock options and SOSARs exercised during the nine months ended September 30, 2017, and September 30, 2016, were $6.9 million and $15.0 million, respectively. During the nine months ended September 30, 2017, and September 30, 2016, cash received from stock option exercises was $3.6 million and $8.2 million, respectively, and total tax benefits realized, including excess tax benefits, from share-based awards vested or exercised was $20.0 million and $13.1 million, respectively.

The fair value of each option granted in the first three quarters of 2017 and 2016 was determined on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions:

	Nine Months Ended	
	September 30, 2017	September 30, 2016
Risk-free interest rate	2.04%	1.40%
Dividend yield	1.64%	1.81%
Volatility range	22.40%-22.88%	23.16%-24.64%
Weighted-average volatility	22.52%	23.53%
Expected term (years)	5.1	5.2
Weighted-average fair market value	$18.66	$16.65

The risk-free interest rates utilized for periods throughout the contractual life of the stock options are based on a zero-coupon U.S. Treasury security yield at the time of grant. Expected volatility is based on a combination of historical and implied volatility of our stock. The expected term of stock options is estimated based upon observations of historical employee option exercise patterns and trends of those employees granted options in the respective year.

The fair value of the market metric for each PSU granted in the first three quarters of 2017 and 2016 was determined on the date of grant using a Monte Carlo model to simulate total stockholder return for MCBC and peer companies with the following weighted-average assumptions:

	Nine Months Ended	
	September 30, 2017	September 30, 2016
Risk-free interest rate	1.59%	1.04%
Dividend yield	1.64%	1.81%
Volatility range	13.71%-80.59%	14.10%-77.11%
Weighted-average volatility	24.24%	23.68%
Expected term (years)	2.8	2.8
Weighted-average fair market value	$97.13	$90.49

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

As of September 30, 2017, there were 4.3 million shares of the Company's Class B common stock available for issuance as awards under the Incentive Compensation Plan.

6. Special Items

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

	Three Months Ended		Nine Months Ended	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
	(In millions)			
Employee-related charges				
Restructuring	$0.8	$ (0.4)	$2.1	$ (2.2)
Canada - OPEB curtailment gain	—	—	(2.9)	—
Impairments or asset abandonment charges				
U.S. - Asset abandonment[1]	0.1	—	14.5	—
Canada - Asset abandonment[2]	6.1	1.3	8.4	3.8
Europe - Asset abandonment[3]	1.9	3.5	7.1	8.3
International - Asset impairment and write-off[4]	—	—	—	30.8
Unusual or infrequent items				
Europe - Flood loss (insurance reimbursement), net[5]	—	(9.3)	—	(9.3)
Termination fees and other (gains) losses				
Canada - Gain on sale of asset[2]	—	—	—	(110.4)
Europe - Gain on sale of asset[3]	(4.8)	—	(4.8)	—
Total Special items, net	$4.1	$ (4.9)	$24.4	$ (79.0)

(1) During the third quarter of 2015, MillerCoors announced plans to close its brewery in Eden, North Carolina, in an effort to optimize the brewery footprint and streamline operations for greater efficiencies. Products produced in Eden were transitioned to other breweries in the U.S. supply chain network and the Eden brewery is now closed. For the three and nine months ended September 30, 2017, certain costs related to the closure of the brewery were recorded within special items.

(2) As part of our ongoing strategic review of our Canadian supply chain network, we completed the sale of our Vancouver brewery on March 31, 2016, and we recognized a gain of $110.4 million within special items in the first quarter of 2016,

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resulting in net cash proceeds received in the second quarter of 2016 of CAD 183.1 million ($140.8 million). In conjunction with the sale of the brewery, we agreed to leaseback the existing property to continue operations on an uninterrupted basis while our new brewery is being constructed. We have evaluated this transaction pursuant to the accounting guidance for sale-leaseback transactions, and concluded that the relevant criteria had been met for full gain recognition. Additionally, during the three and nine months ended September 30, 2017, and 2016, we incurred other abandonment charges, consisting primarily of accelerated depreciation charges in excess of normal depreciation, related to the planned closure of the Vancouver brewery, which is currently expected to occur in the third quarter of 2019.

Additionally, in the third quarter of 2017, as a result of the continuation of this strategic review, we announced the plan to build a more efficient and flexible brewery in the greater Montreal area. As a result of this decision, we have begun to develop plans to transition out of our existing Montreal brewery. Accordingly, we incurred accelerated depreciation charges associated with the existing brewery closure in the third quarter of 2017, of which the amount in excess of normal depreciation is recorded within special items. We expect to incur additional charges, including estimated accelerated depreciation charges in excess of normal depreciation of approximately CAD 95 million, through final closure of the brewery, which is currently expected to occur in 2021. However, due to the uncertainty inherent in our estimates, these estimated future accelerated depreciation charges as well as the timing of the brewery closure are subject to change.

(3) As a result of our continued strategic review of our European supply chain network, for the three and nine months ended September 30, 2017, and 2016, we incurred charges consisting primarily of accelerated depreciation in excess of normal depreciation related to the planned closure of our Burton South brewery. Separately, during the three months ended September 30, 2017, we completed the sale of land related to our previously closed Plovdiv brewery and received net cash proceeds of $8.2 million and recognized a gain of $4.8 million within special items.

(4) Based on an interim impairment assessment performed during the second quarter of 2016, which was triggered by the enactment of total alcohol prohibition in the state of Bihar, India, on April 5, 2016, we recorded an impairment loss in the second quarter of 2016.

(5) During the third quarter of 2016, we received the final settlement of insurance proceeds related to losses incurred by our Europe business from flooding in Serbia, Bosnia and Croatia that occurred during 2014.

Restructuring Activities

Beginning in 2016, restructuring initiatives related to the integration of MillerCoors after the completion of the Acquisition were implemented in order to operate a more efficient business and achieve cost saving targets which to-date resulted in reduced employment levels by approximately 84 employees. Severance costs related to these restructuring activities were recorded as special items within our unaudited condensed consolidated statements of operations. As we continually evaluate our cost structure and seek opportunities for further efficiencies and cost savings as part of these initiatives, we may incur additional restructuring related charges in the future, however, we are unable to estimate the amount of charges at this time.

We have continued our ongoing assessment of our supply chain strategies across our segments in order to align with our cost saving objectives. As part of this strategic review, which began in 2014, we have had restructuring activities related to the closure of the Alton and Plovdiv breweries and our current planned closures of the Vancouver and Burton South breweries. As a result, we have reduced employment levels by a total of 404 employees, of which 332 and 72 relate to 2015 and 2014 restructuring programs, respectively. Consequently, we recognized severance and other employee-related charges, which we have recorded as special items within our unaudited condensed consolidated statements of operations. We will continue to evaluate our supply chain network and seek opportunities for further efficiencies and cost savings, and we therefore may incur additional restructuring related charges or adjustments to previously recorded charges in the future, however, we are unable to estimate the amount of charges at this time.

The accrued restructuring balances represent expected future cash payments required to satisfy the remaining severance obligations to terminated employees, the majority of which we expect to be paid in the next 12 to 15 months.

	U.S.	Canada	Europe	International	Corporate	Total
	(In millions)					
Total at December 31, 2016	$5.1	$ 5.9	$ 2.8	$ 0.2	$ 0.7	$14.7
Charges incurred and changes in estimates	0.7	(0.3)	0.1	1.5	0.1	2.1
Payments made	(5.1)	(1.4)	(1.2)	(0.8)	(0.7)	(9.2)
Foreign currency and other adjustments	—	0.4	0.2	—	—	0.6
Total at September 30, 2017	$0.7	$ 4.6	$ 1.9	$ 0.9	$ 0.1	$8.2

	U.S.	Canada	Europe	International	Corporate	Total
	(In millions)					
Total at December 31, 2015	$ —	$ 2.3	$ 5.6	$ 1.3	$ —	$9.2
Payments made	—	(0.1)	(0.7)	(1.3)	—	(2.1)
Changes in estimates	—	—	(2.2)	—	—	(2.2)
Foreign currency and other adjustments	—	—	(0.4)	—	—	(0.4)
Total at September 30, 2016	$ —	$ 2.2	$ 2.3	$ —	$ —	$4.5

7. Other Income and Expense

	Three Months Ended		Nine Months Ended	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
	(In millions)			
Bridge loan commitment fees[(1)]	$—	$ (24.8)	$—	$ (63.4)
Gain on sale of non-operating asset	—	8.8	—	8.8
Gain (loss) from other foreign exchange and derivative activity, net[(2)]	(2.4)	16.7	(9.1)	9.8
Other, net[(3)]	(0.1)	0.1	8.5	(0.1)
Other income (expense), net	$(2.5)	$ 0.8	$(0.6)	$ (44.9)

(1) During the first three quarters of 2016, we recognized amortization of commitment fees and other financing costs incurred in connection with our bridge loan agreement entered into subsequent to the announcement of the Acquisition. In conjunction with the July 7, 2016, debt issuance, we terminated the bridge loan agreement and accelerated the remaining unamortized fees of $24.8 million associated with the bridge loan to other income (expense) during the third quarter of 2016.

(2) During the three and nine months ended September 30, 2016, we recorded unrealized gains of $13.8 million and $2.2 million, respectively, related to the foreign currency forwards we entered into in the second quarter of 2016, in connection with our July 7, 2016, debt issuance.

(3) During the first quarter of 2017, we recorded a gain of CAD 10.6 million, or $8.1 million, resulting from a purchase price adjustment related to the historical sale of Molson Inc.'s ownership interest in the Montreal Canadiens. The CAD 10.6 million was paid by the Montreal Canadiens, which is considered an affiliate of MCBC, in the first quarter of 2017.

8. Income Tax

	Three Months Ended		Nine Months Ended	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
Effective tax rate	34 %	9 %	29 %	10 %

Our effective tax rates were lower than the U.S. federal statutory rate of 35% primarily due to lower effective income tax rates applicable to our foreign businesses, driven by lower statutory income tax rates and tax planning impacts on statutory taxable income, as well as the impact of discrete items. The increase in the effective tax rate during the third quarter and first nine months of 2017 versus 2016, is primarily driven by the inclusion of 100% of MillerCoors' pretax income following the completion of the Acquisition, which is subject to the U.S. federal and state income tax rates, as well as the favorable impacts of tax benefits recognized in the prior year from transaction-related costs resulting from the Acquisition and favorable tax treatment associated with the sale of our Vancouver brewery in the first quarter of 2016. These drivers were further impacted by a net discrete tax expense recognized in 2017 compared to a net discrete tax benefit recognized in 2016. Specifically, our total net discrete tax expense was $29.5 million and $19.8 million in the third quarter and first nine months of 2017, respectively, versus a $5.0 million and $17.2 million net discrete tax benefit recognized in the third quarter and first nine months of 2016, respectively. The net discrete tax expense recognized during the third quarter of 2017 was driven primarily by certain acquisition-related permanent items. The net discrete tax expense recognized during the first nine months of 2017 was driven by the above mentioned acquisition-related permanent items, as well as the recognition of liabilities for uncertain tax positions, partially offset by the release of valuation allowances in certain jurisdictions and excess tax benefits from share-based compensation. Our tax rate is volatile and may move up or down with changes in, among other things, the amount and source of income or loss, our ability to utilize foreign tax credits, excess tax benefits 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.

9. Earnings Per Share ("EPS")

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

	Three Months Ended		Nine Months Ended	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
	(In millions, except per share amounts)			
Amounts attributable to Molson Coors Brewing Company:				
Net income (loss) from continuing operations	$280.2	$ 202.5	$803.8	$ 539.8
Income (loss) from discontinued operations, net of tax	(0.2)	—	0.8	(2.3)
Net income (loss) attributable to Molson Coors Brewing Company	$280.0	$ 202.5	$804.6	$ 537.5
Weighted-average shares for basic EPS	215.5	214.8	215.4	211.1
Effect of dilutive securities:				
RSUs, DSUs, and PSUs	0.6	1.0	0.6	1.0
Stock options and SOSARs	0.4	0.5	0.5	0.5
Weighted-average shares for diluted EPS	216.5	216.3	216.5	212.6
Basic net income (loss) attributable to Molson Coors Brewing Company per share:				
From continuing operations	$1.30	$ 0.94	$3.73	$ 2.56
From discontinued operations	—	—	0.01	(0.01)
Basic net income (loss) attributable to Molson Coors Brewing Company per share	$1.30	$ 0.94	$3.74	$ 2.55
Diluted net income (loss) attributable to Molson Coors Brewing Company per share:				
From continuing operations	$1.29	$ 0.94	$3.71	$ 2.54
From discontinued operations	—	—	0.01	(0.01)
Diluted net income (loss) attributable to Molson Coors Brewing Company per share	$1.29	$ 0.94	$3.72	$ 2.53
Dividends declared and paid per share	$0.41	$ 0.41	$1.23	$ 1.23

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

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

	Three Months Ended		Nine Months Ended	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
	(In millions)			
RSUs and stock options	0.4	0.1	0.3	0.1

Class B Common Stock Equity Issuance

On February 3, 2016, we completed an underwritten public offering of our Class B common stock to partially fund the Acquisition, which increased the number of Class B common shares issued and outstanding by 29.9 million shares, and received proceeds of $2.5 billion, net of issuance costs.

10. Goodwill and Intangible Assets

	U.S.	Canada	Europe	International	Consolidated
Changes in Goodwill:		(In millions)			
Balance at December 31, 2016	$6,415.6	$567.6	$1,260.5	$ 6.4	$ 8,250.1
Adjustments to preliminary purchase price allocation[(1)]	(92.1)	—	—	—	(92.1)
Foreign currency translation	—	44.1	144.5	0.3	188.9
Balance at September 30, 2017	$6,323.5	$611.7	$1,405.0	$ 6.7	$ 8,346.9

(1) During the nine months ended September 30, 2017, we recorded adjustments to our preliminary purchase price allocation. Separately, early in the fourth quarter, and prior to the completion of the one year measurement period, we completed the allocation of goodwill to our reporting units resulting from synergies, with the goodwill predominantly assigned to the U.S. reporting unit, and a portion allocated to the Canada and Europe reporting units. Refer to Note 4, "Acquisition and Investments" for further details.

The following table presents details of our intangible assets, other than goodwill, as of September 30, 2017:

	Useful life	Gross	Accumulated amortization	Net
	(Years)	(In millions)		
Intangible assets subject to amortization:				
Brands	10 - 50	$5,200.1	$ (464.9)	$4,735.2
License agreements and distribution rights	15 - 28	236.4	(102.3)	134.1
Other	2 - 40	141.4	(38.4)	103.0
Intangible assets not subject to amortization:				
Brands	Indefinite	8,194.9	—	8,194.9
Distribution networks	Indefinite	811.1	—	811.1
Other	Indefinite	337.5	—	337.5
Total		$14,921.4	$ (605.6)	$14,315.8

The following table presents details of our intangible assets, other than goodwill, as of December 31, 2016:

	Useful life	Gross	Accumulated amortization	Net
	(Years)	(In millions)		
Intangible assets subject to amortization:				
Brands	10 - 50	$4,876.3	$ (288.2)	$4,588.1
License agreements and distribution rights	15 - 28	225.9	(89.4)	136.5
Other	2 - 40	129.3	(26.4)	102.9
Intangible assets not subject to amortization:				
Brands	Indefinite	8,114.2	—	8,114.2
Distribution networks	Indefinite	752.6	—	752.6
Other	Indefinite	337.6	—	337.6
Total		$14,435.9	$ (404.0)	$14,031.9

The changes in the gross carrying amounts of intangibles from December 31, 2016, to September 30, 2017, are primarily driven by the impact of foreign exchange rates, as a significant amount of intangibles are denominated in foreign currencies.

Based on foreign exchange rates as of September 30, 2017, the estimated future amortization expense of intangible assets is as follows:

Fiscal year	Amount (In millions)
2017 - remaining	$ 55.9
2018	$ 222.9
2019	$ 222.0
2020	$ 221.0
2021	$ 215.5

Amortization expense of intangible assets was $55.8 million and $9.8 million for the three months ended September 30, 2017, and September 30, 2016, respectively, and $166.1 million and $29.5 million for the nine months ended September 30, 2017, and September 30, 2016, respectively. The increase in amortization expense over the prior year is primarily attributable to the addition of MillerCoors definite-lived intangible asset amortization following the completion of the Acquisition, as well as the reclassification of the Molson core brand intangible assets from indefinite to definite-lived following the completion of our annual impairment test as of October 1, 2016. This expense is primarily presented within marketing, general and administrative expenses on the unaudited condensed consolidated statements of operations.

We completed our required annual goodwill and indefinite-lived intangible impairment testing as of October 1, 2016, the first day of our fourth quarter, and concluded there were no impairments of goodwill within our Canada, Europe or India reporting units; however, an impairment charge was recorded on the Molson core brand intangible asset in Canada as a result of this review. Outside of the Molson core brands impairment, there were no other impairments of our indefinite-lived intangible assets as a result of the annual review process.

Annual Goodwill Impairment Testing

Our 2016 annual goodwill impairment testing determined that the fair value of our Canada reporting unit had declined, largely due to continued economic and competitive challenges negatively impacting our business, including sustained challenges facing the Molson core brands. Our Europe reporting unit continued to be considered at risk of failing step one of the goodwill impairment test. Specifically, the fair value of the Europe and Canada reporting units were estimated at approximately 14% and 29% in excess of carrying value, respectively, as of the October 1, 2016, testing date. The fair value of the India reporting unit approximated its carrying value, as there were no significant changes indicating a reduction in the fair value of the reporting unit since our completion of the interim impairment assessment during the second quarter of 2016 or annual impairment assessment as of October 1, 2016.

Key Assumptions

As of the date of our annual impairment test, performed as of October 1, the Europe reporting unit goodwill is at risk of future impairment in the event of significant unfavorable changes in the forecasted cash flows (including prolonged, or further weakening of, adverse economic conditions or significant unfavorable changes in tax, environmental or other regulations, including interpretations thereof), terminal growth rates, market multiples and/or weighted-average cost of capital utilized in the discounted cash flow analyses. For testing purposes, management's best estimates of the expected future results are the primary driver in determining the fair value. Current projections used for our Europe reporting unit testing reflect continued challenging environments in the future followed by growth resulting from a longer term recovery of the macroeconomic environment, as well as the benefit of anticipated cost savings and specific brand-building and innovation activities. Fair value determinations require considerable judgment and are sensitive to changes in underlying assumptions and factors. As a result, there can be no assurance that the estimates and assumptions made for purposes of the annual goodwill and indefinite-lived intangible impairment tests will prove to be an accurate prediction of the future. Examples of events or circumstances that could reasonably be expected to negatively affect the underlying key assumptions and ultimately impact the estimated fair value of our reporting units and indefinite-lived intangibles may include such items as: (i) a decrease in expected future cash flows, specifically, a decrease in sales volume and increase in costs that could significantly impact our immediate and long-range results, a decrease in sales volume driven by a prolonged weakness in consumer demand or other

competitive pressures adversely affecting our long-term volume trends, a continuation of the trend away from core brands in certain of our markets, especially in markets where our core brands represent a significant portion of the market, unfavorable working capital changes and an inability to successfully achieve our cost savings targets,
(ii) adverse changes in macroeconomic conditions or an economic recovery that significantly differs from our assumptions in timing and/or degree (such as a recession or worsening of the overall European economy),
(iii) volatility in the equity and debt markets or other country specific factors which could

result in a higher weighted-average cost of capital, (iv) sensitivity to market multiples; and (v) regulation limiting or banning the manufacturing, distribution or sale of alcoholic beverages.

Based on known facts and circumstances, we evaluate and consider recent events and uncertain items, as well as related potential implications, as part of our annual assessment and incorporate into the analyses as appropriate. These facts and circumstances are subject to change and may impact future analyses.

While historical performance and current expectations have resulted in fair values of our reporting units and indefinite-lived intangible assets in excess of carrying values, if our assumptions are not realized, it is possible that an impairment charge may need to be recorded in the future.

Indefinite and Definite-Lived Intangibles

Regarding indefinite and definite-lived intangibles, we continuously monitor the performance of the underlying assets for potential triggering events suggesting an impairment review should be performed. No such triggering events were identified in the first three quarters of 2017 that resulted in an impairment.

11. Debt

Debt obligations

	As of September 30, 2017	December 31, 2016
	(In millions)	
Long-term debt:		
Senior notes[(1)]	$11,372.0	$ 9,842.2
Term loans[(2)]	—	2,300.0
Other long-term debt	2.0	2.2
Less: unamortized debt discounts and debt issuance costs	(78.7)	(85.0)
Less: current portion of long-term debt	(721.1)	(671.7)
Total long-term debt	$10,574.2	$ 11,387.7
Short-term borrowings:		
Commercial paper program[(3)]	$1,004.7	$ —
Other short-term borrowings[(4)]	19.2	13.1
Current portion of long-term debt	721.1	671.7
Current portion of long-term debt and short-term borrowings	$1,745.0	$ 684.8

(1) As of September 30, 2017, and December 31, 2016, our senior notes consisted of CAD senior notes of $1,924.3 million and $1,785.6 million, respectively, with maturities ranging from 2017 to 2026; USD senior notes of $7,911.9 million and $7,215.2 million, respectively, with maturities ranging from 2017 to 2046; and EUR senior notes of $1,535.8 million and $841.4 million, respectively, with maturities ranging from 2019 to 2024. As of September 30, 2017, and December 31, 2016, the aggregate weighted-average effective coupon interest rates of our senior notes were 2.89% and 3.33%, respectively.

On March 15, 2017, MCBC issued approximately $1.5 billion of senior notes, consisting of $500 million 1.90% senior notes due March 15, 2019, and $500 million 2.25% senior notes due March 15, 2020 (collectively, the "2017 USD Notes") and EUR 500 million floating rate senior notes due March 15, 2019 ("2017 EUR Notes") (2017 USD Notes and 2017 EUR Notes, collectively, the "2017 Notes"). We bear quarterly interest on the 2017 EUR Notes at the rate of 0.35% plus three-month EURIBOR. These issuances resulted in total proceeds of approximately $1.5 billion, net of underwriting fees and discounts of $3.1 million and $0.7 million, respectively. Total debt issuance costs capitalized in connection with these notes, including underwriting fees, discounts and other financing related costs, were $6.1 million and are being amortized over the respective terms of the 2017 Notes. The 2017 Notes began accruing interest upon issuance, with quarterly payments due on the 2017 EUR Notes beginning June 15, 2017, and semi-annual payments due on the 2017 USD Notes beginning September 15, 2017.

In the first quarter of 2017, we entered into interest rate swaps to economically convert our fixed rate 2017 USD Notes to floating rate debt. As a result of these hedge programs, the carrying value of the $500 million 1.90% notes and $500 million 2.25% notes include adjustments of $0.7 million decreasing and $0.3 million decreasing, respectively, for fair value movements attributable to the benchmark interest rate as of September 30, 2017.

Prior to issuing the 2017 EUR Notes, we entered into foreign currency forward agreements to economically hedge the foreign currency exposure of a portion of the respective notes, which were subsequently settled on March 15, 2017, concurrent with the issuance of the 2017 EUR Notes. Additionally, upon issuance we designated the 2017 EUR Notes as a net investment hedge of our Europe business. See Note 14, "Derivative Instruments and Hedging Activities" for further details.

During the second quarter of 2017, we repaid our $300.0 million 2.0% notes using commercial paper. Subsequent to the third quarter of 2017, on October 6, 2017, we repaid our CAD 500.0 million 3.95% notes as further discussed below.

(2) During the first quarter of 2017, the net proceeds from the 2017 Notes were used to repay the remaining $800.0 million on our 3-year tranche term loan due 2019 and make principal payments of $700.0 million on our 5-year tranche term loan due 2021, and accordingly we accelerated the related unamortized debt issuance costs. During the second quarter of 2017, we made principal payments of $400.0 million on our 5-year tranche term loan due 2021, and accordingly we accelerated the related unamortized debt issuance costs. During the third quarter of 2017, we repaid the remaining $400.0 million on our 5-year tranche term loan due 2021 utilizing borrowings under our commercial paper program, thereby further reducing our available borrowings under our $1.5 billion revolving multi-credit facility as further discussed below, and accordingly, recorded the remaining accelerated unamortized debt issuance costs to interest expense. The term loans were fully repaid as of July 19, 2017.

(3) As of September 30, 2017, the outstanding borrowings under our commercial paper program were approximately $1.0 billion at a weighted-average effective interest rate and tenor of 1.64% and 35 days, respectively. There were no outstanding borrowings under our commercial paper program as of December 31, 2016. During the third quarter of 2017, we increased the size of our commercial paper program to a maximum amount of $1.5 billion. We used proceeds from the commercial paper to fund the repayment of our CAD 500.0 million 3.95% notes due October 6, 2017. As noted above, we also used commercial paper to repay our $300.0 million 2.0% notes during the second quarter of 2017 and the remaining outstanding balance on our 5-year tranche term loan during the third quarter of 2017.

(4) As of September 30, 2017, we had $13.2 million in bank overdrafts and $88.2 million in bank cash related to our cross-border, cross-currency cash pool, for a net positive position of $75.0 million. As of December 31, 2016, we had $2.6 million in bank overdrafts and $18.0 million in bank cash related to our cross-border, cross-currency cash pool for a net positive position of $15.4 million. We had total outstanding borrowings of $3.1 million and $7.0 million under our two Japanese Yen ("JPY") overdraft facilities as of September 30, 2017, and December 31, 2016, respectively. In addition, we have GBP and CAD lines of credit under which we had no borrowings as of September 30, 2017, or December 31, 2016.

Debt Fair Value Measurements

We utilize market approaches to estimate the fair value of certain outstanding borrowings by discounting anticipated future cash flows derived from the contractual terms of the obligations and observable market interest and foreign exchange rates. As of September 30, 2017, and December 31, 2016, the fair value of our outstanding long-term debt (including the current portion of long-term debt) was approximately $11.6 billion and $12.0 billion, respectively. All senior notes are valued based on significant observable inputs and classified as Level 2 in the fair value hierarchy. The carrying values of all other outstanding long-term borrowings and our short-term borrowings approximate their fair values and are also classified as Level 2 in the fair value hierarchy.

Revolving Credit Facility

On July 7, 2017, we entered into a 5-year, $1.5 billion revolving multi-currency credit facility, which provides a $150 million sub-facility available for the issuance of letters of credit. This $1.5 billion revolving credit facility replaced our pre-existing $750 million revolving credit facility, which would have matured in the second quarter of 2019. In connection with the new revolving credit facility, we increased the size of our existing commercial paper program to a maximum aggregate amount outstanding at any time of $1.5 billion. Concurrent with these transactions, in the third quarter of 2017, we incurred $3.4 million of issuance costs related to the $1.5 billion revolving credit facility, which are being amortized over the term of the agreement.

As of September 30, 2017, we had approximately $495 million available to draw under our $1.5 billion revolving multi-currency credit facility, as the borrowing capacity is reduced by borrowings under our commercial paper program. We have no other borrowings drawn on this revolving credit facility as of September 30, 2017.

Additionally, under the new $1.5 billion revolving credit facility, the maximum leverage ratio has changed from 5.75x debt to EBITDA, with a decline to 3.75x debt to EBITDA in the fourth year following the closing of the Acquisition, to a maximum leverage ratio of 5.75x debt to EBITDA, with a decline to 4.00x debt to EBITDA as of the last day of the fiscal quarter ending December 31, 2020.

Under the terms of each of our debt facilities, we must comply with certain restrictions. These include customary events of default and specified representations and warranties and covenants, including, among other things, covenants that restrict our ability to incur certain additional priority indebtedness, create or permit liens on assets, or engage in mergers or consolidations. As of September 30, 2017, we were in compliance with all of these restrictions and have met all debt payment obligations. All of our outstanding senior notes as of September 30, 2017, rank pari-passu.

12. Inventories

	As of September 30, 2017	December 31, 2016
	(In millions)	
Finished goods	$261.6	$ 213.8
Work in process	91.6	81.6
Raw materials	227.1	238.5
Packaging materials	55.7	58.8
Inventories, net	$636.0	$ 592.7

13. Accumulated Other Comprehensive Income (Loss) ("AOCI")

	MCBC shareholders				
	Foreign currency translation adjustments	Gain (loss) on derivative instruments	Pension and postretirement benefit adjustments	Equity method investments	Accumulated other comprehensive income (loss)
	(In millions)				
As of December 31, 2016	$(994.1)	$ 21.2	$ (502.7)	$ (69.9)	$ (1,545.5)
Foreign currency translation adjustments	555.8	—	0.1	—	555.9
Unrealized gain (loss) on derivative and non-derivative financial instruments	—	(181.7)	—	—	(181.7)
Reclassification of derivative (gain) loss to income	—	0.7	—	—	0.7
Amortization of net prior service (benefit) cost and net actuarial (gain) loss to income	—	—	18.5	—	18.5
Ownership share of unconsolidated subsidiaries' other comprehensive income (loss)	—	—	—	4.1	4.1
Tax benefit (expense)	48.7	65.4	(3.5)	(1.2)	109.4

As of September 30, 2017	$(389.6)	$ (94.4)	$ (487.6)	$ (67.0)	$ (1,038.6)

Reclassifications from AOCI to income:

	Three Months Ended September 30, 2017	Three Months Ended September 30, 2016	Nine Months Ended September 30, 2017	Nine Months Ended September 30, 2016	Location of gain (loss) recognized in income
	Reclassifications from AOCI				
	(In millions)				
Gain/(loss) on cash flow hedges:					
Forward starting interest rate swaps	$(1.0)	$ (1.0)	$(2.9)	$ (2.9)	Interest expense, net
Foreign currency forwards	0.1	(1.9)	(2.0)	(5.9)	Other income (expense), net
Foreign currency forwards	(0.5)	2.9	4.2	12.2	Cost of goods sold
Total income (loss) reclassified, before tax	(1.4)	—	(0.7)	3.4	
Income tax benefit (expense)	0.5	—	0.2	(0.3)	
Net income (loss) reclassified, net of tax	$(0.9)	$ —	$(0.5)	$ 3.1	
Amortization of defined benefit pension and other postretirement benefit plan items:					
Prior service benefit (cost)	$(0.2)	$ (0.3)	$(0.5)	$ (0.6)	(1)
Curtailment and net actuarial gain (loss)	(8.1)	(7.4)	(18.0)	(23.0)	(1)
Total income (loss) reclassified, before tax	(8.3)	(7.7)	(18.5)	(23.6)	
Income tax benefit (expense)	1.6	0.8	3.5	2.7	
Net income (loss) reclassified, net of tax	$(6.7)	$ (6.9)	$(15.0)	$ (20.9)	
Total income (loss) reclassified, net of tax	$(7.6)	$ (6.9)	$(15.5)	$ (17.8)	

(1) These components of AOCI are included in the computation of net periodic pension and other postretirement benefit cost. See Note 15, "Pension and Other Postretirement Benefits" for additional details.

14. Derivative Instruments and Hedging Activities

Our risk management and derivative accounting policies are presented in Notes 1 and 16 of the Notes included in our Annual Report and did not significantly change during the first three quarters of 2017. As noted in Note 16 of the Notes included in our Annual Report, due to the nature of our counterparty agreements, and the fact that we are not subject to master netting arrangements, we are not able to net positions with the same counterparty and, therefore, present our derivative positions on a gross basis in our unaudited condensed consolidated balance sheets. Except as noted below, our significant derivative positions have not changed considerably since year-end.

Interest Rate Swaps

In the first quarter of 2017, we entered into interest rate swaps with an aggregate notional amount of $1.0 billion to economically convert our fixed rate $1.0 billion 2017 USD Notes to floating rate debt. We will receive fixed interest payments semi-annually at a rate of 1.90% and 2.25% per annum on our $500 million senior notes due March 15, 2019, and $500 million senior notes due March 15, 2020, respectively, and pay a rate to our counterparties based on a credit spread plus the one month LIBOR rate, thereby effectively exchanging a fixed interest obligation for a floating interest obligation.

We entered into these interest rate swap agreements to minimize exposure to changes in the fair value of each of our $500 million notes that results from fluctuations in the benchmark interest rate, specifically LIBOR, and have designated these swaps as fair value hedges and determined that there is zero ineffectiveness. The changes in fair value of derivatives designated as fair

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value hedges and the offsetting changes in fair value of the hedged item are recognized in earnings. The changes in fair value of the two $500 million interest rate swaps were recorded in interest expense in our unaudited condensed consolidated statement of operations and were fully offset by changes in fair value of the two $500 million notes attributable to the benchmark interest rate, also recorded to interest expense. See Note 11, "Debt" for additional details.

Net Investment Hedges

On March 15, 2017, we issued an aggregate of EUR 500 million (approximately $530 million at issuance), three-month EURIBOR floating rate senior notes due March 15, 2019. We simultaneously designated the principal of the 2017 EUR Notes as a net investment hedge of our investment in our Europe business in order to hedge a portion of the foreign currency translational impacts and, accordingly, will record changes in the carrying value of the 2017 EUR Notes due to fluctuations in the spot rate to AOCI. See Note 11, "Debt" for further discussion.

Foreign Currency Forwards

Prior to issuing the 2017 EUR Notes on March 15, 2017, we entered into foreign currency forward agreements in the first quarter of 2017 with a total notional amount of EUR 499.0 million, representing a majority of the anticipated net proceeds from the issuance of the respective 2017 EUR Notes, to economically hedge the foreign currency exposure of the associated notes against the USD prior to issuance and to convert the proceeds to USD upon issuance through gross settlement. We settled these foreign currency forwards on March 15, 2017, resulting in a loss of $8.3 million. See Note 11, "Debt" for further details related to the issuance. These foreign currency forwards were not designated in hedge accounting relationships, and, accordingly, the mark-to-market fair value adjustments and resulting losses were recorded to other income (expense).

Derivative Fair Value Measurements

We utilize market approaches to estimate the fair value of our derivative instruments by discounting anticipated future cash flows derived from the derivative's contractual terms and observable market interest, foreign exchange and commodity rates. The fair values of our derivatives also include credit risk adjustments to account for our counterparties' credit risk, as well as our own non-performance risk, as appropriate. The table below summarizes our derivative assets and liabilities that were measured at fair value as of September 30, 2017, and December 31, 2016.

		Fair value measurements as of September 30, 2017		
	Total at September 30, 2017	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	(In millions)			
Interest rate swaps	$(1.0)	$ —	$ (1.0)	$ —
Foreign currency forwards	(13.0)	—	(13.0)	—
Commodity swaps	80.9	—	80.9	—
Total	$66.9	$ —	$ 66.9	$ —

		Fair value measurements as of December 31, 2016		
	Total at December 31, 2016	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	(In millions)			
Foreign currency forwards	$14.4	$ —	$ 14.4	$ —
Commodity swaps	(18.1)	—	(18.1)	—

Total	$(3.7)	$ —	$ (3.7)	$ —

As of September 30, 2017, we had no significant transfers between Level 1 and Level 2. New derivative contracts transacted during the three and nine months ended September 30, 2017, were all included in Level 2.

Results of Period Derivative Activity

The tables below include the year-to-date results of our derivative activity in the unaudited condensed consolidated balance sheets as of September 30, 2017, and December 31, 2016, and the unaudited condensed consolidated statements of operations for the three and nine months ended September 30, 2017, and September 30, 2016.

Fair Value of Derivative Instruments in the Unaudited Condensed Consolidated Balance Sheets (in millions):

	September 30, 2017				
		Asset derivatives		Liability derivatives	
	Notional amount	Balance sheet location	Fair value	Balance sheet location	Fair value
Derivatives designated as hedging instruments:					
Interest rate swaps	$1,000.0	Other current assets	$—	Accounts payable and other current liabilities	$—
		Other non-current assets	—	Other liabilities	(1.0)
Foreign currency forwards	$309.6	Other current assets	0.3	Accounts payable and other current liabilities	(6.6)
		Other non-current assets	—	Other liabilities	(6.7)
Total derivatives designated as hedging instruments			$0.3		$(14.3)
Derivatives not designated as hedging instruments:					
Commodity swaps(1)	$601.4	Other current assets	$41.2	Accounts payable and other current liabilities	$(4.6)
		Other non-current assets	48.1	Other liabilities	(3.8)
Commodity options(1)	$10.6	Other current assets	0.1	Accounts payable and other current liabilities	(0.1)
Total derivatives not designated as hedging instruments			$89.4		$(8.5)

	December 31, 2016				
		Asset derivatives		Liability derivatives	
	Notional amount	Balance sheet location	Fair value	Balance sheet location	Fair value
Derivatives designated as hedging instruments:					
Foreign currency forwards	$329.4	Other current assets	$12.0	Accounts payable and other current liabilities	$(0.3)
		Other non-current assets	3.3	Other liabilities	(0.6)
Total derivatives designated as hedging instruments			$15.3		$(0.9)
Derivatives not designated as hedging instruments:					
Commodity swaps(1)	$791.4	Other current assets	$11.8	Accounts payable and other current liabilities	$(23.3)
		Other non-current assets	12.6	Other liabilities	(19.2)
Commodity options(1)	$13.6	Other current and non-current assets	—	Accounts payable and other current liabilities and other liabilities	—
Total derivatives not designated as hedging instruments			$24.4		$(42.5)

(1) Notional includes offsetting buy and sell positions, shown in terms of absolute value. Buy and sell positions are shown gross in the asset and/or liability position, as appropriate.

The Pretax Effect of Derivative Instruments on the Unaudited Condensed Consolidated Statements of Operations (in millions):

For the Three Months Ended September 30, 2017

Derivatives in cash flow hedge relationships	Amount of gain (loss) recognized	Location of gain (loss) reclassified from AOCI into income (effective	Amount of gain (loss) recognized	Location of gain (loss) recognized in income on derivative (ineffective portion	Amount of gain (loss) recognized

	in OCI on derivative (effective portion)	portion)	from AOCI on derivative (effective portion)	and amount excluded from effectiveness testing)	in income on derivative (ineffective portion and amount excluded from effectiveness testing)
Forward starting interest rate swaps	$ —	Interest expense, net	$ (1.0)	Interest expense, net	$ —
Foreign currency forwards	(10.1)	Other income (expense), net	0.1	Other income (expense), net	—
		Cost of goods sold	(0.5)	Cost of goods sold	—
Total	$ (10.1)		$ (1.4)		$ —

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For the Three Months Ended September 30, 2017

Non-derivative financial instruments in net investment hedge relationships	Amount of gain (loss) recognized in OCI on derivative (effective portion)	Location of gain (loss) reclassified from AOCI into income (effective portion)	Amount of gain (loss) recognized from AOCI on derivative (effective portion)	Location of gain (loss) recognized in income on derivative (ineffective portion and amount excluded from effectiveness testing)	Amount of gain (loss) recognized in income on derivative (ineffective portion and amount excluded from effectiveness testing)
EUR 800 million notes due 2024	$ (31.0)	Other income (expense), net	$ —	Other income (expense), net	$ —
EUR 500 million notes due 2019	(19.4)	Other income (expense), net	—	Other income (expense), net	—
Total	$ (50.4)		$ —		$ —

For the Three Months Ended September 30, 2017

Derivatives in fair value hedge relationships	Amount of gain (loss) recognized in income on derivative	Location of gain (loss)recognized in income
Interest rate swaps	$ (1.1)	Interest expense, net
Total	$ (1.1)	

For the Three Months Ended September 30, 2016

Derivatives in cash flow hedge relationships	Amount of gain (loss) recognized in OCI on derivative (effective portion)	Location of gain (loss) reclassified from AOCI into income (effective portion)	Amount of gain (loss) recognized from AOCI on derivative (effective portion)	Location of gain (loss) recognized in income on derivative (ineffective portion and amount excluded from effectiveness testing)	Amount of gain (loss) recognized in income on derivative (ineffective portion and amount excluded from effectiveness testing)
Forward starting interest rate swaps	$ —	Interest expense, net	$ (1.0)	Interest expense, net	$ —
Foreign currency forwards	0.2		(1.9)		—

		Other income (expense), net		Other income (expense), net		
		Cost of goods sold	2.9	Cost of goods sold	—	
Total	$ 0.2		$ —		$	—

For the Three Months Ended September 30, 2016

Non-derivative financial instruments in net investment hedge relationships	Amount of gain (loss) recognized in OCI on derivative (effective portion)	Location of gain (loss) reclassified from AOCI into income (effective portion)	Amount of gain (loss) recognized from AOCI on derivative (effective portion)	Location of gain (loss) recognized in income on derivative (ineffective portion and amount excluded from effectiveness testing)	Amount of gain (loss) recognized in income on derivative (ineffective portion and amount excluded from effectiveness testing)
EUR 800 million notes due 2024	$ (13.8)	Other income (expense), net	$ —	Other income (expense), net	$ —
Total	$ (13.8)		$ —		$ —

For the Nine Months Ended September 30, 2017

Derivatives in cash flow hedge relationships	Amount of gain (loss) recognized in OCI on derivative (effective portion)	Location of gain (loss) reclassified from AOCI into income (effective portion)