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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

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**FORM 10-Q**

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Quarterly period ended September 30, 2017  
OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_.

Commission File Number: 1-14829



**Molson Coors Brewing Company**  
(Exact name of registrant as specified in its charter)

**DELAWARE**

(State or other jurisdiction of incorporation or organization)

**84-0178360**

(I.R.S. Employer Identification No.)

**1801 California Street, Suite 4600, Denver, Colorado, USA  
1555 Notre Dame Street East, Montréal, Québec, Canada**  
(Address of principal executive offices)

**80202  
H2L 2R5**  
(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 ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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 ☒ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐ Emerging growth company ☐  
(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. ☐

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

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of 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.

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# 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,<br>2017 | September 30,<br>2016 | September 30,<br>2017 | September 30,<br>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.

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

|                                                                                          | Three Months Ended    |                       | Nine Months Ended     |                       |
|------------------------------------------------------------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
|                                                                                          | September 30,<br>2017 | September 30,<br>2016 | September 30,<br>2017 | September 30,<br>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  |
| <b>Assets</b>                                                                                                                                |                    |                    |
| 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                                                                                                                                 | <u>\$ 30,677.7</u> | <u>\$ 29,341.5</u> |
| <b>Liabilities and equity</b>                                                                                                                |                    |                    |
| 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                                                                                                                 | <u>\$ 30,677.7</u> | <u>\$ 29,341.5</u> |

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.

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

| MCBC Stockholders' Equity                                             |                   |                        |               |                               |                 |                     |                      |                                                        |                                                   |                                 |
|-----------------------------------------------------------------------|-------------------|------------------------|---------------|-------------------------------|-----------------|---------------------|----------------------|--------------------------------------------------------|---------------------------------------------------|---------------------------------|
|                                                                       |                   | Common stock<br>issued |               | Exchangeable<br>shares issued |                 | Paid-in-<br>capital | Retained<br>earnings | Accumulated<br>other<br>comprehensive<br>income (loss) | Common<br>Stock<br>held in<br>treasury<br>Class B | Non<br>controlling<br>interests |
|                                                                       | Total             | Class A                | Class B       | Class A                       | Class B         |                     |                      |                                                        |                                                   |                                 |
| 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<br>compensation plan                       | (3.6)             | —                      | —             | —                             | —               | (3.6)               | —                    | —                                                      | —                                                 | —                               |
| Amortization of share-based<br>compensation                           | 20.0              | —                      | —             | —                             | —               | 20.0                | —                    | —                                                      | —                                                 | —                               |
| Acquisition of business and<br>purchase of noncontrolling<br>interest | 1.2               | —                      | —             | —                             | —               | —                   | —                    | —                                                      | —                                                 | 1.2                             |
| Net income (loss) including<br>noncontrolling interests               | 541.2             | —                      | —             | —                             | —               | —                   | 537.5                | —                                                      | —                                                 | 3.7                             |
| Other comprehensive income<br>(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                                         | <u>\$ 9,940.4</u> | <u>\$ —</u>            | <u>\$ 2.0</u> | <u>\$ 108.1</u>               | <u>\$ 579.6</u> | <u>\$ 6,565.6</u>   | <u>\$ 4,768.9</u>    | <u>\$ (1,633.3)</u>                                    | <u>\$ (471.4)</u>                                 | <u>\$ 20.9</u>                  |

| MCBC Stockholders' Equity                                             |                   |                        |               |                               |                 |                     |                      |                                                        |                                                   |                                 |
|-----------------------------------------------------------------------|-------------------|------------------------|---------------|-------------------------------|-----------------|---------------------|----------------------|--------------------------------------------------------|---------------------------------------------------|---------------------------------|
|                                                                       |                   | Common stock<br>issued |               | Exchangeable<br>shares issued |                 | Paid-in-<br>capital | Retained<br>earnings | Accumulated<br>other<br>comprehensive<br>income (loss) | Common<br>Stock<br>held in<br>treasury<br>Class B | Non<br>controlling<br>interests |
|                                                                       | Total             | Class A                | Class B       | Class A                       | Class B         |                     |                      |                                                        |                                                   |                                 |
| 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<br>compensation plan                       | (22.4)            | —                      | —             | —                             | —               | (22.4)              | —                    | —                                                      | —                                                 | —                               |
| Amortization of share-based<br>compensation                           | 45.3              | —                      | —             | —                             | —               | 45.3                | —                    | —                                                      | —                                                 | —                               |
| Acquisition of business and<br>purchase of noncontrolling<br>interest | 1.6               | —                      | —             | —                             | —               | —                   | —                    | —                                                      | —                                                 | 1.6                             |
| Net income (loss) including<br>noncontrolling interests               | 822.3             | —                      | —             | —                             | —               | —                   | 804.6                | —                                                      | —                                                 | 17.7                            |
| Other comprehensive income<br>(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                                         | <u>\$12,696.6</u> | <u>\$ —</u>            | <u>\$ 2.0</u> | <u>\$ 107.7</u>               | <u>\$ 553.2</u> | <u>\$ 6,676.6</u>   | <u>\$ 6,658.7</u>    | <u>\$ (1,038.6)</u>                                    | <u>\$ (471.4)</u>                                 | <u>\$ 208.4</u>                 |

See notes to unaudited condensed consolidated financial statements.

**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. <sup>(1)</sup>                  | \$ 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               | <u>\$ 2,883.2</u>  | <u>\$ 947.6</u>    | <u>\$ 8,423.2</u>  | <u>\$ 2,591.0</u>  |

- (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. <sup>(1)</sup>                                                       | \$ 365.1           | \$ 156.9           | \$ 1,165.4         | \$ 491.2           |
| Canada                                                                    | 76.3               | 90.3               | 168.1              | 325.4              |
| Europe <sup>(2)</sup>                                                     | 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 <sup>(1)</sup> |
|                           | (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           |

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.

|                                                                         | <u>Three Months Ended</u> |        | <u>Nine Months Ended</u> |                                                     |
|-------------------------------------------------------------------------|---------------------------|--------|--------------------------|-----------------------------------------------------|
|                                                                         | <u>September 30, 2016</u> |        |                          |                                                     |
|                                                                         | (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 <sup>(1)</sup>                       | \$                 | 373.4     | \$                | 1,145.6   |
| Net income attributable to MillerCoors <sup>(1)</sup> | \$                 | 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 <sup>(1)</sup>                                                                                                 |                                   | (0.5) |                   | (0.7)   |
| U.S. import tax benefit <sup>(2)</sup>                                                                                                             |                                   | 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 |     | Nine Months Ended  |      |
|------------------------------------------------------------|--------------------|-----|--------------------|------|
|                                                            | September 30, 2017 |     | 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 <sup>(1)</sup>            | 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)      |                    |                    |                    |
| <u>Employee-related charges</u>                                   |                    |                    |                    |                    |
| Restructuring                                                     | \$ 0.8             | \$ (0.4)           | \$ 2.1             | \$ (2.2)           |
| Canada - OPEB curtailment gain                                    | —                  | —                  | (2.9)              | —                  |
| <u>Impairments or asset abandonment charges</u>                   |                    |                    |                    |                    |
| U.S. - Asset abandonment <sup>(1)</sup>                           | 0.1                | —                  | 14.5               | —                  |
| Canada - Asset abandonment <sup>(2)</sup>                         | 6.1                | 1.3                | 8.4                | 3.8                |
| Europe - Asset abandonment <sup>(3)</sup>                         | 1.9                | 3.5                | 7.1                | 8.3                |
| International - Asset impairment and write-off <sup>(4)</sup>     | —                  | —                  | —                  | 30.8               |
| <u>Unusual or infrequent items</u>                                |                    |                    |                    |                    |
| Europe - Flood loss (insurance reimbursement), net <sup>(5)</sup> | —                  | (9.3)              | —                  | (9.3)              |
| <u>Termination fees and other (gains) losses</u>                  |                    |                    |                    |                    |
| Canada - Gain on sale of asset <sup>(2)</sup>                     | —                  | —                  | —                  | (110.4)            |
| Europe - Gain on sale of asset <sup>(3)</sup>                     | (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,

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 <sup>(1)</sup>                                          | \$ —               | \$ (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 <sup>(2)</sup> | (2.4)              | 16.7               | (9.1)              | 9.8                |
| Other, net <sup>(3)</sup>                                                           | (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 <sup>(1)</sup> | (92.1)            | —               | —                 | —             | (92.1)            |
| Foreign currency translation                                        | —                 | 44.1            | 144.5             | 0.3           | 188.9             |
| Balance at September 30, 2017                                       | <u>\$ 6,323.5</u> | <u>\$ 611.7</u> | <u>\$ 1,405.0</u> | <u>\$ 6.7</u> | <u>\$ 8,346.9</u> |

- (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<br>(Years) | Gross              | Accumulated<br>amortization<br>(In millions) | Net                |
|------------------------------------------------|------------------------|--------------------|----------------------------------------------|--------------------|
| 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                                          |                        | <u>\$ 14,921.4</u> | <u>\$ (605.6)</u>                            | <u>\$ 14,315.8</u> |

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

|                                                | Useful life<br>(Years) | Gross              | Accumulated<br>amortization<br>(In millions) | Net                |
|------------------------------------------------|------------------------|--------------------|----------------------------------------------|--------------------|
| 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                                          |                        | <u>\$ 14,435.9</u> | <u>\$ (404.0)</u>                            | <u>\$ 14,031.9</u> |

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 <sup>(1)</sup>                                 | \$ 11,372.0        | \$ 9,842.2         |
| Term loans <sup>(2)</sup>                                   | —                  | 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                                        | <u>\$ 10,574.2</u> | <u>\$ 11,387.7</u> |
| Short-term borrowings:                                      |                    |                    |
| Commercial paper program <sup>(3)</sup>                     | \$ 1,004.7         | \$ —               |
| Other short-term borrowings <sup>(4)</sup>                  | 19.2               | 13.1               |
| Current portion of long-term debt                           | 721.1              | 671.7              |
| Current portion of long-term debt and short-term borrowings | <u>\$ 1,745.0</u>  | <u>\$ 684.8</u>    |

- (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    | <u>\$ 636.0</u>    | <u>\$ 592.7</u>   |

## 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                                                                 | <u>\$ (389.6)</u>                        | <u>\$ (94.4)</u>                      | <u>\$ (487.6)</u>                              | <u>\$ (67.0)</u>          | <u>\$ (1,038.6)</u>                           |

## Reclassifications from AOCI to income:

|                                                                                             | Three Months Ended |                    | Nine Months Ended  |                    | Location of gain (loss) recognized in income |
|---------------------------------------------------------------------------------------------|--------------------|--------------------|--------------------|--------------------|----------------------------------------------|
|                                                                                             | September 30, 2017 | September 30, 2016 | September 30, 2017 | September 30, 2016 |                                              |
| Reclassifications from AOCI                                                                 |                    |                    |                    |                    |                                              |
| (In millions)                                                                               |                    |                    |                    |                    |                                              |
| <b>Gain/(loss) on cash flow hedges:</b>                                                     |                    |                    |                    |                    |                                              |
| 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                                                  | <u>\$ (0.9)</u>    | <u>\$ —</u>        | <u>\$ (0.5)</u>    | <u>\$ 3.1</u>      |                                              |
| <b>Amortization of defined benefit pension and other postretirement benefit plan items:</b> |                    |                    |                    |                    |                                              |
| Prior service benefit (cost)                                                                | \$ (0.2)           | \$ (0.3)           | \$ (0.5)           | \$ (0.6)           | <sup>(1)</sup>                               |
| Curtailment and net actuarial gain (loss)                                                   | (8.1)              | (7.4)              | (18.0)             | (23.0)             | <sup>(1)</sup>                               |
| 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                                                  | <u>\$ (6.7)</u>    | <u>\$ (6.9)</u>    | <u>\$ (15.0)</u>   | <u>\$ (20.9)</u>   |                                              |
| Total income (loss) reclassified, net of tax                                                | <u>\$ (7.6)</u>    | <u>\$ (6.9)</u>    | <u>\$ (15.5)</u>   | <u>\$ (17.8)</u>   |                                              |

(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

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.

|                           | Total at<br>September 30, 2017 | Fair value measurements as of September 30, 2017 |                                                        |                                                 |
|---------------------------|--------------------------------|--------------------------------------------------|--------------------------------------------------------|-------------------------------------------------|
|                           |                                | Quoted prices in<br>active markets<br>(Level 1)  | Significant other<br>observable<br>inputs<br>(Level 2) | Significant<br>unobservable<br>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                                                | \$ —                                            |

  

|                           | Total at<br>December 31, 2016 | Fair value measurements as of December 31, 2016 |                                                        |                                                 |
|---------------------------|-------------------------------|-------------------------------------------------|--------------------------------------------------------|-------------------------------------------------|
|                           |                               | Quoted prices in<br>active markets<br>(Level 1) | Significant other<br>observable<br>inputs<br>(Level 2) | Significant<br>unobservable<br>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     |                    |                          | <u>\$ 0.3</u>  |                                                | <u>\$ (14.3)</u> |
| Derivatives not designated as hedging instruments:      |                    |                          |                |                                                |                  |
| Commodity swaps <sup>(1)</sup>                          | \$ 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 <sup>(1)</sup>                        | \$ 10.6            | Other current assets     | 0.1            | Accounts payable and other current liabilities | (0.1)            |
| Total derivatives not designated as hedging instruments |                    |                          | <u>\$ 89.4</u> |                                                | <u>\$ (8.5)</u>  |

|                                                         | December 31, 2016 |                                      |                |                                                                      |                  |
|---------------------------------------------------------|-------------------|--------------------------------------|----------------|----------------------------------------------------------------------|------------------|
|                                                         | Notional amount   | Asset derivatives                    |                | Liability derivatives                                                |                  |
|                                                         |                   | 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     |                   |                                      | <u>\$ 15.3</u> |                                                                      | <u>\$ (0.9)</u>  |
| Derivatives not designated as hedging instruments:      |                   |                                      |                |                                                                      |                  |
| Commodity swaps <sup>(1)</sup>                          | \$ 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 <sup>(1)</sup>                        | \$ 13.6           | Other current and non-current assets | —              | Accounts payable and other current liabilities and other liabilities | —                |
| Total derivatives not designated as hedging instruments |                   |                                      | <u>\$ 24.4</u> |                                                                      | <u>\$ (42.5)</u> |

(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 |                                                                           |                                                                                |                                                                              |                                                                                                                                 |                                                                                                                               |
|-----------------------------------------------|---------------------------------------------------------------------------|--------------------------------------------------------------------------------|------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------|
|                                               | 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) |
| Derivatives in cash flow hedge relationships  |                                                                           |                                                                                |                                                                              |                                                                                                                                 |                                                                                                                               |
| 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)                                                                     |                                                                                                                                 | \$ —                                                                                                                          |

**For the Three Months Ended September 30, 2017**

|                                                                                   | 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) |
|-----------------------------------------------------------------------------------|---------------------------------------------------------------------------|--------------------------------------------------------------------------------|------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------|
| <b>Non-derivative financial instruments in net investment hedge relationships</b> |                                                                           |                                                                                |                                                                              |                                                                                                                                 |                                                                                                                               |
| 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                                                                                                     | —                                                                                                                             |
| <b>Total</b>                                                                      | <b>\$ (50.4)</b>                                                          |                                                                                | <b>\$ —</b>                                                                  |                                                                                                                                 | <b>\$ —</b>                                                                                                                   |

**For the Three Months Ended September 30, 2017**

|                                                      | Amount of gain (loss) recognized in income on derivative | Location of gain (loss) recognized in income |
|------------------------------------------------------|----------------------------------------------------------|----------------------------------------------|
| <b>Derivatives in fair value hedge relationships</b> |                                                          |                                              |
| Interest rate swaps                                  | \$ (1.1)                                                 | Interest expense, net                        |
| <b>Total</b>                                         | <b>\$ (1.1)</b>                                          |                                              |

**For the Three Months Ended September 30, 2016**

|                                                     | 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) |
|-----------------------------------------------------|---------------------------------------------------------------------------|--------------------------------------------------------------------------------|------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------|
| <b>Derivatives in cash flow hedge relationships</b> |                                                                           |                                                                                |                                                                              |                                                                                                                                 |                                                                                                                               |
| Forward starting interest rate swaps                | \$ —                                                                      | Interest expense, net                                                          | \$ (1.0)                                                                     | Interest expense, net                                                                                                           | \$ —                                                                                                                          |
| Foreign currency forwards                           | 0.2                                                                       | Other income (expense), net                                                    | (1.9)                                                                        | Other income (expense), net                                                                                                     | —                                                                                                                             |
|                                                     |                                                                           | Cost of goods sold                                                             | 2.9                                                                          | Cost of goods sold                                                                                                              | —                                                                                                                             |
| <b>Total</b>                                        | <b>\$ 0.2</b>                                                             |                                                                                | <b>\$ —</b>                                                                  |                                                                                                                                 | <b>\$ —</b>                                                                                                                   |

**For the Three Months Ended September 30, 2016**

|                                                                                   | 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) |
|-----------------------------------------------------------------------------------|---------------------------------------------------------------------------|--------------------------------------------------------------------------------|------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------|
| <b>Non-derivative financial instruments in net investment hedge relationships</b> |                                                                           |                                                                                |                                                                              |                                                                                                                                 |                                                                                                                               |
| EUR 800 million notes due 2024                                                    | \$ (13.8)                                                                 | Other income (expense), net                                                    | \$ —                                                                         | Other income (expense), net                                                                                                     | \$ —                                                                                                                          |
| <b>Total</b>                                                                      | <b>\$ (13.8)</b>                                                          |                                                                                | <b>\$ —</b>                                                                  |                                                                                                                                 | <b>\$ —</b>                                                                                                                   |

**For the Nine Months Ended September 30, 2017**

|                                                     | 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) |
|-----------------------------------------------------|---------------------------------------------------------------------------|--------------------------------------------------------------------------------|------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------|
| <b>Derivatives in cash flow hedge relationships</b> |                                                                           |                                                                                |                                                                              |                                                                                                                                 |                                                                                                                               |
| Forward starting interest rate swaps                | \$ —                                                                      | Interest expense, net                                                          | \$ (2.9)                                                                     | Interest expense, net                                                                                                           | \$ —                                                                                                                          |
| Foreign currency forwards                           | (24.0)                                                                    | Other income (expense), net                                                    | (2.0)                                                                        | Other income (expense), net                                                                                                     | —                                                                                                                             |
|                                                     |                                                                           | Cost of goods sold                                                             | 4.2                                                                          | Cost of goods sold                                                                                                              | —                                                                                                                             |
| <b>Total</b>                                        | <b>\$ (24.0)</b>                                                          |                                                                                | <b>\$ (0.7)</b>                                                              |                                                                                                                                 | <b>\$ —</b>                                                                                                                   |

**For the Nine 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 800.0 million notes due 2024                                           | \$ (103.7)                                                                | Other income (expense), net                                                    | \$ —                                                                         | Other income (expense), net                                                                                                     | \$ —                                                                                                                          |
| EUR 500 million notes due 2019                                             | (54.0)                                                                    | Other income (expense), net                                                    | —                                                                            | Other income (expense), net                                                                                                     | —                                                                                                                             |
| <b>Total</b>                                                               | <b>\$ (157.7)</b>                                                         |                                                                                | <b>\$ —</b>                                                                  |                                                                                                                                 | <b>\$ —</b>                                                                                                                   |

**For the Nine 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                           | \$ (1.0)                                                 | Interest expense, net                        |
| <b>Total</b>                                  | <b>\$ (1.0)</b>                                          |                                              |

**For the Nine 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                                                          | \$ (2.9)                                                                     | Interest expense, net                                                                                                           | \$ —                                                                                                                          |
| Foreign currency forwards                    | (29.0)                                                                    | Other income (expense), net                                                    | (5.9)                                                                        | Other income (expense), net                                                                                                     | —                                                                                                                             |
|                                              |                                                                           | Cost of goods sold                                                             | 12.2                                                                         | Cost of goods sold                                                                                                              | —                                                                                                                             |
| <b>Total</b>                                 | <b>\$ (29.0)</b>                                                          |                                                                                | <b>\$ 3.4</b>                                                                |                                                                                                                                 | <b>\$ —</b>                                                                                                                   |

**For the Nine 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                                                                                                     | \$ —                                                                                                                          |
| <b>Total</b>                                                               | <b>\$ (13.8)</b>                                                          |                                                                                | <b>\$ —</b>                                                                  |                                                                                                                                 | <b>\$ —</b>                                                                                                                   |

We expect net losses of approximately \$9 million (pretax) recorded in AOCI at September 30, 2017, will be reclassified into earnings within the next 12 months. For derivatives designated in cash flow hedge relationships, the maximum length of time over which forecasted transactions are hedged at September 30, 2017, is approximately three years.

*Other Derivatives* (in millions):

**For the Three Months Ended September 30, 2017**

| Derivatives not in hedging relationships | Location of gain (loss) recognized in income on derivative | Amount of gain (loss) recognized in income on derivative |
|------------------------------------------|------------------------------------------------------------|----------------------------------------------------------|
| Commodity swaps                          | Cost of goods sold                                         | \$ 51.7                                                  |
| <b>Total</b>                             |                                                            | <b>\$ 51.7</b>                                           |

**For the Three Months Ended September 30, 2016**

| Derivatives not in hedging relationships | Location of gain (loss) recognized in income on derivative | Amount of gain (loss) recognized in income on derivative |
|------------------------------------------|------------------------------------------------------------|----------------------------------------------------------|
| Commodity swaps                          | Cost of goods sold                                         | \$ 1.2                                                   |
| Foreign currency forwards                | Other income (expense), net                                | 8.0                                                      |
| Total                                    |                                                            | <u>\$ 9.2</u>                                            |

**For the Nine Months Ended September 30, 2017**

| Derivatives not in hedging relationships | Location of gain (loss) recognized in income on derivative | Amount of gain (loss) recognized in income on derivative |
|------------------------------------------|------------------------------------------------------------|----------------------------------------------------------|
| Commodity swaps                          | Cost of goods sold                                         | \$ 99.7                                                  |
| Foreign currency forwards                | Other income (expense), net                                | (8.3)                                                    |
| Total                                    |                                                            | <u>\$ 91.4</u>                                           |

**For the Nine Months Ended September 30, 2016**

| Derivatives not in hedging relationships | Location of gain (loss) recognized in income on derivative | Amount of gain (loss) recognized in income on derivative |
|------------------------------------------|------------------------------------------------------------|----------------------------------------------------------|
| Commodity swaps                          | Cost of goods sold                                         | \$ 9.3                                                   |
| Foreign currency forwards                | Other income (expense), net                                | (4.2)                                                    |
| Swaptions                                | Interest expense, net                                      | (36.4)                                                   |
| Total                                    |                                                            | <u>\$ (31.3)</u>                                         |

Higher commodity prices in the third quarter drove the total gain recognized in income related to commodity swaps for the three and nine months ended September 30, 2017.

**15. Pension and Other Postretirement Benefits ("OPEB")**

**For the Three Months Ended**

|                                                      | September 30, 2017 |                |               | September 30, 2016 |               |               |
|------------------------------------------------------|--------------------|----------------|---------------|--------------------|---------------|---------------|
|                                                      | Pension            | OPEB           | Consolidated  | Pension            | OPEB          | Consolidated  |
|                                                      | (In millions)      |                |               |                    |               |               |
| <b>Net periodic pension and OPEB cost (benefit):</b> |                    |                |               |                    |               |               |
| Service cost                                         | \$ 1.9             | \$ 2.6         | \$ 4.5        | \$ 1.9             | \$ 0.4        | \$ 2.3        |
| Interest cost                                        | 51.8               | 7.7            | 59.5          | 31.0               | 1.5           | 32.5          |
| Expected return on plan assets                       | (68.2)             | 0.1            | (68.1)        | (38.0)             | —             | (38.0)        |
| Amortization of prior service cost (benefit)         | 0.2                | —              | 0.2           | 0.2                | 0.1           | 0.3           |
| Amortization of net actuarial loss (gain)            | 8.1                | —              | 8.1           | 7.4                | —             | 7.4           |
| Less: expected participant contributions             | (0.2)              | —              | (0.2)         | (0.1)              | —             | (0.1)         |
| Net periodic pension and OPEB cost (benefit)         | <u>\$ (6.4)</u>    | <u>\$ 10.4</u> | <u>\$ 4.0</u> | <u>\$ 2.4</u>      | <u>\$ 2.0</u> | <u>\$ 4.4</u> |

|                                               | For the Nine Months Ended |         |              |                    |        |              |
|-----------------------------------------------|---------------------------|---------|--------------|--------------------|--------|--------------|
|                                               | September 30, 2017        |         |              | September 30, 2016 |        |              |
|                                               | Pension                   | OPEB    | Consolidated | Pension            | OPEB   | Consolidated |
|                                               | (In millions)             |         |              |                    |        |              |
| Net periodic pension and OPEB cost (benefit): |                           |         |              |                    |        |              |
| Service cost                                  | \$ 5.6                    | \$ 8.0  | \$ 13.6      | \$ 5.7             | \$ 1.6 | \$ 7.3       |
| Interest cost                                 | 154.1                     | 22.9    | 177.0        | 95.5               | 4.4    | 99.9         |
| Expected return on plan assets                | (201.1)                   | 0.2     | (200.9)      | (118.0)            | —      | (118.0)      |
| Amortization of prior service cost (benefit)  | 0.5                       | —       | 0.5          | 0.6                | —      | 0.6          |
| Amortization of net actuarial loss (gain)     | 20.9                      | —       | 20.9         | 23.0               | —      | 23.0         |
| Curtailment loss (gain)                       | —                         | (2.9)   | (2.9)        | —                  | —      | —            |
| Less: expected participant contributions      | (0.5)                     | —       | (0.5)        | (0.4)              | —      | (0.4)        |
| Net periodic pension and OPEB cost (benefit)  | \$ (20.5)                 | \$ 28.2 | \$ 7.7       | \$ 6.4             | \$ 6.0 | \$ 12.4      |

During the nine months ended September 30, 2017, employer contributions to the defined benefit pension plans were approximately \$308 million, which includes a \$200 million discretionary contribution to the MillerCoors pension plan made in the third quarter of 2017. Total 2017 employer contributions to the defined benefit plans are expected to be approximately \$310 million, based on foreign exchange rates as of September 30, 2017.

MillerCoors' pension and OPEB expenses are not included in the three and nine months ended September 30, 2016, as prior to the completion of the Acquisition on October 11, 2016, MillerCoors' pension and OPEB expenses were reported as equity income in MillerCoors in the unaudited condensed consolidated statements of operations. BRI and BDL contributions to their defined benefit pension plans are not included above, as they are not consolidated in our financial statements.

## 16. Commitments and Contingencies

### Discontinued Operations

#### *Kaiser*

In 2006, we sold our entire equity interest in our Brazilian unit, Cervejarias Kaiser Brasil S.A. ("Kaiser") to FEMSA Cerveza S.A. de C.V. ("FEMSA"). The terms of the sale agreement require us to indemnify FEMSA for certain exposures related to tax, civil and labor contingencies arising prior to FEMSA's purchase of Kaiser. In addition, we provided an indemnity to FEMSA for losses Kaiser may incur with respect to tax claims associated with certain previously utilized purchased tax credits. The discontinued operations balances within the current and non-current liabilities of our unaudited condensed consolidated balance sheets consist entirely of our estimates of these liabilities. These liabilities are denominated in Brazilian Reais and are therefore subject to foreign exchange gains or losses, which are recognized in the discontinued operations section of the unaudited condensed consolidated statements of operations. There have been no changes in the underlying liabilities since December 31, 2016; therefore, all changes in the current and non-current liabilities of discontinued operations during the first three quarters of 2017 are due to fluctuations in foreign exchange rates from December 31, 2016, to September 30, 2017. During the three months ended September 30, 2017, and September 30, 2016, we recognized unrealized foreign exchange losses of \$0.2 million and zero impact, respectively, from discontinued operations associated with foreign exchange movements related to indemnities we provided to FEMSA, and during the nine months ended September 30, 2017, and September 30, 2016, we recognized unrealized gains of \$0.8 million and unrealized losses of \$2.3 million, respectively. Our exposure related to the tax, civil and labor indemnity claims is capped at the amount of the sales price of the 68% equity interest of Kaiser, which was \$68.0 million. Separately, the maximum potential claims amount remaining for the purchased tax credits was \$110.7 million, based on foreign exchange rates as of September 30, 2017.

Future settlement procedures and related negotiation activities associated with these contingencies are largely outside of our control. Due to the uncertainty involved with the ultimate outcome and timing of these contingencies, significant adjustments to the carrying values of the indemnity obligations have been recorded to date, and additional future adjustments may be required.

### Guarantees

We guarantee indebtedness and other obligations to banks and other third parties for some of our equity method investments and consolidated subsidiaries. As of September 30, 2017, and December 31, 2016, the unaudited condensed consolidated balance sheets include liabilities related to these guarantees of \$51.7 million and \$36.1 million, respectively,

primarily related to the guarantee of the indebtedness of our equity method investments. See Note 4, "Acquisition and Investments" for further detail.

### **Litigation, Other Disputes and Environmental**

Related to litigation, other disputes and environmental issues, we have accrued an aggregate of \$19.5 million as of September 30, 2017, and \$27.7 million as of December 31, 2016. While we cannot predict the eventual aggregate cost for environmental and related matters in which we are currently involved, we believe adequate reserves have been provided for losses that are probable and estimable. Further, we believe that any payments, if required, for these matters would be made over a period of time in amounts that would not be material in any one year to our results from operations, cash flows or our financial or competitive position. Additionally, we believe that any reasonably possible losses in excess of the amounts accrued are immaterial to our unaudited condensed consolidated interim financial statements, except as otherwise noted.

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

Each year since 2014, we received assessments from a local country regulatory authority related to indirect tax calculations in our Europe operations. The aggregate amount of the assessments received at the time of resolution of this matter was approximately \$139 million. We challenged the validity of these assessments and defended our position regarding our method of calculation, including by following the required regulatory procedures in order to proceed with an appeal of the assessments. During the fourth quarter of 2016, following discussions with the regulatory authority and consideration of existing facts and circumstances at that time, we concluded that a portion of this estimated range of loss was deemed probable. As a result, we recorded a charge of approximately \$50 million within the excise taxes line item on the consolidated statement of operations for the year ended December 31, 2016. During the first quarter of 2017, a local jurisdictional court heard evidence in this matter and subsequently ruled in our favor in April 2017. Based on this favorable ruling, we released this provision in the first quarter of 2017 as we no longer deemed this loss probable. This resulted in a benefit of approximately \$50 million, recorded within the excise taxes line item on the unaudited condensed consolidated statement of operations during the quarter ended March 31, 2017. During the second quarter of 2017, we received formal confirmation from the regulatory authority that they would not appeal the local jurisdictional court ruling, and the regulatory authority has since withdrawn its assessments. As a result, we believe this dispute is fully resolved.

### ***Litigation and Other Disputes***

On December 12, 2014, a notice of action captioned David Hughes and 631992 Ontario Inc. v. Liquor Control Board of Ontario ("LCBO"), Brewers Retail Inc., Labatt Breweries of Canada LP, Molson Coors Canada and Sleeman Breweries Ltd. No. CV-14-518059-00CP was filed in Ontario, Canada in the Ontario Superior Court of Justice. BRI and its owners, including Molson Coors Canada, as well as the LCBO are named as defendants in the action. The plaintiffs allege that The Beer Store (retail outlets owned and operated by BRI) and LCBO improperly entered into an agreement to fix prices and market allocation within the Ontario beer market to the detriment of licensees and consumers. The plaintiffs seek to have the claim certified as a class action on behalf of all Ontario beer consumers and licensees and, among other things, damages in the amount of approximately CAD 1.4 billion. We note that The Beer Store operates according to the rules established by the Government of Ontario for regulation, sale and distribution of beer in the province. Additionally, prices at The Beer Store are independently set by each brewer and are approved by the LCBO on a weekly basis. As such, we currently believe the claim has been made without merit, and we intend to vigorously assert and defend our rights in this lawsuit.

### ***Environmental***

Our environmental matters and liabilities are presented in Note 18 of the Notes included in our Annual Report and did not significantly change during the first three quarters of 2017.

## 17. Supplemental Guarantor Information

For purposes of this Note 17, including the tables, "Parent Issuer" shall mean MCBC. "Subsidiary Guarantors" shall mean certain Canadian and U.S. subsidiaries reflecting the substantial operations of each of our Canada and U.S. segments.

### SEC Registered Securities

On May 3, 2012, MCBC issued \$1.9 billion of senior notes, in a registered public offering, consisting of \$300 million 2.0% senior notes due 2017 (subsequently repaid in the second quarter of 2017, see Note 11, "Debt" for further details), \$500 million 3.5% senior notes due 2022, and \$1.1 billion 5.0% senior notes due 2042. Additionally, on July 7, 2016, MCBC issued \$500 million 1.45% senior notes due 2019, \$1.0 billion 2.10% senior notes due 2021, \$2.0 billion 3.0% senior notes due 2026, \$1.8 billion 4.2% senior notes due 2046 and EUR \$800.0 million 1.25% senior notes due 2024, in a registered public offering. "Parent Issuer" in the below tables is specifically referring to MCBC in its capacity as the issuer of these 2012 and 2016 issuances. These senior notes are guaranteed on a senior unsecured basis by the Subsidiary Guarantors. Each of the Subsidiary Guarantors is 100% owned by the Parent Issuer. The guarantees are full and unconditional and joint and several.

None of our other outstanding debt is registered with the SEC, and such other outstanding debt is guaranteed on a senior unsecured basis by the Parent and/or Subsidiary Guarantors. These guarantees are full and unconditional and joint and several. See Note 11, "Debt" for details of all debt issued and outstanding as of September 30, 2017.

### Presentation

During the third quarter of 2017, we identified and corrected an error in the calculation of subsidiary guarantor equity income (loss) in subsidiaries in interim periods and for the year ended December 31, 2016. This resulted in the revisions shown below, including all relevant sub-totals. The revisions do not impact any interim periods for 2017 nor did the revisions impact the condensed consolidating balance sheets or the condensed consolidating statement of cash flows for the year ended December 31, 2016, or any interim 2016 periods. The changes to our historical condensed consolidating statements of operations are not material to the financial statements taken as a whole for any periods impacted. The corrections for the three and nine months ended September 30, 2016, are reflected in the consolidating financial information presented below. The revisions to the consolidating information for the year ended December 31, 2016, as reflected below, will be adjusted when we file our Annual Report on Form 10-K for the year ending December 31, 2017.

|                                                       | Subsidiary Guarantors  |             | Eliminations           |              |
|-------------------------------------------------------|------------------------|-------------|------------------------|--------------|
|                                                       | As previously reported | As adjusted | As previously reported | As adjusted  |
| <b>For the three months ended September 30, 2016:</b> |                        |             |                        |              |
| Equity income (loss) in subsidiaries                  | \$ (19.4)              | \$ 7.9      | \$ (365.5)             | \$ (392.8)   |
| Net income (loss) from continuing operations          | \$ 261.4               | \$ 288.7    | \$ (365.5)             | \$ (392.8)   |
| <b>For the nine months ended September 30, 2016:</b>  |                        |             |                        |              |
| Equity income (loss) in subsidiaries                  | \$ (223.7)             | \$ (123.4)  | \$ (842.7)             | \$ (943.0)   |
| Net income (loss) from continuing operations          | \$ 622.5               | \$ 722.8    | \$ (842.7)             | \$ (943.0)   |
| <b>For the year ended December 31, 2016:</b>          |                        |             |                        |              |
| Equity income (loss) in subsidiaries                  | \$ (21.8)              | \$ (347.6)  | \$ (2,100.9)           | \$ (1,775.1) |
| Net income (loss) from continuing operations          | \$ 2,575.4             | \$ 2,249.6  | \$ (2,100.9)           | \$ (1,775.1) |

The following information sets forth the unaudited condensed consolidating statements of operations for the three and nine months ended September 30, 2017, and September 30, 2016, unaudited condensed consolidating balance sheets as of September 30, 2017, and December 31, 2016, and unaudited condensed consolidating statements of cash flows for the nine months ended September 30, 2017, and September 30, 2016. Investments in subsidiaries are accounted for under the equity method; accordingly, entries necessary to consolidate the Parent Issuer and all of our guarantor and non-guarantor subsidiaries are reflected in the eliminations column. In the opinion of management, separate complete financial statements of MCBC and the Subsidiary Guarantors would not provide additional material information that would be useful in assessing their financial composition.

**MOLSON COORS BREWING COMPANY AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS**  
**FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2017**  
**(IN MILLIONS)**  
**(UNAUDITED)**

|                                                                 | Parent<br>Issuer | Subsidiary<br>Guarantors | Subsidiary<br>Non<br>Guarantors | Eliminations | Consolidated |
|-----------------------------------------------------------------|------------------|--------------------------|---------------------------------|--------------|--------------|
| Sales                                                           | \$ 7.6           | \$ 2,696.1               | \$ 991.8                        | \$ (142.6)   | \$ 3,552.9   |
| Excise taxes                                                    | —                | (388.2)                  | (281.5)                         | —            | (669.7)      |
| Net sales                                                       | 7.6              | 2,307.9                  | 710.3                           | (142.6)      | 2,883.2      |
| Cost of goods sold                                              | (0.5)            | (1,251.6)                | (468.5)                         | 131.0        | (1,589.6)    |
| Gross profit                                                    | 7.1              | 1,056.3                  | 241.8                           | (11.6)       | 1,293.6      |
| Marketing, general and administrative expenses                  | (67.6)           | (560.3)                  | (166.5)                         | 11.6         | (782.8)      |
| Special items, net                                              | —                | (6.0)                    | 1.9                             | —            | (4.1)        |
| Equity income (loss) in subsidiaries                            | 383.5            | (78.7)                   | 70.9                            | (375.7)      | —            |
| Operating income (loss)                                         | 323.0            | 411.3                    | 148.1                           | (375.7)      | 506.7        |
| Interest income (expense), net                                  | (72.6)           | 81.7                     | (81.7)                          | —            | (72.6)       |
| Other income (expense), net                                     | 0.3              | 43.9                     | (46.7)                          | —            | (2.5)        |
| Income (loss) from continuing operations before<br>income taxes | 250.7            | 536.9                    | 19.7                            | (375.7)      | 431.6        |
| Income tax benefit (expense)                                    | 29.3             | (153.2)                  | (21.4)                          | —            | (145.3)      |
| Net income (loss) from continuing operations                    | 280.0            | 383.7                    | (1.7)                           | (375.7)      | 286.3        |
| Income (loss) from discontinued operations, net of tax          | —                | —                        | (0.2)                           | —            | (0.2)        |
| Net income (loss) including noncontrolling interests            | 280.0            | 383.7                    | (1.9)                           | (375.7)      | 286.1        |
| Net (income) loss attributable to noncontrolling interests      | —                | —                        | (6.1)                           | —            | (6.1)        |
| Net income (loss) attributable to MCBC                          | \$ 280.0         | \$ 383.7                 | \$ (8.0)                        | \$ (375.7)   | \$ 280.0     |
| Comprehensive income (loss) attributable to MCBC                | \$ 463.7         | \$ 572.0                 | \$ 72.0                         | \$ (644.0)   | \$ 463.7     |

**MOLSON COORS BREWING COMPANY AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS**  
**FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2016**  
**(IN MILLIONS)**  
**(UNAUDITED)**

|                                                                 | Parent<br>Issuer | Subsidiary<br>Guarantors | Subsidiary<br>Non<br>Guarantors | Eliminations      | Consolidated    |
|-----------------------------------------------------------------|------------------|--------------------------|---------------------------------|-------------------|-----------------|
| Sales                                                           | \$ 7.0           | \$ 560.2                 | \$ 810.1                        | \$ (39.6)         | \$ 1,337.7      |
| Excise taxes                                                    | —                | (128.1)                  | (262.0)                         | —                 | (390.1)         |
| Net sales                                                       | 7.0              | 432.1                    | 548.1                           | (39.6)            | 947.6           |
| Cost of goods sold                                              | —                | (223.5)                  | (350.2)                         | 32.4              | (541.3)         |
| Gross profit                                                    | 7.0              | 208.6                    | 197.9                           | (7.2)             | 406.3           |
| Marketing, general and administrative expenses                  | (50.0)           | (97.9)                   | (138.2)                         | 7.2               | (278.9)         |
| Special items, net                                              | —                | (1.3)                    | 6.2                             | —                 | 4.9             |
| Equity income (loss) in subsidiaries                            | 292.8            | 7.9                      | 92.1                            | (392.8)           | —               |
| Equity income in MillerCoors                                    | —                | 156.9                    | —                               | —                 | 156.9           |
| Operating income (loss)                                         | 249.8            | 274.2                    | 158.0                           | (392.8)           | 289.2           |
| Interest income (expense), net                                  | (54.0)           | 67.2                     | (79.8)                          | —                 | (66.6)          |
| Other income (expense), net                                     | (21.2)           | 12.6                     | 9.4                             | —                 | 0.8             |
| Income (loss) from continuing operations before<br>income taxes | 174.6            | 354.0                    | 87.6                            | (392.8)           | 223.4           |
| Income tax benefit (expense)                                    | 27.9             | (65.3)                   | 17.8                            | —                 | (19.6)          |
| Net income (loss) from continuing operations                    | 202.5            | 288.7                    | 105.4                           | (392.8)           | 203.8           |
| Income (loss) from discontinued operations, net of tax          | —                | —                        | —                               | —                 | —               |
| Net income (loss) including noncontrolling interests            | 202.5            | 288.7                    | 105.4                           | (392.8)           | 203.8           |
| Net (income) loss attributable to noncontrolling interests      | —                | —                        | (1.3)                           | —                 | (1.3)           |
| Net income (loss) attributable to MCBC                          | <u>\$ 202.5</u>  | <u>\$ 288.7</u>          | <u>\$ 104.1</u>                 | <u>\$ (392.8)</u> | <u>\$ 202.5</u> |
| Comprehensive income (loss) attributable to MCBC                | <u>\$ 143.1</u>  | <u>\$ 247.3</u>          | <u>\$ 86.3</u>                  | <u>\$ (333.6)</u> | <u>\$ 143.1</u> |

**MOLSON COORS BREWING COMPANY AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017**  
**(IN MILLIONS)**  
**(UNAUDITED)**

|                                                              | Parent<br>Issuer | Subsidiary<br>Guarantors | Subsidiary<br>Non<br>Guarantors | Eliminations | Consolidated |
|--------------------------------------------------------------|------------------|--------------------------|---------------------------------|--------------|--------------|
| Sales                                                        | \$ 22.9          | \$ 8,026.8               | \$ 2,615.0                      | \$ (404.9)   | \$ 10,259.8  |
| Excise taxes                                                 | —                | (1,125.4)                | (711.2)                         | —            | (1,836.6)    |
| Net sales                                                    | 22.9             | 6,901.4                  | 1,903.8                         | (404.9)      | 8,423.2      |
| Cost of goods sold                                           | (1.5)            | (3,818.5)                | (1,269.7)                       | 371.1        | (4,718.6)    |
| Gross profit                                                 | 21.4             | 3,082.9                  | 634.1                           | (33.8)       | 3,704.6      |
| Marketing, general and administrative expenses               | (203.5)          | (1,616.6)                | (480.5)                         | 33.8         | (2,266.8)    |
| Special items, net                                           | (0.8)            | (20.4)                   | (3.2)                           | —            | (24.4)       |
| Equity income (loss) in subsidiaries                         | 1,156.3          | (294.8)                  | 151.2                           | (1,012.7)    | —            |
| Operating income (loss)                                      | 973.4            | 1,151.1                  | 301.6                           | (1,012.7)    | 1,413.4      |
| Interest income (expense), net                               | (228.1)          | 200.9                    | (231.2)                         | —            | (258.4)      |
| Other income (expense), net                                  | (7.9)            | 155.5                    | (148.2)                         | —            | (0.6)        |
| Income (loss) from continuing operations before income taxes | 737.4            | 1,507.5                  | (77.8)                          | (1,012.7)    | 1,154.4      |
| Income tax benefit (expense)                                 | 67.2             | (351.0)                  | (49.1)                          | —            | (332.9)      |
| Net income (loss) from continuing operations                 | 804.6            | 1,156.5                  | (126.9)                         | (1,012.7)    | 821.5        |
| Income (loss) from discontinued operations, net of tax       | —                | —                        | 0.8                             | —            | 0.8          |
| Net income (loss) including noncontrolling interests         | 804.6            | 1,156.5                  | (126.1)                         | (1,012.7)    | 822.3        |
| Net (income) loss attributable to noncontrolling interests   | —                | —                        | (17.7)                          | —            | (17.7)       |
| Net income (loss) attributable to MCBC                       | \$ 804.6         | \$ 1,156.5               | \$ (143.8)                      | \$ (1,012.7) | \$ 804.6     |
| Comprehensive income attributable to MCBC                    | \$ 1,311.5       | \$ 1,710.6               | \$ 145.2                        | \$ (1,855.8) | \$ 1,311.5   |

**MOLSON COORS BREWING COMPANY AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016**  
**(IN MILLIONS)**  
**(UNAUDITED)**

|                                                              | Parent<br>Issuer | Subsidiary<br>Guarantors | Subsidiary<br>Non<br>Guarantors | Eliminations      | Consolidated    |
|--------------------------------------------------------------|------------------|--------------------------|---------------------------------|-------------------|-----------------|
| Sales                                                        | \$ 20.5          | \$ 1,526.2               | \$ 2,255.5                      | \$ (106.7)        | \$ 3,695.5      |
| Excise taxes                                                 | —                | (343.9)                  | (760.6)                         | —                 | (1,104.5)       |
| Net sales                                                    | 20.5             | 1,182.3                  | 1,494.9                         | (106.7)           | 2,591.0         |
| Cost of goods sold                                           | —                | (630.1)                  | (973.0)                         | 85.6              | (1,517.5)       |
| Gross profit                                                 | 20.5             | 552.2                    | 521.9                           | (21.1)            | 1,073.5         |
| Marketing, general and administrative expenses               | (148.1)          | (281.7)                  | (434.7)                         | 21.1              | (843.4)         |
| Special items, net                                           | —                | 106.6                    | (27.6)                          | —                 | 79.0            |
| Equity income (loss) in subsidiaries                         | 737.1            | (123.4)                  | 329.3                           | (943.0)           | —               |
| Equity income in MillerCoors                                 | —                | 491.2                    | —                               | —                 | 491.2           |
| Operating income (loss)                                      | 609.5            | 744.9                    | 388.9                           | (943.0)           | 800.3           |
| Interest income (expense), net                               | (126.7)          | 208.0                    | (235.7)                         | —                 | (154.4)         |
| Other income (expense), net                                  | (61.5)           | 8.5                      | 8.1                             | —                 | (44.9)          |
| Income (loss) from continuing operations before income taxes | 421.3            | 961.4                    | 161.3                           | (943.0)           | 601.0           |
| Income tax benefit (expense)                                 | 116.2            | (238.6)                  | 64.9                            | —                 | (57.5)          |
| Net income (loss) from continuing operations                 | 537.5            | 722.8                    | 226.2                           | (943.0)           | 543.5           |
| Income (loss) from discontinued operations, net of tax       | —                | —                        | (2.3)                           | —                 | (2.3)           |
| Net income (loss) including noncontrolling interests         | 537.5            | 722.8                    | 223.9                           | (943.0)           | 541.2           |
| Net (income) loss attributable to noncontrolling interests   | —                | —                        | (3.7)                           | —                 | (3.7)           |
| Net income (loss) attributable to MCBC                       | <u>\$ 537.5</u>  | <u>\$ 722.8</u>          | <u>\$ 220.2</u>                 | <u>\$ (943.0)</u> | <u>\$ 537.5</u> |
| Comprehensive income attributable to MCBC                    | <u>\$ 599.1</u>  | <u>\$ 775.5</u>          | <u>\$ 85.3</u>                  | <u>\$ (860.8)</u> | <u>\$ 599.1</u> |

**MOLSON COORS BREWING COMPANY AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATING BALANCE SHEET**  
**AS OF SEPTEMBER 30, 2017**  
**(IN MILLIONS)**  
**(UNAUDITED)**

|                                                             | Parent<br>Issuer   | Subsidiary<br>Guarantors | Subsidiary<br>Non<br>Guarantors | Eliminations         | Consolidated       |
|-------------------------------------------------------------|--------------------|--------------------------|---------------------------------|----------------------|--------------------|
| <b>Assets</b>                                               |                    |                          |                                 |                      |                    |
| Current assets:                                             |                    |                          |                                 |                      |                    |
| Cash and cash equivalents                                   | \$ 396.7           | \$ 178.1                 | \$ 396.5                        | \$ —                 | \$ 971.3           |
| Accounts receivable, net                                    | —                  | 461.6                    | 371.8                           | —                    | 833.4              |
| Other receivables, net                                      | 92.7               | 71.5                     | 33.7                            | —                    | 197.9              |
| Inventories, net                                            | —                  | 482.3                    | 153.7                           | —                    | 636.0              |
| Other current assets, net                                   | 5.4                | 201.4                    | 71.0                            | —                    | 277.8              |
| Intercompany accounts receivable                            | —                  | 2,141.7                  | 84.0                            | (2,225.7)            | —                  |
| Total current assets                                        | 494.8              | 3,536.6                  | 1,110.7                         | (2,225.7)            | 2,916.4            |
| Properties, net                                             | 18.9               | 3,454.7                  | 1,116.6                         | —                    | 4,590.2            |
| Goodwill                                                    | —                  | 6,573.5                  | 1,773.4                         | —                    | 8,346.9            |
| Other intangibles, net                                      | 8.5                | 12,249.6                 | 2,057.7                         | —                    | 14,315.8           |
| Net investment in and advances to subsidiaries              | 24,216.3           | 3,604.8                  | 4,395.9                         | (32,217.0)           | —                  |
| Other assets                                                | 92.5               | 214.0                    | 236.9                           | (35.0)               | 508.4              |
| Total assets                                                | <u>\$ 24,831.0</u> | <u>\$ 29,633.2</u>       | <u>\$ 10,691.2</u>              | <u>\$ (34,477.7)</u> | <u>\$ 30,677.7</u> |
| <b>Liabilities and equity</b>                               |                    |                          |                                 |                      |                    |
| Current liabilities:                                        |                    |                          |                                 |                      |                    |
| Accounts payable and other current liabilities              | \$ 137.0           | \$ 1,497.5               | \$ 871.6                        | \$ —                 | \$ 2,506.1         |
| Current portion of long-term debt and short-term borrowings | 1,004.8            | 721.1                    | 19.1                            | —                    | 1,745.0            |
| Discontinued operations                                     | —                  | —                        | 5.1                             | —                    | 5.1                |
| Intercompany accounts payable                               | 1,810.9            | 165.2                    | 249.6                           | (2,225.7)            | —                  |
| Total current liabilities                                   | 2,952.7            | 2,383.8                  | 1,145.4                         | (2,225.7)            | 4,256.2            |
| Long-term debt                                              | 9,375.7            | 1,198.5                  | —                               | —                    | 10,574.2           |
| Pension and postretirement benefits                         | 2.8                | 878.7                    | 14.0                            | —                    | 895.5              |
| Deferred tax liabilities                                    | —                  | 1,111.2                  | 856.2                           | (35.0)               | 1,932.4            |
| Other liabilities                                           | 12.8               | 198.7                    | 98.4                            | —                    | 309.9              |
| Discontinued operations                                     | —                  | —                        | 12.9                            | —                    | 12.9               |
| Intercompany notes payable                                  | —                  | 1,703.5                  | 6,487.3                         | (8,190.8)            | —                  |
| Total liabilities                                           | 12,344.0           | 7,474.4                  | 8,614.2                         | (10,451.5)           | 17,981.1           |
| MCBC stockholders' equity                                   | 12,488.2           | 28,644.9                 | 3,572.1                         | (32,217.0)           | 12,488.2           |
| Intercompany notes receivable                               | (1.2)              | (6,486.1)                | (1,703.5)                       | 8,190.8              | —                  |
| Total stockholders' equity                                  | 12,487.0           | 22,158.8                 | 1,868.6                         | (24,026.2)           | 12,488.2           |
| Noncontrolling interests                                    | —                  | —                        | 208.4                           | —                    | 208.4              |
| Total equity                                                | 12,487.0           | 22,158.8                 | 2,077.0                         | (24,026.2)           | 12,696.6           |
| Total liabilities and equity                                | <u>\$ 24,831.0</u> | <u>\$ 29,633.2</u>       | <u>\$ 10,691.2</u>              | <u>\$ (34,477.7)</u> | <u>\$ 30,677.7</u> |

**MOLSON COORS BREWING COMPANY AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATING BALANCE SHEET**  
**AS OF DECEMBER 31, 2016**  
**(IN MILLIONS)**  
**(UNAUDITED)**

|                                                             | Parent<br>Issuer   | Subsidiary<br>Guarantors | Subsidiary<br>Non<br>Guarantors | Eliminations         | Consolidated       |
|-------------------------------------------------------------|--------------------|--------------------------|---------------------------------|----------------------|--------------------|
| <b>Assets</b>                                               |                    |                          |                                 |                      |                    |
| Current assets:                                             |                    |                          |                                 |                      |                    |
| Cash and cash equivalents                                   | \$ 147.3           | \$ 141.5                 | \$ 272.1                        | \$ —                 | \$ 560.9           |
| Accounts receivable, net                                    | —                  | 374.8                    | 294.7                           | —                    | 669.5              |
| Other receivables, net                                      | 43.6               | 53.8                     | 38.4                            | —                    | 135.8              |
| Inventories, net                                            | —                  | 466.6                    | 126.1                           | —                    | 592.7              |
| Other current assets, net                                   | 1.3                | 139.3                    | 70.1                            | —                    | 210.7              |
| Intercompany accounts receivable                            | —                  | 1,098.5                  | 36.0                            | (1,134.5)            | —                  |
| Total current assets                                        | 192.2              | 2,274.5                  | 837.4                           | (1,134.5)            | 2,169.6            |
| Properties, net                                             | 27.5               | 3,459.9                  | 1,020.0                         | —                    | 4,507.4            |
| Goodwill                                                    | —                  | 6,647.5                  | 1,602.6                         | —                    | 8,250.1            |
| Other intangibles, net                                      | —                  | 12,180.4                 | 1,851.5                         | —                    | 14,031.9           |
| Net investment in and advances to subsidiaries              | 22,506.3           | 3,475.4                  | 4,400.9                         | (30,382.6)           | —                  |
| Other assets                                                | 80.2               | 161.7                    | 173.4                           | (32.8)               | 382.5              |
| Total assets                                                | <u>\$ 22,806.2</u> | <u>\$ 28,199.4</u>       | <u>\$ 9,885.8</u>               | <u>\$ (31,549.9)</u> | <u>\$ 29,341.5</u> |
| <b>Liabilities and equity</b>                               |                    |                          |                                 |                      |                    |
| Current liabilities:                                        |                    |                          |                                 |                      |                    |
| Accounts payable and other current liabilities              | \$ 203.6           | \$ 1,493.5               | \$ 770.6                        | \$ —                 | \$ 2,467.7         |
| Current portion of long-term debt and short-term borrowings | 299.9              | 371.7                    | 13.2                            | —                    | 684.8              |
| Discontinued operations                                     | —                  | —                        | 5.0                             | —                    | 5.0                |
| Intercompany accounts payable                               | 893.5              | 101.8                    | 139.2                           | (1,134.5)            | —                  |
| Total current liabilities                                   | 1,397.0            | 1,967.0                  | 928.0                           | (1,134.5)            | 3,157.5            |
| Long-term debt                                              | 9,979.4            | 1,408.2                  | 0.1                             | —                    | 11,387.7           |
| Pension and postretirement benefits                         | 2.6                | 1,181.2                  | 12.2                            | —                    | 1,196.0            |
| Deferred tax liabilities                                    | —                  | 972.0                    | 759.8                           | (32.8)               | 1,699.0            |
| Other liabilities                                           | 9.6                | 229.2                    | 28.2                            | —                    | 267.0              |
| Discontinued operations                                     | —                  | —                        | 12.6                            | —                    | 12.6               |
| Intercompany notes payable                                  | —                  | 1,360.3                  | 5,868.4                         | (7,228.7)            | —                  |
| Total liabilities                                           | 11,388.6           | 7,117.9                  | 7,609.3                         | (8,396.0)            | 17,719.8           |
| MCBC stockholders' equity                                   | 11,418.7           | 26,948.9                 | 3,433.7                         | (30,382.6)           | 11,418.7           |
| Intercompany notes receivable                               | (1.1)              | (5,867.4)                | (1,360.2)                       | 7,228.7              | —                  |
| Total stockholders' equity                                  | 11,417.6           | 21,081.5                 | 2,073.5                         | (23,153.9)           | 11,418.7           |
| Noncontrolling interests                                    | —                  | —                        | 203.0                           | —                    | 203.0              |
| Total equity                                                | 11,417.6           | 21,081.5                 | 2,276.5                         | (23,153.9)           | 11,621.7           |
| Total liabilities and equity                                | <u>\$ 22,806.2</u> | <u>\$ 28,199.4</u>       | <u>\$ 9,885.8</u>               | <u>\$ (31,549.9)</u> | <u>\$ 29,341.5</u> |

**MOLSON COORS BREWING COMPANY AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017**  
**(IN MILLIONS)**  
**(UNAUDITED)**

|                                                                                  | Parent<br>Issuer | Subsidiary<br>Guarantors | Subsidiary<br>Non<br>Guarantors | Eliminations | Consolidated    |
|----------------------------------------------------------------------------------|------------------|--------------------------|---------------------------------|--------------|-----------------|
| <b>Net cash provided by (used in) operating activities</b>                       | \$ 531.2         | \$ 650.8                 | \$ 574.7                        | \$ (611.3)   | \$ 1,145.4      |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>                                     |                  |                          |                                 |              |                 |
| Additions to properties                                                          | (12.3)           | (341.4)                  | (112.3)                         | —            | (466.0)         |
| Proceeds from sales of properties and other assets                               | —                | 3.7                      | 53.2                            | —            | 56.9            |
| Other                                                                            | —                | 0.4                      | 10.7                            | —            | 11.1            |
| Net intercompany investing activity                                              | 49.6             | (69.6)                   | (347.3)                         | 367.3        | —               |
| <b>Net cash provided by (used in) investing activities</b>                       | <b>37.3</b>      | <b>(406.9)</b>           | <b>(395.7)</b>                  | <b>367.3</b> | <b>(398.0)</b>  |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>                                     |                  |                          |                                 |              |                 |
| Exercise of stock options under equity compensation plans                        | 3.6              | —                        | —                               | —            | 3.6             |
| Dividends paid                                                                   | (242.9)          | (497.5)                  | (135.8)                         | 611.3        | (264.9)         |
| Debt issuance costs                                                              | (7.0)            | —                        | —                               | —            | (7.0)           |
| Payments on debt and borrowings                                                  | (2,600.0)        | —                        | (1.5)                           | —            | (2,601.5)       |
| Proceeds on debt and borrowings                                                  | 1,536.0          | —                        | —                               | —            | 1,536.0         |
| Net proceeds from (payments on) revolving credit facilities and commercial paper | 1,003.9          | —                        | (4.2)                           | —            | 999.7           |
| Change in overdraft balances and other                                           | (12.7)           | (10.8)                   | (10.2)                          | —            | (33.7)          |
| Net intercompany financing activity                                              | —                | 296.7                    | 70.6                            | (367.3)      | —               |
| <b>Net cash provided by (used in) financing activities</b>                       | <b>(319.1)</b>   | <b>(211.6)</b>           | <b>(81.1)</b>                   | <b>244.0</b> | <b>(367.8)</b>  |
| <b>CASH AND CASH EQUIVALENTS:</b>                                                |                  |                          |                                 |              |                 |
| Net increase (decrease) in cash and cash equivalents                             | 249.4            | 32.3                     | 97.9                            | —            | 379.6           |
| Effect of foreign exchange rate changes on cash and cash equivalents             | —                | 4.3                      | 26.5                            | —            | 30.8            |
| <b>Balance at beginning of year</b>                                              | <b>147.3</b>     | <b>141.5</b>             | <b>272.1</b>                    | <b>—</b>     | <b>560.9</b>    |
| <b>Balance at end of period</b>                                                  | <b>\$ 396.7</b>  | <b>\$ 178.1</b>          | <b>\$ 396.5</b>                 | <b>\$ —</b>  | <b>\$ 971.3</b> |

**MOLSON COORS BREWING COMPANY AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016**  
**(IN MILLIONS)**  
**(UNAUDITED)**

|                                                                                  | Parent<br>Issuer         | Subsidiary<br>Guarantors | Subsidiary<br>Non<br>Guarantors | Eliminations       | Consolidated             |
|----------------------------------------------------------------------------------|--------------------------|--------------------------|---------------------------------|--------------------|--------------------------|
| <b>Net cash provided by (used in) operating activities</b>                       | <u>\$ 728.4</u>          | <u>\$ (29.2)</u>         | <u>\$ (28.7)</u>                | <u>\$ (40.3)</u>   | <u>\$ 630.2</u>          |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>                                     |                          |                          |                                 |                    |                          |
| Additions to properties                                                          | (12.0)                   | (60.6)                   | (116.3)                         | —                  | (188.9)                  |
| Proceeds from sales of properties and other assets                               | —                        | 142.1                    | 13.3                            | —                  | 155.4                    |
| Investment in MillerCoors                                                        | —                        | (1,253.7)                | —                               | —                  | (1,253.7)                |
| Return of capital from MillerCoors                                               | —                        | 1,089.7                  | —                               | —                  | 1,089.7                  |
| Other                                                                            | 1.5                      | 2.3                      | 4.8                             | —                  | 8.6                      |
| Net intercompany investing activity                                              | (1,771.2)                | (1,590.9)                | (1,348.6)                       | 4,710.7            | —                        |
| <b>Net cash provided by (used in) investing activities</b>                       | <u>(1,781.7)</u>         | <u>(1,671.1)</u>         | <u>(1,446.8)</u>                | <u>4,710.7</u>     | <u>(188.9)</u>           |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>                                     |                          |                          |                                 |                    |                          |
| Proceeds from issuance of common stock, net                                      | 2,525.6                  | —                        | —                               | —                  | 2,525.6                  |
| Exercise of stock options under equity compensation plans                        | 8.2                      | —                        | —                               | —                  | 8.2                      |
| Dividends paid                                                                   | (241.8)                  | (40.3)                   | (22.8)                          | 40.3               | (264.6)                  |
| Debt issuance costs                                                              | (55.7)                   | (4.5)                    | —                               | —                  | (60.2)                   |
| Payments on debt and borrowings                                                  | —                        | —                        | (23.3)                          | —                  | (23.3)                   |
| Proceeds on debt and borrowings                                                  | 6,167.6                  | 768.8                    | 35.5                            | —                  | 6,971.9                  |
| Net proceeds from (payments on) revolving credit facilities and commercial paper | —                        | —                        | 1.6                             | —                  | 1.6                      |
| Change in overdraft balances and other                                           | (17.4)                   | —                        | (21.7)                          | —                  | (39.1)                   |
| Net intercompany financing activity                                              | —                        | 3,119.8                  | 1,590.9                         | (4,710.7)          | —                        |
| <b>Net cash provided by (used in) financing activities</b>                       | <u>8,386.5</u>           | <u>3,843.8</u>           | <u>1,560.2</u>                  | <u>(4,670.4)</u>   | <u>9,120.1</u>           |
| <b>CASH AND CASH EQUIVALENTS:</b>                                                |                          |                          |                                 |                    |                          |
| Net increase (decrease) in cash and cash equivalents                             | 7,333.2                  | 2,143.5                  | 84.7                            | —                  | 9,561.4                  |
| Effect of foreign exchange rate changes on cash and cash equivalents             | —                        | (3.2)                    | (7.6)                           | —                  | (10.8)                   |
| <b>Balance at beginning of year</b>                                              | 146.4                    | 106.2                    | 178.3                           | —                  | 430.9                    |
| <b>Balance at end of period</b>                                                  | <u><u>\$ 7,479.6</u></u> | <u><u>\$ 2,246.5</u></u> | <u><u>\$ 255.4</u></u>          | <u><u>\$ —</u></u> | <u><u>\$ 9,981.5</u></u> |

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

Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") in this Form 10-Q is provided as a supplement to, and should be read in conjunction with, our audited consolidated financial statements, the accompanying notes and the MD&A included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2016 ("Annual Report"), as well as our unaudited condensed consolidated interim financial statements and the accompanying notes included in this Form 10-Q. Due to the seasonality of our operating results, quarterly financial results are not an appropriate basis from which to project annual results.

Unless otherwise noted in this report, any description of "we," "us" or "our" includes Molson Coors 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.

For 2016, the unaudited condensed consolidated statement of operations includes MillerCoors' results of operations for the period from January 1, 2016, to October 10, 2016, on the equity method basis of accounting reflecting our 42% economic interest, and from October 11, 2016, to December 31, 2016, on a consolidated basis reflecting our 100% ownership. Additionally, our unaudited condensed consolidated balance sheets as of September 30, 2017, and December 31, 2016, includes our acquired assets and liabilities, which were recorded at their respective acquisition-date fair values upon completion of the Acquisition as defined below. Where indicated, we have reflected unaudited pro forma financial information for 2016 which gives effect to the Acquisition and the related financing as if they were completed on January 1, 2016, the first day of fiscal year 2016.

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").

### *Operational Measures*

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

### **Acquisition**

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"). The Acquisition was completed for \$12.0 billion in cash, subject to a downward adjustment as described in the purchase agreement.

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 purchase agreement, we retained the rights to all of the brands in the MillerCoors portfolio at the time of the Acquisition for the U.S. and Puerto Rican markets, including import brands such as *Peroni* and *Pilsner Urquell*, as well as obtained full ownership of the *Miller* brand portfolio outside of the U.S. and Puerto Rico. Additionally, in consolidating control of MillerCoors, we expect we will further improve our scale and agility, benefit from significantly enhanced cash flows from operations, and capture substantial operational synergies. We believe the purchase of the *Miller* brand trademarks outside of the U.S. and Puerto Rico provides a strategic opportunity to leverage the iconic *Miller* trademark globally alongside MCBC's

trademarks for *Coors* and *Staropramen*, and presents volume and profit growth opportunities for MCBC in both core markets, as well as emerging markets.

## Executive Summary

We are one of the world's largest brewers and have a diverse portfolio of owned and partner brands, including core brands *Carling*, *Coors Light*, *Miller Lite*, *Molson Canadian* and *Staropramen*, as well as craft and specialty beers such as *Blue Moon*, *Creemore Springs*, *Cobra*, *Doom Bar*, *Henry's Hard Soda* and *Leinenkugel's*. With centuries of brewing heritage, we have been crafting high-quality, innovative products with the purpose of delighting the world's beer drinkers and with the goal to be the first choice for our consumers and customers. Our success depends on our ability to make our products available to meet a wide range of consumer segments and occasions.

## Summary of Consolidated Results of Operations

The following table highlights summarized components of our unaudited condensed consolidated statements of operations and unaudited pro forma financial information for the three and nine months ended September 30, 2017, and September 30, 2016. See Part I-Item 1. Financial Statements for additional details of our U.S. GAAP results.

We have presented unaudited pro forma financial information to enhance comparability of financial information between periods. The unaudited pro forma financial information is based on the historical consolidated financial statements of MCBC and MillerCoors, both prepared in accordance with U.S. GAAP, and gives effect to the Acquisition and the completed financing as if they were completed on January 1, 2016. Pro forma adjustments are based on items that are factually supportable, are directly attributable to the Acquisition or the related financing, and are expected to have a continuing impact on MCBC's results of operations. Any nonrecurring items directly attributable to the Acquisition or the related financing are excluded in the unaudited pro forma statements of operations. The unaudited pro forma financial information does not include adjustments for costs related to integration activities following the completion of the Acquisition, cost savings or synergies that have been or may be achieved by the combined businesses. The unaudited pro forma financial information is presented for illustrative purposes only and does not necessarily reflect the results of operations of MCBC that actually would have resulted had the Acquisition and related financing occurred at the date indicated, or project the results of operations of MCBC for any future dates or periods. See "Unaudited Pro Forma Financial Information" below for details of pro forma adjustments.

|                                                                                     | Three Months Ended                                   |                    |           |                  | Nine Months Ended     |                    |           |                  |
|-------------------------------------------------------------------------------------|------------------------------------------------------|--------------------|-----------|------------------|-----------------------|--------------------|-----------|------------------|
|                                                                                     | September 30,<br>2017                                | September 30, 2016 |           |                  | September 30,<br>2017 | September 30, 2016 |           |                  |
|                                                                                     | As Reported                                          | As Reported        | Pro Forma | Pro Forma Change | As Reported           | As Reported        | Pro Forma | Pro Forma Change |
|                                                                                     | (In millions, except percentages and per share data) |                    |           |                  |                       |                    |           |                  |
| Financial volume in hectoliters <sup>(1)</sup>                                      | 26.290                                               | 9.409              | 27.626    | (4.8)%           | 76.508                | 25.116             | 78.597    | (2.7)%           |
| Net sales                                                                           | \$ 2,883.2                                           | \$ 947.6           | \$2,944.6 | (2.1)%           | \$ 8,423.2            | \$2,591.0          | \$8,515.2 | (1.1)%           |
| Net income (loss) attributable to MCBC from continuing operations                   | \$ 280.2                                             | \$ 202.5           | \$ 318.9  | (12.1)%          | \$ 803.8              | \$ 539.8           | \$ 885.6  | (9.2)%           |
| Net income (loss) attributable to MCBC per diluted share from continuing operations | \$ 1.29                                              | \$ 0.94            | \$ 1.47   | (12.2)%          | \$ 3.71               | \$ 2.54            | \$ 4.10   | (9.5)%           |

- (1) Historical financial volumes have been recast to reflect the impacts of aligning policies on reporting financial volumes as a result of the Acquisition. See "Worldwide Brand Volume" below for further details.

## Third Quarter 2017 Financial Highlights

**On an as reported basis** - During the third quarter of 2017, we recognized net income from continuing operations attributable to MCBC of \$280.2 million, or \$1.29 per diluted share, representing an increase of \$77.7 million versus the prior year. Net sales of approximately \$2.9 billion in the third quarter of 2017 increased from \$947.6 million in the prior year. The increases in net income from continuing operations attributable to MCBC and net sales were primarily driven by the Acquisition.

**On a pro forma basis** - During the third quarter of 2017, net income attributable to MCBC from continuing operations decreased 12.1% compared to the prior year pro forma figures as a result of a higher tax rate, lower volume, and higher brand investments and amortization, partially offset by positive pricing and mix, cost savings, lower interest expense and higher unrealized mark-to-market gains on our commodity positions. Volume decreased 4.8%, due to the U.S. and Canada, which were adversely impacted by wholesaler inventory reductions, contract brewing and brand volume. These volume declines were partially offset by growth in both Europe and International driven by added Miller International brand volumes, as well as positive organic brand performance.

During the third quarter of 2017, we continued to focus on building our brand strength and transforming our portfolio toward the above premium, flavored malt beverages, craft and cider segments. Further, we continued to focus on generating higher returns on our invested capital, managing our working capital and delivering a greater return on investment for our shareholders. Additionally, during the first quarter of 2017, we issued the 2017 Notes (as defined below) and within the first nine months of 2017, we fully repaid our term loans, all of which will generate future interest savings and will contribute to meeting our deleveraging commitments.

Regional financial highlights:

- In the U.S., income from continuing operations before income taxes was \$365.1 million compared to \$374.0 million (of which we reported our respective 42% economic interest prior to the Acquisition) on a reported basis in the prior year due to the impact of lower shipment volumes and higher depreciation and amortization expense partially offset by higher net pricing, costs savings, lower marketing, general and administrative spend and higher net interest income. Income from continuing operations increased 5.3% compared to prior year pro forma figures due to higher net pricing, cost savings and lower marketing, general and administrative spend and higher net interest income, partially offset by the impact of lower shipment volumes.
- In our Canada segment, income from continuing operations before income taxes decreased by 15.5% to \$76.3 million in the third quarter of 2017, compared to the prior year, primarily due to domestic volume declines and incremental brand amortization, partially offset by positive pricing.
- In our Europe segment, income from continuing operations before income taxes decreased by 0.2% to \$98.3 million in the third quarter of 2017, compared to the prior year, primarily due to cycling a prior year gain on the sale of a non-operating asset and the receipt of insurance proceeds related to losses incurred by our Europe business from flooding that occurred during 2014.
- Our International segment reported a loss from continuing operations before income taxes of \$6.0 million in the third quarter of 2017, compared to a loss of \$2.7 million in the prior year, primarily driven by higher brand amortization and integration costs related to the addition of the *Miller* brands, along with the loss of the *Modelo* contract in Japan, partially offset by higher volume and positive pricing.

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

Core brand highlights:

- *Carling* brand volume in Europe increased by 1.0% during the third quarter of 2017, versus the third quarter of 2016, and grew its share in the mainstream lager segment.
- *Coors Light* global brand volume decreased during the third quarter of 2017 by 3.8% versus the third quarter of 2016. The overall volume decrease in the third quarter of 2017 was driven by lower brand volume in the U.S. and Canada, slightly offset by strong growth in Europe and International. Volumes in the U.S. were lower than prior year consistent with the U.S. industry premium light segment performance; however, the brand gained share of this segment for the tenth consecutive quarter. The declines in Canada are the result of overall weak industry performance, along with ongoing competitive pressures in Quebec and Ontario and a continued shift in consumer preference to value brands in the West.
- *Miller Lite* global brand volume increased 0.7% during the third quarter of 2017 versus prior year primarily due to its addition to the Canada and International segments as a result of the Acquisition. This is partially offset by a decrease in the U.S., however, the brand gained share of the U.S. premium light segment for the twelfth consecutive quarter.
- *Molson Canadian* brand volume in Canada decreased by 7.1% during the third quarter of 2017 versus the prior year, primarily driven by overall weak industry conditions and competitive pressures in the West and Ontario.

- *Staropramen* global brand volume, including royalty volume, decreased 4.5% during the third quarter of 2017, versus the third quarter of 2016, due to lower volumes in the Czech Republic, the brand's primary market.

### Worldwide Brand Volume

As a result of the Acquisition, we aligned our volume reporting policies resulting in adjustments to our historically reported volumes. Specifically, financial volume for all consolidated segments has been recast to include contract brewing and wholesaler non-owned brand volumes (including factored brands in Europe and non-owned brands distributed in the U.S.), as the corresponding sales are reported within our gross sales amounts. We have also modified our worldwide brand volume definition to include an adjustment from STWs to STRs for timing impacts.

Worldwide brand volume (or "brand volume" when discussed by segment) reflects owned brands sold to unrelated external customers within our geographic markets, net of returns and allowances, royalty volume, an adjustment from STWs to STRs and our proportionate share of equity investment brand volume calculated consistently with MCBC owned volume. Contract brewing and wholesaler volume is removed from worldwide brand volume as this is non-owned volume for which we do not directly control performance. We believe this definition of worldwide brand volume more closely aligns with how we measure the performance of our owned brands within the markets in which they are sold. Financial volume represents owned brands sold to unrelated external customers within our geographical markets, net of returns and allowances as well as contract brewing, wholesale non-owned brand volume and company-owned distribution volume. Royalty volume consists of our brands produced and sold by third parties under various license and contract-brewing agreements and because this is owned volume, it is included in worldwide brand volume. The adjustment from STWs to STRs provides the closest indication of the performance of our owned brands in relation to market and competitor sales trends, as it reflects sales volume one step closer to the end consumer and generally means sales from our wholesalers or our company to retailers. Equity investment worldwide brand volume represents our ownership percentage share of volume in our subsidiaries accounted for under the equity method, consisting of MillerCoors prior to the completion of the Acquisition on October 11, 2016. See Part I—Item 1. Financial Statements, Note 4, "Acquisition and Investments" of the Notes to the Unaudited Condensed Consolidated Financial Statements ("Notes") for further discussion.

|                                                                      | Three Months Ended    |                       |          | Nine Months Ended     |                       |          |
|----------------------------------------------------------------------|-----------------------|-----------------------|----------|-----------------------|-----------------------|----------|
|                                                                      | September 30,<br>2017 | September 30,<br>2016 | % change | September 30,<br>2017 | September 30,<br>2016 | % change |
| (In millions, except percentages)                                    |                       |                       |          |                       |                       |          |
| Volume in hectoliters:                                               |                       |                       |          |                       |                       |          |
| Financial volume                                                     | 26.290                | 9.409                 | 179.4 %  | 76.508                | 25.116                | N/M      |
| Less: Contract brewing and wholesaler volume                         | (2.239)               | (0.762)               | 193.8 %  | (6.617)               | (2.143)               | N/M      |
| Add: Royalty volume                                                  | 0.947                 | 0.433                 | 118.7 %  | 2.778                 | 1.291                 | 115.2 %  |
| Add: STW to STR adjustment                                           | 0.532                 | (0.017)               | N/M      | (1.067)               | (0.055)               | N/M      |
| Owned volume                                                         | 25.530                | 9.063                 | 181.7 %  | 71.602                | 24.209                | 195.8 %  |
| Add: Proportionate share of equity investment worldwide brand volume | —                     | 6.856                 | (100.0)% | —                     | 19.427                | (100.0)% |
| Total worldwide brand volume                                         | 25.530                | 15.919                | 60.4 %   | 71.602                | 43.636                | 64.1 %   |

N/M = Not meaningful

Our worldwide brand volume increased 60.4% and 64.1% during the three and nine months ended September 30, 2017, respectively, compared to prior year due to the Acquisition as well as strong growth in Europe and International partially as a result of adding the *Miller* global brands business as well as growth for some of our core brands.

## Net Sales Drivers

For the three months ended September 30, 2017, versus September 30, 2016, by segment (in percentages):

|                     | Volume         | Price, Product and<br>Geography Mix | Currency     | Other     | Total         |
|---------------------|----------------|-------------------------------------|--------------|-----------|---------------|
| <b>Consolidated</b> | <b>179.4 %</b> | <b>21.9 %</b>                       | <b>3.0 %</b> | <b>—%</b> | <b>204.3%</b> |
| Canada              | (4.7)%         | 2.0 %                               | 3.7 %        | —%        | 1.0 %         |
| Europe              | 2.7 %          | 4.1 %                               | 2.6 %        | 0.1 %     | 9.5 %         |
| International       | 122.5 %        | (25.5)%                             | (0.3)%       | —%        | 96.7 %        |

For the nine months ended September 30, 2017, versus September 30, 2016, by segment (in percentages):

|                     | Volume         | Price, Product and<br>Geography Mix | Currency      | Other <sup>(1)</sup> | Total         |
|---------------------|----------------|-------------------------------------|---------------|----------------------|---------------|
| <b>Consolidated</b> | <b>204.6 %</b> | <b>23.0 %</b>                       | <b>(2.5)%</b> | <b>—%</b>            | <b>225.1%</b> |
| Canada              | (2.4)%         | 2.6 %                               | 0.6 %         | —%                   | 0.8 %         |
| Europe              | 3.2 %          | 3.1 %                               | (5.2)%        | 4.2 %                | 5.3 %         |
| International       | 88.3 %         | (2.3)%                              | (0.1)%        | —%                   | 85.9 %        |

(1) Europe "other" column includes the release of an indirect tax provision as further described below.

## Income taxes

|                    | 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 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 primarily driven 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.

## Discontinued operations

Discontinued operations are associated with the formerly-owned Cervejarias Kaiser Brasil S.A. ("Kaiser") business in Brazil. See Part I—Item 1. Financial Statements, Note 16, "Commitments and Contingencies" of the Notes for discussions of the nature of amounts recognized in discontinued operations, which consist of amounts associated with indemnity obligations to FEMSA Cerveza S.A. de C.V. ("FEMSA") related to purchased tax credits and other tax, civil and labor issues.

## Results of Operations

### United States Segment

We have presented unaudited pro forma financial information of the U.S. segment for the three and nine months ended September 30, 2016, to enhance comparability of financial information between periods. Results for the three and nine months ended September 30, 2016, are actual results of MillerCoors utilized in preparing MCBC's share of MillerCoors earnings when we historically accounted for MillerCoors under the equity method of accounting, and, therefore, its results of operations were reported as equity income within MCBC's consolidated statements of operations.

|                                                                 | Three Months Ended                |                                  |                                         |                          |                     |
|-----------------------------------------------------------------|-----------------------------------|----------------------------------|-----------------------------------------|--------------------------|---------------------|
|                                                                 | September 30, 2017                | September 30, 2016               |                                         |                          |                     |
|                                                                 | As Reported by<br>MCBC            | As Reported<br>by<br>MillerCoors | Pro Forma<br>Adjustments <sup>(1)</sup> | Pro Forma <sup>(1)</sup> | Pro Forma<br>Change |
|                                                                 | (In millions, except percentages) |                                  |                                         |                          |                     |
| Financial volume in hectoliters <sup>(2)(3)</sup>               | 17.163                            | 18.438                           | —                                       | 18.438                   | (6.9)%              |
| Sales <sup>(3)</sup>                                            | \$ 2,154.3                        | \$ 2,292.5                       | \$ (5.8)                                | \$ 2,286.7               | (5.8)%              |
| Excise taxes                                                    | (262.1)                           | (284.8)                          | 1.2                                     | (283.6)                  | (7.6)%              |
| Net sales <sup>(3)</sup>                                        | 1,892.2                           | 2,007.7                          | (4.6)                                   | 2,003.1                  | (5.5)%              |
| Cost of goods sold <sup>(3)</sup>                               | (1,082.0)                         | (1,150.8)                        | (13.0)                                  | (1,163.8)                | (7.0)%              |
| Gross profit                                                    | 810.2                             | 856.9                            | (17.6)                                  | 839.3                    | (3.5)%              |
| Marketing, general and administrative expenses                  | (458.3)                           | (475.2)                          | (9.6)                                   | (484.8)                  | (5.5)%              |
| Special items, net <sup>(4)</sup>                               | (0.1)                             | (8.3)                            | —                                       | (8.3)                    | (98.8)%             |
| Operating income                                                | 351.8                             | 373.4                            | (27.2)                                  | 346.2                    | 1.6 %               |
| Interest income (expense), net                                  | 14.0                              | (0.5)                            | —                                       | (0.5)                    | N/M                 |
| Other income (expense), net                                     | (0.7)                             | 1.1                              | —                                       | 1.1                      | (163.6)%            |
| Income (loss) from continuing operations<br>before income taxes | \$ 365.1                          | \$ 374.0                         | \$ (27.2)                               | \$ 346.8                 | 5.3 %               |

N/M = Not meaningful

- (1) Pro forma amounts give effect to the Acquisition as if it had occurred at the beginning of fiscal year 2016 and have been updated to reflect the change in segment reporting of the Puerto Rico business, which effective January 1, 2017, is reported in the International segment. See "Unaudited Pro Forma Financial Information," below for details of pro forma adjustments.
- (2) Historical financial volumes have been recast to reflect the impacts of aligning policies on reporting financial volumes as a result of the Acquisition. See "Worldwide Brand Volume" above for further details.
- (3) On a reported basis, includes gross inter-segment sales, purchases, and volumes, which are eliminated in the consolidated totals.
- (4) See Part I—Item 1. Financial Statements, Note 6, "Special Items" of the Notes for detail of special items.

|                                                                 | Nine Months Ended                 |                                  |                                         |                          |                     |
|-----------------------------------------------------------------|-----------------------------------|----------------------------------|-----------------------------------------|--------------------------|---------------------|
|                                                                 | September 30, 2017                | September 30, 2016               |                                         |                          |                     |
|                                                                 | As Reported by<br>MCBC            | As Reported<br>by<br>MillerCoors | Pro Forma<br>Adjustments <sup>(1)</sup> | Pro Forma <sup>(1)</sup> | Pro Forma<br>Change |
|                                                                 | (In millions, except percentages) |                                  |                                         |                          |                     |
| Financial volume in hectoliters <sup>(2)(3)</sup>               | 52.125                            | 54.189                           | —                                       | 54.189                   | (3.8)%              |
| Sales <sup>(3)</sup>                                            | \$ 6,578.7                        | \$ 6,788.1                       | \$ (17.3)                               | \$ 6,770.8               | (2.8)%              |
| Excise taxes                                                    | (797.7)                           | (837.6)                          | 12.3                                    | (825.3)                  | (3.3)%              |
| Net sales <sup>(3)</sup>                                        | 5,781.0                           | 5,950.5                          | (5.0)                                   | 5,945.5                  | (2.8)%              |
| Cost of goods sold <sup>(3)</sup>                               | (3,291.0)                         | (3,358.3)                        | (43.1)                                  | (3,401.4)                | (3.2)%              |
| Gross profit                                                    | 2,490.0                           | 2,592.2                          | (48.1)                                  | 2,544.1                  | (2.1)%              |
| Marketing, general and administrative expenses                  | (1,322.0)                         | (1,362.0)                        | (29.5)                                  | (1,391.5)                | (5.0)%              |
| Special items, net <sup>(4)</sup>                               | (15.2)                            | (84.6)                           | —                                       | (84.6)                   | (82.0)%             |
| Operating income                                                | 1,152.8                           | 1,145.6                          | (77.6)                                  | 1,068.0                  | 7.9 %               |
| Interest income (expense), net                                  | 14.0                              | (1.4)                            | —                                       | (1.4)                    | N/M                 |
| Other income (expense), net                                     | (1.4)                             | 3.7                              | —                                       | 3.7                      | (137.8)%            |
| Income (loss) from continuing operations<br>before income taxes | \$ 1,165.4                        | \$ 1,147.9                       | \$ (77.6)                               | \$ 1,070.3               | 8.9 %               |

N/M = Not meaningful

- (1) Pro forma amounts give effect to the Acquisition as if it had occurred at the beginning of fiscal year 2016 and have been updated to reflect the change in segment reporting of the Puerto Rico business, which effective January 1, 2017, is reported in the International segment. See "Unaudited Pro Forma Financial Information," below for details of pro forma adjustments.
- (2) Historical financial volumes have been recast to reflect the impacts of aligning policies on reporting financial volumes as a result of the Acquisition. See "Worldwide Brand Volume" above for further details.
- (3) On a reported basis, includes gross inter-segment sales, purchases, and volumes, which are eliminated in the consolidated totals.
- (4) See Part I—Item 1. Financial Statements, Note 6, "Special Items" of the Notes for detail of special items.

The following represents our proportionate share of MillerCoors' net income reported under the equity method for the three and nine months ended September 30, 2016, prior to the Acquisition:

|                                                                                                                                                                   | Three Months Ended                | Nine Months Ended |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------|-------------------|
|                                                                                                                                                                   | September 30, 2016                |                   |
|                                                                                                                                                                   | (in millions, except percentages) |                   |
| Income (loss) from continuing operations before income taxes                                                                                                      | \$ 374.0                          | \$ 1,147.9        |
| Income tax expense                                                                                                                                                | (1.3)                             | (3.3)             |
| Net income (loss) attributable to noncontrolling interest                                                                                                         | (3.5)                             | (10.6)            |
| 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 <sup>(1)</sup> | 1.1                               | 3.3               |
| Share-based compensation adjustment <sup>(1)</sup>                                                                                                                | (0.5)                             | (0.7)             |
| U.S. import tax benefit <sup>(1)</sup>                                                                                                                            | 1.2                               | 12.3              |
| Equity income in MillerCoors                                                                                                                                      | \$ 156.9                          | \$ 491.2          |

- (1) See Part I—Item 1. Financial Statements, Note 4, "Acquisition and Investments" of the Notes for a detailed discussion of these equity method adjustments prior to the Acquisition.

*The discussion below highlights the MillerCoors results of operations for the three and nine months ended September 30, 2017, versus the three and nine months ended September 30, 2016, on a reported and pro forma basis, where applicable.*

#### *Significant events*

On October 11, 2016, we completed the Acquisition and as a result, MCBC owns 100% of the outstanding equity and voting interests of MillerCoors. Therefore, beginning October 11, 2016, MillerCoors' results of operations have been prospectively consolidated into MCBC's consolidated financial statements and included in the U.S. segment. See Part I—Item 1. Financial Statements, Note 4, "Acquisition and Investments" of the Notes for further details. Additionally, effective January 1, 2017, the results of the MillerCoors Puerto Rico business, which were previously included as part of the U.S. segment, are now reported within the International segment. Note, we only present unaudited pro forma financial information for the consolidated entity and the U.S. segment.

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 MillerCoors network and the Eden brewery is now closed. Total special charges associated with the Eden closure of \$179.1 million have been incurred from the decision to close through September 30, 2017, consisting primarily of accelerated depreciation. We have incurred the majority of the costs associated with the closure, however, future costs may be incurred associated with the disposition of assets and other costs associated with the closure.

#### *Volume and net sales*

Trading day adjusted domestic STRs for the three and nine months ended September 30, 2017, declined 2.9% and 2.3%, respectively, compared to prior year, driven by lower volume in the premium light and below premium segments. Domestic STWs decreased 7.2% and 3.8% in the three and nine months ended September 30, 2017, respectively, partially driven by a reduction in distributor inventories.

Domestic net sales per hectoliter increased 1.3% compared to prior year reported net sales and 1.2% compared to prior year pro forma net sales for the three months ended September 30, 2017, due to favorable net pricing partially offset by negative sales mix. Domestic net sales per hectoliter increased 1.1% compared to prior year reported net sales and increased 0.8% compared to prior year pro forma net sales for the nine months ended September 30, 2017, due to favorable net pricing, partially offset by negative sales mix. Total net sales per hectoliter, including non-owned brands, contract brewing and company-owned distributor sales for the three months ended September 30, 2017, increased 1.3% compared to prior year reported figures and increased 1.5% compared to prior year pro forma figures. Total net sales per hectoliter, including non-owned brands, contract brewing and company-owned distributor sales, for the nine months ended September 30, 2017, increased 1.0% compared to prior year reported and increased 1.1% compared to prior year pro forma net sales.

### Cost of goods sold

Cost of goods sold per hectoliter for the three and nine months ended September 30, 2017, decreased 1.0% and 1.9%, respectively, compared to prior year reported figures. Cost of goods sold per hectoliter decreased 0.1% for the three months ended September 30, 2017 compared to prior year pro forma figures driven by cost savings, partially offset by volume deleverage and higher input costs. For the nine months ended September 30, 2017, cost of goods sold increased 0.6%, compared to prior year pro forma figures driven by volume deleverage and higher input costs, partially offset by cost savings. Additionally, for the three and nine months ended September 30, 2017, we recorded \$0.6 million and \$1.8 million, respectively, of integration costs related to the Acquisition within cost of goods sold.

### Marketing, general and administrative expenses

Marketing, general and administrative expenses for the three and nine months ended September 30, 2017, decreased 3.6% and 2.9%, respectively, compared to prior year reported marketing, general and administrative expenses and decreased 5.5% and 5.0%, respectively, compared to prior year pro forma marketing, general and administrative expenses, due to lower marketing and information technology investments. Marketing, general and administrative expenses also includes integration costs of \$0.9 million and \$5.0 million for the three and nine months ended September 30, 2017, respectively.

### Interest income (expense), net

Net interest income increased for the three and nine months ended September 30, 2017, compared to the prior year, primarily due to a reduction in mandatorily redeemable noncontrolling interest liabilities. Adjustments in the carrying value of the mandatorily redeemable noncontrolling interests are recorded to interest income (expense), net until settled.

### Canada Segment

|                                                              | Three Months Ended    |                       |          | Nine Months Ended     |                       |          |
|--------------------------------------------------------------|-----------------------|-----------------------|----------|-----------------------|-----------------------|----------|
|                                                              | September 30,<br>2017 | September 30,<br>2016 | % change | September 30,<br>2017 | September 30,<br>2016 | % change |
| (In millions, except percentages)                            |                       |                       |          |                       |                       |          |
| Financial volume in hectoliters <sup>(1)(2)</sup>            | 2.395                 | 2.512                 | (4.7)%   | 6.718                 | 6.883                 | (2.4)%   |
| Sales <sup>(2)</sup>                                         | \$ 535.2              | \$ 532.7              | 0.5 %    | \$ 1,440.2            | \$ 1,446.5            | (0.4)%   |
| Excise taxes                                                 | (128.8)               | (130.5)               | (1.3)%   | (335.1)               | (350.4)               | (4.4)%   |
| Net sales <sup>(2)</sup>                                     | 406.4                 | 402.2                 | 1.0 %    | 1,105.1               | 1,096.1               | 0.8 %    |
| Cost of goods sold <sup>(2)</sup>                            | (222.9)               | (218.3)               | 2.1 %    | (638.9)               | (614.7)               | 3.9 %    |
| Gross profit                                                 | 183.5                 | 183.9                 | (0.2)%   | 466.2                 | 481.4                 | (3.2)%   |
| Marketing, general and administrative expenses               | (103.1)               | (93.6)                | 10.1 %   | (304.1)               | (269.6)               | 12.8 %   |
| Special items, net <sup>(3)</sup>                            | (5.9)                 | (1.3)                 | N/M      | (5.2)                 | 106.6                 | (104.9)% |
| Operating income (loss)                                      | 74.5                  | 89.0                  | (16.3)%  | 156.9                 | 318.4                 | (50.7)%  |
| Other income (expense), net <sup>(4)</sup>                   | 1.8                   | 1.3                   | 38.5 %   | 11.2                  | 7.0                   | 60.0 %   |
| Income (loss) from continuing operations before income taxes | \$ 76.3               | \$ 90.3               | (15.5)%  | \$ 168.1              | \$ 325.4              | (48.3)%  |

N/M = Not meaningful

- (1) Historical financial volumes have been recast to reflect the impacts of aligning policies on reporting financial volumes as a result of the Acquisition. See "Worldwide Brand Volume" above for further details.
- (2) Includes gross inter-segment sales, purchases and volumes, which are eliminated in the consolidated totals.
- (3) See Part I-Item 1. Financial Statements, Note 6, "Special Items" of the Notes for detail of special items.
- (4) See Part I-Item 1. Financial Statements, Note 7, "Other Income and Expense" of the Notes for detail of other income (expense), net.

### Significant events

As a result of the Acquisition, the *Miller* brands were added to our Canada segment's portfolio beginning October 11, 2016. Additionally, as part of our ongoing assessment of our Canadian supply chain network, we completed the sale of our

Vancouver brewery on March 31, 2016. In conjunction with the sale of the brewery, we agreed to leaseback the existing property to continue operations on an uninterrupted basis while the new brewery is being constructed. We expect to incur significant capital expenditures associated with the construction of the new brewery, most of which we expect to be funded with the proceeds from the sale of the Vancouver brewery. We also expect to incur additional charges, including estimated accelerated depreciation charges of approximately CAD 9 million, through final closure of the brewery which is currently expected to occur in the third quarter of 2019. We also expect the ongoing costs of leasing the existing facility through the estimated closure date to be approximately CAD 5 million per annum, which are not included within special items.

In further efforts to help optimize the Canada brewery network, in the third quarter of 2017, we announced a 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.

We completed our required annual goodwill and indefinite-lived intangible impairment testing as of October 1, 2016, and recorded an aggregate impairment charge to the *Molson* core brand intangible asset within special items during the fourth quarter of 2016, and subsequently reclassified the brands from indefinite to definite-lived resulting in increased amortization expense of intangible assets for the three and nine months ended September 30, 2017, compared to the prior year.

#### *Foreign currency impact on results*

During the three months ended September 30, 2017, the CAD appreciated versus the USD on an average basis, resulting in an increase of \$4.3 million to our USD earnings before income taxes. During the nine months ended September 30, 2017, the CAD also appreciated versus the USD on an average basis, resulting in an increase of \$3.4 million to our USD earnings before income taxes. Included in these amounts are both translational and transactional impacts of changes in foreign exchange rates. The impact of transactional foreign currency gains and losses is recorded within other income (expense) in our unaudited condensed consolidated statements of operations.

#### *Volume and net sales*

Our Canada brand volume decreased 1.7% and 0.9% during the three and nine months ended September 30, 2017, respectively, versus prior year, as a result of lower domestic volumes, partially offset by the addition of the *Miller* brands as a result of the Acquisition.

Our net sales per hectoliter increased 2.0% and 2.6% in local currency during the three and nine months ended September 30, 2017, respectively, compared to prior year, driven by positive pricing and brand mix.

#### *Cost of goods sold*

Cost of goods sold per hectoliter in local currency increased 3.1% and 5.6% during the three and nine months ended September 30, 2017, respectively, versus prior year, due to volume deleverage, impacts of mix shift and unfavorable transactional foreign currency impacts, partially offset by ongoing cost savings. Additionally, for the three and nine months ended September 30, 2017, we recorded \$0.5 million and \$3.3 million, respectively, of integration costs related to the Acquisition within cost of goods sold.

#### *Marketing, general and administrative expenses*

Our marketing, general and administrative expenses increased 5.9% and 11.9% in local currency for the three and nine months ended September 30, 2017, respectively, compared to prior year, primarily driven by higher brand amortization expense related to the reclassification of the *Molson* core brand intangible asset from indefinite to definite-lived.

## Europe Segment

|                                                              | Three Months Ended    |                       |          | Nine Months Ended     |                       |          |
|--------------------------------------------------------------|-----------------------|-----------------------|----------|-----------------------|-----------------------|----------|
|                                                              | September 30,<br>2017 | September 30,<br>2016 | % change | September 30,<br>2017 | September 30,<br>2016 | % change |
| (In millions, except percentages)                            |                       |                       |          |                       |                       |          |
| Financial volume in hectoliters <sup>(1)(2)(3)</sup>         | 6.815                 | 6.639                 | 2.7 %    | 17.889                | 17.330                | 3.2 %    |
| Sales <sup>(3)</sup>                                         | \$ 831.2              | \$ 764.5              | 8.7 %    | \$ 2,141.8            | \$ 2,125.9            | 0.7 %    |
| Excise taxes                                                 | (270.0)               | (251.9)               | 7.2 %    | (674.3)               | (732.5)               | (7.9)%   |
| Net sales <sup>(3)</sup>                                     | 561.2                 | 512.6                 | 9.5 %    | 1,467.5               | 1,393.4               | 5.3 %    |
| Cost of goods sold                                           | (328.6)               | (306.8)               | 7.1 %    | (866.6)               | (857.6)               | 1.0 %    |
| Gross profit                                                 | 232.6                 | 205.8                 | 13.0 %   | 600.9                 | 535.8                 | 12.2 %   |
| Marketing, general and administrative expenses               | (137.7)               | (124.4)               | 10.7 %   | (399.4)               | (394.8)               | 1.2 %    |
| Special items, net <sup>(4)</sup>                            | 2.8                   | 6.2                   | (54.8)%  | (2.4)                 | 3.2                   | (175.0)% |
| Operating income (loss)                                      | 97.7                  | 87.6                  | 11.5 %   | 199.1                 | 144.2                 | 38.1 %   |
| Interest income <sup>(5)</sup>                               | 0.8                   | 1.0                   | (20.0)%  | 2.8                   | 2.7                   | 3.7 %    |
| Other income (expense), net                                  | (0.2)                 | 9.9                   | (102.0)% | 0.3                   | 9.4                   | (96.8)%  |
| Income (loss) from continuing operations before income taxes | \$ 98.3               | \$ 98.5               | (0.2)%   | \$ 202.2              | \$ 156.3              | 29.4 %   |

- (1) Historical financial volumes have been recast to reflect the impacts of aligning policies on reporting financial volumes as a result of the Acquisition. See "Worldwide Brand Volume" above for further details.
- (2) Excludes royalty volume of 0.473 million hectoliters and 1.277 million hectoliters for the three and nine months ended September 30, 2017, respectively, and excludes royalty volume of 0.050 million hectoliters and 0.137 million hectoliters for the three and nine months ended September 30, 2016, respectively.
- (3) Includes gross inter-segment sales and volumes, which are eliminated in the consolidated totals.
- (4) See Part I-Item 1. Financial Statements, Note 6, "Special Items" of the Notes for detail of special items.
- (5) Interest income is earned on trade loans to on-premise customers exclusively in the U.K. and is typically driven by note receivable balances outstanding from period to period.

### Significant events

As a result of the Acquisition, the *Miller* brands were added to our Europe segment's portfolio beginning October 11, 2016, and 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.

As part of our continued strategic review of our European supply chain network, during the fourth quarter of 2015, we announced the planned closure of the Burton South brewery in the U.K., in which we will consolidate production within our recently modernized Burton North brewery. The closure is expected to be completed by the first quarter of 2018. We expect to incur additional future accelerated depreciation in excess of our normal depreciation of approximately GBP 1 million related to the Burton South brewery through the first quarter of 2018. We may recognize other charges or benefits related to brewery closures, which cannot currently be estimated and will be recorded within special items.

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.

## Foreign currency impact on results

Our Europe segment operates in numerous countries within Europe and each country's operations utilize distinct currencies. Foreign currency movements favorably impacted our Europe USD income from continuing operations before income taxes by \$2.5 million for the three months ended September 30, 2017, and unfavorably impacted our Europe USD income from continuing operations before income taxes by \$11.1 million for the nine months ended September 30, 2017. Included in these amounts are both translational and transactional impacts of changes in foreign exchange rates. The impact of transactional foreign currency gains and losses is recorded within other income (expense) in our unaudited condensed consolidated statements of operations.

## Volume and net sales

Our Europe brand volume increased 9.6% and 10.3% for the three and nine months ended September 30, 2017, respectively, compared to prior year, primarily driven by the transfer of royalty and export brand volume across Europe from our International business and the addition of the *Miller* brands, along with growth from our core and above premium brands.

Net sales per hectoliter increased in local currency by 4.1% and 7.1% for the three and nine months ended September 30, 2017, respectively, compared to prior year. The increase for the three months ended September 30, 2017, was driven by positive mix and net pricing, while the increase for the nine months ended September 30, 2017, was primarily driven by the release of an approximate \$50 million indirect tax provision and favorable mix.

## Cost of goods sold

Cost of goods sold per hectoliter increased 2.2% and 3.0% in local currency in the three and nine months ended September 30, 2017, respectively, versus prior year, primarily driven by mix shift to higher-cost brands and geographies, partially offset by higher net pension benefit this year. Additionally, for the three and nine months ended September 30, 2017, we recorded \$0.1 million and \$0.4 million, respectively, of integration costs related to the Acquisition within cost of goods sold.

## Marketing, general and administrative expenses

Marketing, general and administrative expenses increased 7.4% and 5.1% in local currency in the three and nine months ended September 30, 2017, respectively, compared to prior year, due to higher brand investments and general and administrative costs, including increased amortization related to the *Miller* brand portfolio.

## International Segment

|                                                              | Three Months Ended    |                       |          | Nine Months Ended     |                       |          |
|--------------------------------------------------------------|-----------------------|-----------------------|----------|-----------------------|-----------------------|----------|
|                                                              | September 30,<br>2017 | September 30,<br>2016 | % change | September 30,<br>2017 | September 30,<br>2016 | % change |
| (In millions, except percentages)                            |                       |                       |          |                       |                       |          |
| Financial volume in hectoliters <sup>(1)(2)</sup>            | 0.603                 | 0.271                 | 122.5%   | 1.774                 | 0.942                 | 88.3 %   |
| Sales                                                        | \$ 74.5               | \$ 41.1               | 81.3%    | \$ 222.1              | \$ 125.2              | 77.4 %   |
| Excise taxes                                                 | (8.8)                 | (7.7)                 | 14.3%    | (29.5)                | (21.6)                | 36.6 %   |
| Net sales                                                    | 65.7                  | 33.4                  | 96.7%    | 192.6                 | 103.6                 | 85.9 %   |
| Cost of goods sold <sup>(3)</sup>                            | (43.9)                | (20.3)                | 116.3%   | (130.7)               | (66.6)                | 96.2 %   |
| Gross profit                                                 | 21.8                  | 13.1                  | 66.4%    | 61.9                  | 37.0                  | 67.3 %   |
| Marketing, general and administrative expenses               | (27.0)                | (15.9)                | 69.8%    | (72.7)                | (44.7)                | 62.6 %   |
| Special items, net <sup>(4)</sup>                            | (0.9)                 | —                     | N/M      | (1.5)                 | (30.8)                | (95.1)%  |
| Operating income (loss)                                      | (6.1)                 | (2.8)                 | 117.9%   | (12.3)                | (38.5)                | (68.1)%  |
| Other income (expense), net                                  | 0.1                   | 0.1                   | —%       | 0.1                   | 0.1                   | — %      |
| Income (loss) from continuing operations before income taxes | \$ (6.0)              | \$ (2.7)              | 122.2%   | \$ (12.2)             | \$ (38.4)             | (68.2)%  |

N/M = Not meaningful

- (1) Historical financial volumes have been recast to reflect the impacts of aligning policies on reporting financial volumes as a result of the Acquisition. See "Worldwide Brand Volume" above for further details.

- (2) Excludes royalty volume of 0.474 million hectoliters and 1.501 million hectoliters for the three and nine months ended September 30, 2017, respectively, and excludes royalty volume of 0.383 million hectoliters and 1.154 million hectoliters for the three and nine months ended September 30, 2016, respectively.
- (3) Includes gross inter-segment purchases, which are eliminated in the consolidated totals.
- (4) See Part I-Item 1. Financial Statements, Note 6, "Special Items" of the Notes for detail of special items.

#### *Significant events*

As a result of the Acquisition, the *Miller* brands were added to our International segment's portfolio beginning October 11, 2016. Additionally, as a result of the Acquisition, effective January 1, 2017, European markets including Sweden, Spain, Germany, Ukraine and Russia, which were previously reported as part of our International segment, are reported within our Europe segment while the results of the MillerCoors Puerto Rico business, which were previously included as part of the U.S. segment, are reported within the International segment.

Our business in India is highly regulated resulting in frequent alcohol policy changes. As a result of total alcohol prohibition in Bihar, India, implemented during the second quarter of 2016, our Molson Coors Cobra India business is currently not operating and is idled pending any future change in law or regulation. This ban does not impact our Mount Shivalik business operating outside of Bihar, India. We continue to monitor legal proceedings impacting the regulatory environment as it relates to our ability to resume operations in the state.

#### *Foreign currency impact on results*

Our International segment operates in numerous countries around the world and each country's operations utilize distinct currencies. Foreign currency movements favorably impacted our International USD loss before income taxes by \$0.3 million for both the three and nine months ended September 30, 2017. Included in this amount are both translational and transactional impacts of changes in foreign exchange rates. The impact of transactional foreign currency gains and losses is recorded within other income (expense) in our unaudited condensed consolidated statements of operations.

#### *Volume and net sales*

Our International brand volume increased by 64.7% and 56.3% in the three and nine months ended September 30, 2017, respectively, compared to prior year, driven by the change in segment reporting of the Puerto Rico business from the U.S. segment, *Coors Light* growth primarily in Latin America, and the addition of the *Miller* brands.

Net sales per hectoliter decreased 11.6% and 1.3% in the three and nine months ended September 30, 2017, respectively, compared to prior year, primarily due to sales mix changes, partially offset by positive pricing.

#### *Cost of goods sold*

Cost of goods sold per hectoliter decreased 2.8% in the three months ended September 30, 2017, compared to prior year, primarily driven by sales mix changes. Cost of goods sold per hectoliter increased 4.2% in the nine months ended September 30, 2017, compared to prior year, driven by sales mix changes. Additionally, for the nine months ended September 30, 2017, we recorded \$1.4 million of integration costs related to the Acquisition within cost of goods sold.

#### *Marketing, general and administrative expenses*

Marketing, general and administrative expenses increased 69.8% and 62.6% in the three and nine months ended September 30, 2017, respectively, compared to prior year, primarily due to increased brand investments, including higher brand amortization costs, along with higher organization and integration costs related to the acquisition of the *Miller* global brands. For the three and nine months ended September 30, 2017, we recorded \$1.7 million and \$5.2 million, respectively, of integration costs related to the Acquisition within marketing, general and administrative expenses.

## Corporate

|                                                              | Three Months Ended                |                       |          | Nine Months Ended     |                       |          |
|--------------------------------------------------------------|-----------------------------------|-----------------------|----------|-----------------------|-----------------------|----------|
|                                                              | September 30,<br>2017             | September 30,<br>2016 | % change | September 30,<br>2017 | September 30,<br>2016 | % change |
|                                                              | (In millions, except percentages) |                       |          |                       |                       |          |
| Financial volume in hectoliters                              | —                                 | —                     | — %      | —                     | —                     | — %      |
| Sales                                                        | \$ 0.3                            | \$ 0.2                | 50.0 %   | \$ 0.9                | \$ 0.8                | 12.5 %   |
| Excise taxes                                                 | —                                 | —                     | — %      | —                     | —                     | — %      |
| Net sales                                                    | 0.3                               | 0.2                   | 50.0 %   | 0.9                   | 0.8                   | 12.5 %   |
| Cost of goods sold                                           | 45.2                              | 3.3                   | N/M      | 84.7                  | 18.5                  | N/M      |
| Gross profit                                                 | 45.5                              | 3.5                   | N/M      | 85.6                  | 19.3                  | N/M      |
| Marketing, general and administrative expenses               | (56.7)                            | (45.0)                | 26.0 %   | (168.6)               | (134.3)               | 25.5 %   |
| Special items, net <sup>(1)</sup>                            | —                                 | —                     | — %      | (0.1)                 | —                     | N/M      |
| Operating income (loss)                                      | (11.2)                            | (41.5)                | (73.0)%  | (83.1)                | (115.0)               | (27.7)%  |
| Interest expense, net                                        | (87.4)                            | (67.6)                | 29.3 %   | (275.2)               | (157.1)               | 75.2 %   |
| Other income (expense), net                                  | (3.5)                             | (10.5)                | (66.7)%  | (10.8)                | (61.4)                | (82.4)%  |
| Income (loss) from continuing operations before income taxes | \$ (102.1)                        | \$ (119.6)            | (14.6)%  | \$ (369.1)            | \$ (333.5)            | 10.7 %   |

N/M = Not meaningful

(1) See Part I—Item 1. Financial Statements, Note 6, "Special Items" of the Notes for detail of special items.

### Significant events

In connection with the Acquisition, we have incurred, and will continue to incur, various transaction and integration costs as further discussed below. See Part I—Item 1. Financial Statements, Note 4, "Acquisition and Investments" of the Notes for further details.

### Cost of goods sold

The unrealized changes in fair value on our commodity swaps, which are economic hedges, are recorded as cost of goods sold within our Corporate business activities. As the exposure we are managing is realized, we reclassify the gain or loss to the segment in which the underlying exposure resides, allowing our segments to realize the economic effects of the derivative without the resulting unrealized mark-to-market volatility.

Higher commodity prices in the third quarter drove the total gain recognized in income related to commodity swaps for the three and nine months ended September 30, 2017.

### Marketing, general and administrative expenses

Marketing, general and administrative expenses increased by 26.0% and 25.5% during the three and nine months ended September 30, 2017, respectively, compared to prior year, primarily due to incremental investment behind global business capabilities including higher compensation expense, partially offset by higher acquisition-related costs recognized in the prior year. Specifically, for the three and nine months ended September 30, 2017, we recorded \$11.7 million and \$36.3 million, respectively, within marketing, general and administrative expense related to the Acquisition. For the three and nine months ended September 30, 2016, we recorded \$17.2 million and \$51.7 million, respectively, within marketing, general and administrative expenses related to the Acquisition.

### Interest expense, net

Net interest expense increased for the three and nine months ended September 30, 2017, compared to the prior year, primarily driven by incremental interest incurred on debt issued to partially fund the Acquisition. Net interest expense for the three and nine months ended September 30, 2016, includes \$39.3 million and \$73.0 million, respectively, of net interest costs associated with the Acquisition.

See Part I—Item 1. Financial Statements, Note 14, "Derivative Instruments and Hedging Activities" and Note 11, "Debt" of the Notes for further details.

### *Other income (expense), net*

The decrease in other income (expense), net for the three and nine months ended September 30, 2017, compared to prior year, is primarily driven by financing costs incurred on our bridge loan of approximately \$24.8 million and \$63.4 million during the three and nine months ended September 30, 2016, respectively. During the three and nine months ended September 30, 2016, we recorded unrealized gains of approximately \$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.

### **Liquidity and Capital Resources**

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

A significant portion of our trade receivables are concentrated in Europe. While these receivables are not concentrated in any specific customer and our allowance on these receivables factors in collectibility, we may encounter difficulties in our ability to collect due to the impact to our customers of any further economic downturn within Europe. 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.

A significant portion of our cash flows from operating activities are generated outside the U.S. in currencies other than USD. As of September 30, 2017, approximately 54% of our cash and cash equivalents were located outside the U.S., largely denominated in foreign currencies. Most of the amounts held outside of the U.S. could be repatriated to the U.S. but under current law would be subject to U.S. federal and state income taxes, less applicable foreign tax credits. We accrue for U.S. federal and state tax consequences on the earnings of our foreign subsidiaries upon repatriation. When the earnings are considered indefinitely reinvested outside of the U.S., we do not accrue for U.S. federal and state tax consequences. We utilize a variety of tax planning and financing strategies in an effort to ensure that our worldwide cash is available in the locations in which it is needed. We periodically review and evaluate these strategies, including external committed and non-committed credit agreements accessible by MCBC and each of our operating subsidiaries. These financing arrangements, along with the cash generated from the operations of our U.S. segment, are sufficient to fund our current cash needs in the U.S.

### ***Net Working Capital***

As of September 30, 2017, December 31, 2016, and September 30, 2016, we had net working capital of \$405.2 million, negative net working capital of \$303.1 million and net working capital of approximately \$9.7 billion, respectively. Short-term borrowings and the current portion of long-term debt are excluded from our definition of net working capital, as they are not reflective of the ongoing operational requirements of the business. The levels of working capital required to run our business fluctuate with the seasonality in our business. Our working capital is also sensitive to foreign exchange rates, as a significant portion of current assets and current liabilities are denominated in either CAD or our European operating currencies such as, but not limited to, GBP, Euro, Czech Koruna, Croatian Kuna, Serbian Dinar, Romanian Leu, Bulgarian Lev and Hungarian Forint, while financial results are reported in USD. While we continue to work towards improving our working capital, we may be unable to maintain these working capital benefits in the long term.

|                                                                  | As of              |                   |                    |
|------------------------------------------------------------------|--------------------|-------------------|--------------------|
|                                                                  | September 30, 2017 | December 31, 2016 | September 30, 2016 |
|                                                                  | (In millions)      |                   |                    |
| Current assets                                                   | \$ 2,916.4         | \$ 2,169.6        | \$ 10,947.7        |
| Less: Current liabilities                                        | (4,256.2)          | (3,157.5)         | (1,605.7)          |
| Add: Current portion of long-term debt and short-term borrowings | 1,745.0            | 684.8             | 326.9              |
| Net working capital                                              | <u>\$ 405.2</u>    | <u>\$ (303.1)</u> | <u>\$ 9,668.9</u>  |

Net working capital from December 31, 2016, to September 30, 2017, increased primarily related to an overall increase in cash balances primarily driven by higher commercial paper borrowings to fund the October 6, 2017, repayment of our CAD 500.0 million 3.95% notes, as well as higher accounts receivables, partially offset by an overall increase in accounts payable and other current liabilities due to timing of purchases. The decrease in net working capital from September 30, 2016, to September 30, 2017, is primarily related to the decrease in cash balances resulting from the funding of the Acquisition.

### ***Cash Flows and Use of Cash***

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

#### ***Cash Flows from Operating Activities***

Net cash provided by operating activities was approximately \$1.1 billion for the nine months ended September 30, 2017, compared to \$630.2 million for the nine months ended September 30, 2016. This increase in net cash provided of \$515.2 million is primarily related to the addition of the consolidated U.S. business and lower cash paid for taxes, partially offset by higher cash paid for interest and higher pension contributions.

#### ***Cash Flows from Investing Activities***

Net cash used in investing activities of \$398.0 million for the nine months ended September 30, 2017, increased by \$209.1 million compared to the nine months ended September 30, 2016, driven primarily by higher capital expenditures resulting from the Acquisition, as well as the receipt of CAD 183.1 million (\$140.8 million) of proceeds from the sale of our Vancouver brewery during the first nine months of 2016, partially offset by our net investment in MillerCoors prior to the Acquisition.

#### ***Cash Flows from Financing Activities***

Net cash used in financing activities was \$367.8 million for the nine months ended September 30, 2017, compared to net cash provided by financing activities of approximately \$9.1 billion for the nine months ended September 30, 2016. This decrease was driven primarily by the approximate \$2.5 billion of net proceeds received from our February 3, 2016, equity offering of 29.9 million shares of our Class B common stock and the approximate \$6.9 billion of net proceeds from the issuance of the debt on July 7, 2016, to partially fund the Acquisition as well as increased net repayments of debt in 2017, slightly offset by borrowings under our commercial paper program of approximately \$1.0 billion at September 30, 2017. See "Borrowings" below for more details on financing activities.

### ***Capital Resources***

#### ***Cash and Cash Equivalents***

As of September 30, 2017, we had total cash and cash equivalents of \$971.3 million, compared to \$560.9 million at December 31, 2016, and approximately \$10.0 billion at September 30, 2016. The increase in cash and cash equivalents at September 30, 2017, from December 31, 2016, was primarily driven by cash received from commercial paper borrowings, partially offset by interest payments on our long-term debt issued to partially fund the Acquisition, the repayment of our term loans and the discretionary cash contribution of \$200 million to the MillerCoors pension plan. The decrease in cash and cash equivalents at September 30, 2017, compared to September 30, 2016, is the result of cash proceeds from our 2016 equity offering and debt issuances, both of which were used to partially fund the Acquisition.

#### ***Borrowings***

The majority of our outstanding borrowings at September 30, 2017, consisted of fixed-rate senior notes, with maturities ranging from 2017 to 2046. 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 estimated 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% senior notes and \$500 million 2.25% senior 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 EUR Notes as a net investment hedge of our Europe business.

During the first quarter of 2017, the net proceeds from the 2017 Notes were used to repay the remaining \$800 million on our 3-year tranche term loan due 2019 and make principal payments of \$700 million on our 5-year tranche term loan due 2021. During the second quarter of 2017, we made principal payments of \$400 million on our 5-year tranche term loan due 2021. On July 19, 2017, we repaid the remaining \$400.0 million on our 5-year tranche term loan due 2021 utilizing borrowings under our commercial paper program.

In addition to the repayment of our term loans, we utilized borrowings under our commercial paper program to repay our \$300 million 2.0% notes during the second quarter of 2017, and our CAD 500.0 million 3.95% notes on October 6, 2017.

Based on the credit profile of our lenders that are party to our credit facilities, we are confident in our ability to draw on our revolving credit facility if the need arises. 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, and we have no other borrowings drawn on this revolving credit facility. In addition, we also currently utilize and will further utilize our cross-border, cross currency cash pool for liquidity needs. We also have Japanese Yen ("JPY") overdraft facilities, CAD and GBP lines of credit with several banks should we need additional short-term liquidity.

Under the terms of each of our debt facilities, we must comply with certain restrictions. These include restrictions on priority indebtedness (certain threshold percentages of secured consolidated net tangible assets), leverage thresholds, liens, and restrictions on certain types of sale lease-back transactions and transfers of assets. As of 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*.

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.

Additionally, under the new \$1.5 billion revolving credit facility, the maximum leverage ratio is 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.

See Part I—Item 1. Financial Statements, Note 11, "Debt" to the unaudited condensed consolidated interim financial statements for a complete discussion and presentation of all borrowings and available sources of borrowing, including lines of credit.

### *Credit Rating*

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

### **Foreign Exchange**

Foreign exchange risk is inherent in our operations primarily due to the significant operating results that are denominated in currencies other than USD. Our approach is to reduce the volatility of cash flows and reported earnings which result from currency fluctuations rather than business related factors. Therefore, we closely monitor our operations in each country and seek to adopt appropriate strategies that are responsive to foreign currency fluctuations. Our financial risk management policy is intended to offset a portion of the potentially unfavorable impact of exchange rate changes on net income and earnings per share. See Part II—Item 8. Financial Statements and Supplementary Data, Note 16, "Derivative Instruments and Hedging Activities" of our Annual Report for additional information on our financial risk management strategies.

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

|                                                      | Three Months Ended |                    | Nine Months Ended  |                    |
|------------------------------------------------------|--------------------|--------------------|--------------------|--------------------|
|                                                      | September 30, 2017 | September 30, 2016 | September 30, 2017 | September 30, 2016 |
| <b>Weighted-Average Exchange Rate (1 USD equals)</b> |                    |                    |                    |                    |
| Canadian Dollar (CAD)                                | 1.23               | 1.30               | 1.27               | 1.32               |
| Euro (EUR)                                           | 0.85               | 0.90               | 0.88               | 0.89               |
| British Pound (GBP)                                  | 0.77               | 0.76               | 0.78               | 0.72               |
| Czech Koruna (CZK)                                   | 22.26              | 24.20              | 23.99              | 24.16              |
| Croatian Kuna (HRK)                                  | 6.33               | 6.72               | 6.63               | 6.70               |
| Serbian Dinar (RSD)                                  | 100.99             | 110.14             | 112.91             | 110.38             |
| Romanian Leu (RON)                                   | 3.90               | 4.00               | 4.02               | 4.04               |
| Bulgarian Lev (BGN)                                  | 1.67               | 1.75               | 1.72               | 1.76               |
| Hungarian Forint (HUF)                               | 261.35             | 279.87             | 278.54             | 282.15             |

|                                             | As of              |                   |
|---------------------------------------------|--------------------|-------------------|
|                                             | September 30, 2017 | December 31, 2016 |
| <b>Closing Exchange Rate (1 USD equals)</b> |                    |                   |
| Canadian Dollar (CAD)                       | 1.25               | 1.34              |
| Euro (EUR)                                  | 0.85               | 0.95              |
| British Pound (GBP)                         | 0.75               | 0.81              |
| Czech Koruna (CZK)                          | 22.00              | 25.69             |
| Croatian Kuna (HRK)                         | 6.34               | 7.18              |
| Serbian Dinar (RSD)                         | 100.91             | 117.23            |
| Romanian Leu (RON)                          | 3.89               | 4.31              |
| Bulgarian Lev (BGN)                         | 1.66               | 1.86              |
| Hungarian Forint (HUF)                      | 263.74             | 294.36            |

The weighted-average exchange rates in the above table have been calculated based on the average of the foreign exchange rates during the relevant period and have been weighted according to the foreign denominated earnings before interest and taxes of the USD equivalent.

### Capital Expenditures

We incurred \$390.5 million, and have paid \$466.0 million, for capital improvement projects worldwide in the nine months ended September 30, 2017, excluding capital spending by equity method joint ventures, representing an increase of \$238.6 million from the \$151.9 million of capital expenditures incurred in the nine months ended September 30, 2016. This increase is primarily due to the Acquisition. We currently expect to incur total capital expenditures for 2017 of approximately \$650 million, based on foreign exchange rates as of September 30, 2017, including capital expenditures associated with the construction of our new British Columbia brewery and excluding capital spending by equity method joint ventures.

We continue to focus on where and how we employ our planned capital expenditures, specifically strengthening our focus on required returns on invested capital as we determine how to best allocate cash within the business.

## Contractual Obligations and Commercial Commitments

### Contractual Obligations

|                                       | Payments due by period |                     |               |             |                      |
|---------------------------------------|------------------------|---------------------|---------------|-------------|----------------------|
|                                       | Total                  | Less than 1<br>year | 1 - 3 years   | 3 - 5 years | More than 5<br>years |
|                                       |                        |                     | (In millions) |             |                      |
| Debt obligations                      | \$ 12,386.0            | \$ 1,745.5          | \$ 2,491.6    | \$ 1,500.0  | \$ 6,648.9           |
| Interest payments on debt obligations | 4,578.1                | 313.1               | 580.3         | 499.5       | 3,185.2              |
| Retirement plan expenditures          | 537.2                  | 56.7                | 105.8         | 107.5       | 267.2                |
| Operating leases                      | 207.5                  | 54.3                | 80.6          | 43.0        | 29.6                 |
| Other long-term obligations           | 3,549.2                | 1,036.6             | 1,266.7       | 714.8       | 531.1                |
| Total obligations                     | \$ 21,258.0            | \$ 3,206.2          | \$ 4,525.0    | \$ 2,864.8  | \$ 10,662.0          |

See Part II - Item 7. Management's Discussion and Analysis, Contractual Obligations and Commercial Commitments in our Annual Report; Part I - Item 1. Financial Statements, Note 11, "Debt", Note 14, "Derivative Instruments and Hedging Activities", Note 15, "Pension and Other Postretirement Benefits" and Note 16, "Commitments and Contingencies" of the Notes for additional information.

### Guarantees

We guarantee indebtedness and other obligations to banks and other third parties for some of our equity method investments and consolidated subsidiaries. See Part I - Item 1. Financial Statements, Note 16, "Commitments and Contingencies" of the Notes for further discussion.

### Other Commercial Commitments

|                           | Amount of commitment expiration per period |                     |               |             |                      |  |
|---------------------------|--------------------------------------------|---------------------|---------------|-------------|----------------------|--|
|                           | Total amounts<br>committed                 | Less than 1<br>year | 1 - 3 years   | 3 - 5 years | More than 5<br>years |  |
|                           |                                            |                     | (In millions) |             |                      |  |
|                           |                                            |                     |               |             |                      |  |
| Standby letters of credit | \$ 67.2                                    | \$ 55.5             | \$ 11.7       | \$ —        | \$ —                 |  |

### Contingencies

We are party to various legal proceedings arising in the ordinary course of business, environmental litigation and indemnities associated with our sale of Kaiser to FEMSA. See Part I—Item 1. Financial Statements, Note 16, "Commitments and Contingencies" of the Notes for further discussion.

### Off-Balance Sheet Arrangements

In accordance with generally accepted accounting principles in the U.S., our operating leases are not reflected in our unaudited condensed consolidated balance sheets. Refer to Part II—Item 8 Financial Statements, Note 18, "Commitments and Contingencies" in our Annual Report for further discussion of these off-balance sheet arrangements. As of September 30, 2017, we did not have any other material off-balance sheet arrangements (as defined in Item 303(a)(4)(ii) of Regulation S-K).

### Outlook for 2017

In 2017, we continue to focus on both top- and bottom-line performance, driven by our first choice consumer and customer agenda and the integration of MillerCoors and the *Miller* brands globally to realize synergies and other cost savings.

In the U.S., we remain focused on gaining segment share in premium, growing in above premium and stabilizing our below premium brand share. In premium, *Miller Lite* is on track to become the number three beer in America. Strong momentum for *Coors Banquet* continues, as we expect 2017 to mark the eleventh consecutive year of annual growth for this iconic American brand. In 2018, *Coors Light* expects to strengthen its message as "the World's Most Refreshing Beer," which includes enhanced packaging. In above premium, *Leinenkugel's Summer Shandy* had a record-breaking year with volumes up low double digits and *Blue Moon Belgian White* continues to widen its lead as the world's number one craft brand. We will continue to integrate and expand the geographic reach of our recent craft acquisitions, which are growing at strong double digit

rates. As of October 1, we assumed the rights to import, market, and distribute *Sol*, which further strengthens our above premium portfolio. Over the next few months, we plan to bring to retail new high-potential brands like *Arnold Palmer Spiked Half and Half* designed to take share in the valuable alcoholic tea segment, and *Two Hats* positioned to recruit new legal age consumers into beer. We continue to look for further Build, Borrow, and Buy opportunities to scale up our above premium portfolio while executing on sales and supply chain efforts that are the building blocks for long-term, profitable growth for MillerCoors.

In Canada, consumer excellence teams remain focused on gaining segment share in premium, accelerating our growth in above premium and stabilizing our below premium. Improving the performance of our two largest brands, *Coors Light* and *Molson Canadian*, remains the number one priority. We expect our brand performance across the portfolio to be driven by leveraging best practice sales tools from other regions. For example, we have started to see improved volume performance from the early retail adopters of the Building with Beer program. We plan to launch *Miller High Life* in Canada in the late fourth quarter this year with the expectation that the launch will be as successful as *Coors Banquet* has been in the Canadian market. Since the introduction of *Coors Banquet*, exceptional consumer demand has propelled this brand to double digit growth rates to become Canada's most successful new product introduction in the past five years. Our supply chain team continues to prioritize efforts on building and planning for the new British Columbia and Greater Montreal breweries. We expect both of these brewery initiatives to unlock material savings in the medium to long term.

In Europe, consumer and customer excellence is driving the top and bottom line. We will continue to drive a balanced portfolio approach as we strengthen our national mainstream brands and continue to premiumize by driving top and bottom line opportunities with a focus on our craft portfolio, *Staropramen*, *Coors Light* and cider brands, along with the addition of the *Miller* brands and the royalty and export business in the region. In July, we also completed the purchase of *Birradamare*, a small Italian craft brewery, which gives us an opportunity to develop its special brands in Italy and select export markets. Our balanced portfolio approach across Europe resulted in maintaining our share of segment in our mainstream brands, as well as generate double-digit growth in above premium. Furthermore, in what remains a competitive environment in the U.K., our first choice consumer and customer approach earned us the number-one ranking in the Advantage survey of multiple grocers for the second consecutive year.

In International, we will continue to leverage our strong global brands, partnerships and commercial capabilities around the world and focus our brands on the most attractive segments to grow *Coors*, *Miller* and *Blue Moon*. Our customer teams have successfully rolled out a common segmentation analysis in all of our markets, as *Coors Light* is growing at strong double digit rates in Latin America and we are lifting and shifting the original white can packaging for *Miller Lite* to more than 20 markets globally. The scaled up International business requires up-front investments to grow our brands, and our marketing, general and administrative expenses will be higher this year, funded by a step change in gross profit, as we lay the foundation for accelerating top and bottom line growth from 2018 onwards. In 2018, we plan to continue to drive top-line growth and improve profit performance which we expect to offset the impacts related to the hurricanes in the Caribbean and the loss of the *Modelo* contract in Japan in the current year.

### ***Pension Plans***

We currently anticipate approximately \$310 million of cash contributions to our defined benefit pension plans in 2017, based on foreign exchange rates as of September 30, 2017. This includes a \$200 million discretionary contribution to the MillerCoors pension plan, which we made in the third quarter of 2017. Additionally, for the full year of 2017, we expect to record a net pension benefit of approximately \$27 million, based on foreign exchange rates as of September 30, 2017. BRI and BDL pension expense and contributions to their respective defined benefit pension plans are excluded here, as they are not consolidated in our financial statements.

### ***Interest***

We anticipate 2017 corporate net interest expense of approximately \$360 million, based on foreign exchange and interest rates at September 30, 2017.

### ***Dividends and Stock Repurchases***

As a result of the Acquisition, we plan to maintain our current quarterly dividend of \$0.41 per share, and have suspended our share repurchase program as we pay down debt. We will revisit our dividend policy and share repurchase program once deleveraging is well underway.

## **Critical Accounting Estimates**

Our accounting policies and accounting estimates critical to our financial condition and results of operations are set forth in our Annual Report and did not change during the first three quarters of 2017. Refer to Part I—Item 1. Financial Statements, Note 10, "Goodwill and Intangible Assets" of the Notes for discussion of the results of the 2016 annual impairment testing analysis and the related risks to our indefinite-lived intangible brand assets and goodwill amounts associated with our reporting units.

## **New Accounting Pronouncements Not Yet Adopted**

### ***Leases***

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.

### ***Revenue Recognition***

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.

See Part I—Item 1. Financial Statements, Note 2, "New Accounting Pronouncements" of the Notes for a description of all new accounting pronouncements.

### **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 below table for significant non-recurring costs.

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 related 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 completed on January 1, 2016, nor are they indicative of future results.

**MOLSON COORS BREWING COMPANY AND SUBSIDIARIES**  
**UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS**  
**FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2016**  
**(IN MILLIONS, EXCEPT PER SHARE DATA)**

|                                                                              | MCBC<br>Historical | MillerCoors<br>Historical | Pro Forma<br>Adjustments | Note | Pro Forma<br>Combined |
|------------------------------------------------------------------------------|--------------------|---------------------------|--------------------------|------|-----------------------|
| Financial volume in hectoliters                                              | 9.409              | 18.438                    | (0.221)                  | (1)  | 27.626                |
| Sales                                                                        | \$ 1,337.7         | \$ 2,292.5                | \$ (11.9)                | (1)  | \$ 3,618.3            |
| Excise taxes                                                                 | (390.1)            | (284.8)                   | 1.2                      | (1)  | (673.7)               |
| Net sales                                                                    | 947.6              | 2,007.7                   | (10.7)                   |      | 2,944.6               |
| Cost of goods sold                                                           | (541.3)            | (1,150.8)                 | (1.1)                    | (2)  | (1,693.2)             |
| Gross profit                                                                 | 406.3              | 856.9                     | (11.8)                   |      | 1,251.4               |
| Marketing, general and administrative expenses                               | (278.9)            | (475.2)                   | 4.9                      | (3)  | (749.2)               |
| Special items, net                                                           | 4.9                | (8.3)                     | —                        |      | (3.4)                 |
| Equity income in MillerCoors                                                 | 156.9              | —                         | (156.9)                  |      | —                     |
| Operating income (loss)                                                      | 289.2              | 373.4                     | (163.8)                  |      | 498.8                 |
| Interest income (expense), net                                               | (66.6)             | (0.5)                     | (25.3)                   | (4)  | (92.4)                |
| Other income (expense), net                                                  | 0.8                | 1.1                       | 11.0                     | (5)  | 12.9                  |
| Income (loss) from continuing operations before income taxes                 | \$ 223.4           | \$ 374.0                  | \$ (178.1)               |      | \$ 419.3              |
| Income tax benefit (expense)                                                 | (19.6)             | (1.3)                     | (74.7)                   | (6)  | (95.6)                |
| Net income (loss) from continuing operations                                 | 203.8              | 372.7                     | (252.8)                  |      | 323.7                 |
| Income (loss) from discontinued operations, net of tax                       | —                  | —                         | —                        |      | —                     |
| Net income (loss) including noncontrolling interests                         | 203.8              | 372.7                     | (252.8)                  |      | 323.7                 |
| Net income (loss) attributable to noncontrolling interests                   | (1.3)              | (3.5)                     | —                        |      | (4.8)                 |
| Net income (loss) attributable to MCBC                                       | \$ 202.5           | \$ 369.2                  | \$ (252.8)               |      | \$ 318.9              |
| Net income (loss) per share attributable to MCBC from continuing operations: |                    |                           |                          |      |                       |
| Net income (loss) attributable to MCBC from continuing operations            | \$ 202.5           | \$ 369.2                  | \$ (252.8)               |      | \$ 318.9              |
| Basic                                                                        | \$ 0.94            |                           |                          |      | \$ 1.48               |
| Diluted                                                                      | \$ 0.94            |                           |                          |      | \$ 1.47               |
| Weighted-average shares—basic                                                | 214.8              |                           |                          |      | 214.8                 |
| Weighted-average shares—diluted                                              | 216.3              |                           |                          |      | 216.3                 |

**MOLSON COORS BREWING COMPANY AND SUBSIDIARIES**  
**UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016**  
**(IN MILLIONS, EXCEPT PER SHARE DATA)**

|                                                                              | MCBC<br>Historical | MillerCoors<br>Historical | Pro Forma<br>Adjustments | Note | Pro Forma<br>Combined |
|------------------------------------------------------------------------------|--------------------|---------------------------|--------------------------|------|-----------------------|
| Financial volume in hectoliters                                              | 25.116             | 54.189                    | (0.708)                  | (1)  | 78.597                |
| Sales                                                                        | \$ 3,695.5         | \$ 6,788.1                | \$ (38.6)                | (1)  | \$ 10,445.0           |
| Excise taxes                                                                 | (1,104.5)          | (837.6)                   | 12.3                     | (1)  | (1,929.8)             |
| Net sales                                                                    | 2,591.0            | 5,950.5                   | (26.3)                   |      | 8,515.2               |
| Cost of goods sold                                                           | (1,517.5)          | (3,358.3)                 | (4.5)                    | (2)  | (4,880.3)             |
| Gross profit                                                                 | 1,073.5            | 2,592.2                   | (30.8)                   |      | 3,634.9               |
| Marketing, general and administrative expenses                               | (843.4)            | (1,362.0)                 | 13.4                     | (3)  | (2,192.0)             |
| Special items, net                                                           | 79.0               | (84.6)                    | —                        |      | (5.6)                 |
| Equity income in MillerCoors                                                 | 491.2              | —                         | (491.2)                  |      | —                     |
| Operating income (loss)                                                      | 800.3              | 1,145.6                   | (508.6)                  |      | 1,437.3               |
| Interest income (expense), net                                               | (154.4)            | (1.4)                     | (119.2)                  | (4)  | (275.0)               |
| Other income (expense), net                                                  | (44.9)             | 3.7                       | 61.2                     | (5)  | 20.0                  |
| Income (loss) from continuing operations before income taxes                 | \$ 601.0           | \$ 1,147.9                | \$ (566.6)               |      | \$ 1,182.3            |
| Income tax benefit (expense)                                                 | (57.5)             | (3.3)                     | (221.6)                  | (6)  | (282.4)               |
| Net income (loss) from continuing operations                                 | 543.5              | 1,144.6                   | (788.2)                  |      | 899.9                 |
| Income (loss) from discontinued operations, net of tax                       | (2.3)              | —                         | —                        |      | (2.3)                 |
| Net income (loss) including noncontrolling interests                         | 541.2              | 1,144.6                   | (788.2)                  |      | 897.6                 |
| Net income (loss) attributable to noncontrolling interests                   | (3.7)              | (10.6)                    | —                        |      | (14.3)                |
| Net income (loss) attributable to MCBC                                       | \$ 537.5           | \$ 1,134.0                | \$ (788.2)               |      | \$ 883.3              |
| Net income (loss) per share attributable to MCBC from continuing operations: |                    |                           |                          |      |                       |
| Net income (loss) attributable to MCBC from continuing operations            | \$ 539.8           | \$ 1,134.0                | \$ (788.2)               |      | \$ 885.6              |
| Basic                                                                        | \$ 2.56            |                           |                          |      | \$ 4.12               |
| Diluted                                                                      | \$ 2.54            |                           |                          |      | \$ 4.10               |
| Weighted-average shares—basic                                                | 211.1              |                           | 3.6                      | (7)  | 214.7                 |
| Weighted-average shares—diluted                                              | 212.6              |                           | 3.6                      | (7)  | 216.2                 |

**(1) Sales**

The following pro forma adjustments eliminate beer sales between MCBC and MillerCoors for the three and nine months ended September 30, 2016, that were previously recorded as affiliate sales and became intercompany transactions after the Acquisition was completed and thus eliminate in consolidation.

|                                              | Three Months Ended | Nine Months Ended |
|----------------------------------------------|--------------------|-------------------|
|                                              | September 30, 2016 |                   |
|                                              | (In millions)      |                   |
| Hectoliters of beer and other beverages sold | (0.221)            | (0.708)           |
| MCBC's beer sales to MillerCoors             | \$ 2.6             | \$ 7.2            |
| MillerCoors' beer sales to MCBC              | 9.3                | 31.4              |
| Total pro forma adjustment to sales          | <u>\$ 11.9</u>     | <u>\$ 38.6</u>    |
| Excise tax adjustment <sup>(1)</sup>         | <u>\$ 1.2</u>      | <u>\$ 12.3</u>    |

- <sup>(1)</sup> 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.

**(2) Cost of Goods Sold**

The following pro forma adjustments (increase)/decrease cost of goods sold for the three and nine months ended September 30, 2016:

|                                                         | Three Months Ended | Nine Months Ended |
|---------------------------------------------------------|--------------------|-------------------|
|                                                         | September 30, 2016 |                   |
|                                                         | (In millions)      |                   |
| MillerCoors' beer purchases from MCBC <sup>(1)</sup>    | \$ 2.6             | \$ 7.2            |
| MCBC's beer purchases from MillerCoors <sup>(1)</sup>   | 9.3                | 31.4              |
| Depreciation <sup>(2)</sup>                             | (14.2)             | (44.8)            |
| MillerCoors' royalties paid to SABMiller <sup>(3)</sup> | 4.8                | 12.9              |
| Policy reclassification <sup>(4)</sup>                  | (6.0)              | (18.2)            |
| Historical charges recorded for pallets <sup>(5)</sup>  | 2.4                | 7.0               |
| Total pro forma adjustment to cost of goods sold        | <u>\$ (1.1)</u>    | <u>\$ (4.5)</u>   |

- <sup>(1)</sup> Reflects beer purchases between MCBC and MillerCoors that were previously recorded as affiliate purchases and became intercompany transactions after the Acquisition was completed and thus eliminate in consolidation.
- <sup>(2)</sup> Reflects the pro forma adjustment to depreciation expense associated with the estimated fair value of MillerCoors' property, plant and equipment over the estimated remaining useful life.
- <sup>(3)</sup> Reflects royalties paid by MillerCoors to SABMiller plc for sales of certain of its licensed brands in the U.S. Upon completion of the Acquisition, royalties are no longer paid related to these licensed brands. See the purchase agreement for additional details.
- <sup>(4)</sup> Reflects the reclassification of certain MillerCoors overhead costs from marketing, general and administrative expenses to cost of goods sold to align to MCBC policy related to profit and loss classification of such costs.
- <sup>(5)</sup> Reflects the amortization of MillerCoors' pallet costs which were historically recorded as a non-current asset and amortized into cost of goods sold, separate from depreciation expense. As part of our policy alignment, the pallets are now classified as depreciable fixed assets within Properties, net and the related depreciation is included as part of depreciation expense that is recognized in cost of goods sold. This adjustment reflects the removal of historical pallet amortization expense recorded within cost of goods sold and the depreciation pro forma adjustment above reflects the updated amount to be recorded as cost of goods sold depreciation going forward.

**(3) Marketing, General and Administrative Expenses**

Based on the estimated fair values of identifiable amortizable intangible assets and depreciable property, plant and equipment, and the estimated useful lives assigned, the following pro forma adjustments to amortization and depreciation expenses have been made to marketing, general and administrative expenses for the three and nine months ended September 30, 2016. Additionally, a pro forma adjustment has been made to eliminate MillerCoors' service agreement income related to charges to SABMiller for the three and nine months ended September 30, 2016, that were previously recorded as a reduction to MillerCoors' marketing, general and administrative expenses as this activity with SABMiller ceased upon completion of the Acquisition. We have also removed transaction-related costs included in the historical MCBC statements of operations as they will not have a continuing impact. The pro forma adjustments to increase/(decrease) marketing, general and administrative expenses are as follows:

|                                                                                                       | Three Months Ended |        | Nine Months Ended |        |
|-------------------------------------------------------------------------------------------------------|--------------------|--------|-------------------|--------|
|                                                                                                       | September 30, 2016 |        |                   |        |
|                                                                                                       | (In millions)      |        |                   |        |
| Marketing, general and administrative expenses pro forma adjustment for depreciation and amortization | \$                 | 17.7   | \$                | 54.9   |
| MillerCoors' service agreement charges to SABMiller                                                   |                    | 0.6    |                   | 1.6    |
| Policy reclassification - See cost of goods sold note 2 above                                         |                    | (6.0)  |                   | (18.2) |
| Historical transaction costs                                                                          |                    | (17.2) |                   | (51.7) |
| Total pro forma adjustment to marketing, general and administrative expenses                          | \$                 | (4.9)  | \$                | (13.4) |

**(4) Interest Income (Expense)**

Represents the pro forma adjustments for the incremental interest expense, including the amortization of debt issuance costs, as if the Acquisition and related financing had occurred on January 1, 2016. The Acquisition was funded through cash on hand, including proceeds received from our February 3, 2016, equity issuance, the issuance of debt on July 7, 2016, as well as borrowings on our term loan, which occurred concurrent with the close of the Acquisition. We incurred costs related to the issuance of debt, committed financing we had in place prior to the completion of the Acquisition and earned interest income on the cash proceeds from the equity issuance and debt issuance prior to the completion of the Acquisition. We have therefore removed these amounts for pro forma purposes as they would not have been incurred or earned had the Acquisition and related financing been completed on January 1, 2016. Additionally, we incurred losses on the swaption derivative instruments that we entered into to economically hedge a portion of our long-term debt issuance with which we partially funded the Acquisition. These swaptions were not designated in hedge accounting relationships as the hedges were entered into in association with the Acquisition and, accordingly, all mark-to-market fair value adjustments were reflected within interest expense. As the losses on the swaptions are nonrecurring and do not have a continuing impact on the business, we have removed them from our pro forma financial information. The debt issued on July 7, 2016, consists of fixed rate notes. The term loans, which had monthly interest at the rate of 1.50% plus one-month LIBOR, were fully repaid as of July 19, 2017.

|                                                            | Three Months Ended |        | Nine Months Ended |        |
|------------------------------------------------------------|--------------------|--------|-------------------|--------|
|                                                            | September 30, 2016 |        |                   |        |
|                                                            | (In millions)      |        |                   |        |
| Term loan interest expense adjustments                     | \$                 | 13.5   | \$                | 39.0   |
| Interest expense adjustments from debt issued July 7, 2016 |                    | 51.1   |                   | 153.2  |
| Historical net interest on other items discussed above     |                    | (39.3) |                   | (73.0) |
| Total pro forma adjustment to interest expense             | \$                 | 25.3   | \$                | 119.2  |

(5) **Other Income (Expense)**

Represents the elimination of historical financing costs that do not have a continuing impact related to the bridge loan and other derivative and foreign exchange net gains recorded on cash received from the debt issued on July 7, 2016, which have been included in the historical financial statements within other income (expense).

|                                                                                          | Three Months Ended | Nine Months Ended |
|------------------------------------------------------------------------------------------|--------------------|-------------------|
|                                                                                          | September 30, 2016 |                   |
|                                                                                          | (In millions)      |                   |
| Historical financing costs on the bridge loan                                            | \$ 24.8            | \$ 63.4           |
| Historical derivative and foreign exchange net gains related to debt issued July 7, 2016 | (13.8)             | (2.2)             |
| Total pro forma adjustment to other income (expense)                                     | <u>\$ 11.0</u>     | <u>\$ 61.2</u>    |

(6) **Income Tax Benefit (Expense)**

MillerCoors elected to be taxed as a partnership for U.S. federal and state income tax purposes. As a result, the related tax attributes of MillerCoors are passed through to its shareholders and income taxes are payable by its shareholders. Therefore, income tax expense within MCBC's historical results includes the tax effect of our 42% equity income from MillerCoors. The pro forma adjustment to income tax expense is inclusive of both the tax effect of the assumption of the incremental 58% of MillerCoors' pretax income, as well as the tax effect of the other pro forma adjustments impacting pretax income discussed above, based on the estimated blended U.S. federal and state statutory income tax rate and other pro forma tax considerations.

|                                                            | Three Months Ended | Nine Months Ended |
|------------------------------------------------------------|--------------------|-------------------|
|                                                            | September 30, 2016 |                   |
|                                                            | (In millions)      |                   |
| Total pro forma adjustment to income tax benefit (expense) | \$ (74.7)          | \$ (221.6)        |

(7) **Weighted-Average Shares Outstanding**

Weighted-average shares outstanding have been calculated to include the impact of the shares that were issued in the first quarter of 2016 in conjunction with the February 3, 2016, equity offering, which was completed to fund a portion of the Acquisition. As such, the below adjustment assumes such shares were outstanding on January 1, 2016.

|                                                                     | Nine Months Ended  |
|---------------------------------------------------------------------|--------------------|
|                                                                     | September 30, 2016 |
|                                                                     | (In millions)      |
| <b>Impact of shares issued in February 3, 2016, equity offering</b> |                    |
| Weighted-average shares—basic                                       | 3.6                |
| Weighted-average shares—diluted                                     | 3.6                |

**ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

In the normal course of business, we actively manage our exposure to various market risks by entering into various supplier-based and market-based hedging transactions, authorized under established risk management policies that place clear controls on these activities. Our objective in managing these exposures is to decrease the volatility of our earnings and cash flows due to changes in underlying rates and costs. The counterparties to our market-based transactions are generally highly rated institutions. We perform assessments of their credit risk regularly. Our market-based transactions include a variety of derivative financial instruments, none of which are used for trading or speculative purposes.

For details of our derivative instruments that are presented on the balance sheet, including their fair values as of period end, see Part I—Item 1. Financial Statements, Note 14, "Derivative Instruments and Hedging Activities" of the Notes. On a rolling twelve-month basis, maturities of derivative financial instruments held on September 30, 2017, based on foreign exchange rates as of September 30, 2017, are as follows:

| Total         | Less than 1 year | 1 - 3 years | 3 - 5 years | More than 5 years |
|---------------|------------------|-------------|-------------|-------------------|
| (In millions) |                  |             |             |                   |
| \$ 66.9       | \$ 30.3          | \$ 35.2     | \$ 1.4      | \$ —              |

#### *Sensitivity Analysis*

Our market sensitive derivative and other financial instruments, as defined by the SEC, are debt, foreign currency forward contracts, interest rate swaps, commodity swaps and commodity options. We monitor foreign exchange risk, interest rate risk, commodity risk and related derivatives using a sensitivity analysis.

The following table presents the results of the sensitivity analysis, which reflects the impact of a hypothetical 10% adverse change in each of these risks to our derivative and debt portfolio:

|                                        | As of              |                   |
|----------------------------------------|--------------------|-------------------|
|                                        | September 30, 2017 | December 31, 2016 |
| (In millions)                          |                    |                   |
| <b>Estimated fair value volatility</b> |                    |                   |
| Foreign currency risk:                 |                    |                   |
| Forwards                               | \$ (34.8)          | \$ (35.1)         |
| Foreign currency denominated debt      | \$ (336.9)         | \$ (223.6)        |
| Interest rate risk:                    |                    |                   |
| Debt                                   | \$ (312.2)         | \$ (319.3)        |
| Interest rate swaps                    | \$ (15.8)          | \$ —              |
| Commodity price risk:                  |                    |                   |
| Commodity swaps                        | \$ (29.9)          | \$ (66.8)         |
| Commodity options                      | \$ —               | \$ —              |

The volatility of the applicable rates and prices are dependent on many factors that cannot be forecast with reliable accuracy. Therefore, actual changes in fair values could differ significantly from the results presented in the table above.

## **ITEM 4. CONTROLS AND PROCEDURES**

### *Evaluation of Disclosure Controls and Procedures*

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of our disclosure controls and procedures as such item is defined under Rule 13a-15(e) under the Exchange Act. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of September 30, 2017, to provide reasonable assurance that information required to be disclosed in our reports under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. Management necessarily applies its judgment in assessing the costs and benefits of such controls and procedures that, by their nature, can only provide reasonable assurance regarding management's control objectives. Also, we have investments in certain unconsolidated entities that we do not control or manage.

### *Changes in Internal Control over Financial Reporting*

There were no changes in our internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f)) during the three months ended September 30, 2017, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## **PART II. OTHER INFORMATION**

### **ITEM 1. LEGAL PROCEEDINGS**

On December 12, 2014, a notice of action captioned David Hughes and 631992 Ontario Inc. v. Liquor Control Board of Ontario, Brewers Retail Inc., Labatt Breweries of Canada LP, Molson Coors Canada and Sleeman Breweries Ltd. No. CV-14-518059-00CP was filed in Ontario, Canada in the Ontario Superior Court of Justice. Brewers Retail Inc. ("BRI") and its owners, including Molson Coors Canada, as well as the Liquor Control Board of Ontario ("LCBO") are named as defendants in the action. The plaintiffs allege that The Beer Store (retail outlets owned and operated by BRI) and LCBO improperly entered into an agreement to fix prices and market allocation within the Ontario beer market to the detriment of licensees and consumers. The plaintiffs seek to have the claim certified as a class action on behalf of all Ontario beer consumers and licensees and, among other things, damages in the amount of Canadian Dollar ("CAD") 1.4 billion. We note that The Beer Store operates according to the rules established by the Government of Ontario for regulation, sale and distribution of beer in the province. Additionally, prices at The Beer Store are independently set by each brewer and are approved by the LCBO on a weekly basis. Accordingly, we intend to vigorously assert and defend our rights in this lawsuit. See Part I—Item 1. Financial Statements, Note 16, "Commitments and Contingencies" of the Notes for additional information.

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

### **ITEM 1A. RISK FACTORS**

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part I—Item 1A. "Risk Factors" in our Annual Report, which could materially affect our business, financial condition and/or future results. There have been no material changes to the risk factors contained in our Annual Report. The risks described in our Annual Report are not the only risks facing us. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also materially adversely affect our business, financial condition, cash flows and/or future results.

### **ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

None.

### **ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

None.

### **ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.

### **ITEM 5. OTHER INFORMATION**

None.

## ITEM 6. EXHIBITS

The following are filed or incorporated by reference as a part of this Quarterly Report on Form 10-Q:

### (a) Exhibits

| Exhibit Number | Document Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|----------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 10.1           | Credit Agreement, dated as of July 7, 2017, by and among Molson Coors Brewing Company, Molson Coors Brewing Company (UK) Limited, Molson Canada 2005, Molson Coors Canada Inc. and Molson Coors International LP, the Lenders party thereto, Citibank, N.A., as Administrative Agent and an Issuing Bank, and Bank of America, N.A. and The Bank of Tokyo Mitsubishi UFJ, LTD., as Issuing Banks (incorporated by reference to Exhibit 10.1 of our Current Report on Form 8-K, filed on July 13, 2017).                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| 10.2           | Subsidiary Guarantee Agreement, dated as of July 7, 2017, by and among Molson Coors Brewing Company, Molson Coors International LP, MillerCoors LLC, Coors Brewing Company, CBC Holdco LLC, CBC Holdco 2 LLC, CBC Holdco 3, Inc., MC Holding Company LLC, Newco3, Inc., Molson Coors Holdco Inc., MillerCoors Holdings LLC, Jacob Leinenkugel Brewing Co., LLC, Molson Coors International General, ULC, Coors International Holdco 2, ULC, Molson Coors Callco ULC, Molson Canada 2005, Molson Coors Canada Inc., Molson Coors Canada Holdco, ULC, Molson Holdco, ULC, 3230600 Nova Scotia Company, Molson Inc., Molson Canada 1 ULC, Molson Canada 2 ULC, Molson Canada 3 ULC, Molson Coors Brewing Company (UK) Limited, Molson Coors (UK) Holdings LLP, Molson Coors Holdings Limited, Golden Acquisition, and Citibank, N.A., as Administrative Agent (incorporated by reference to Exhibit 10.2 of our Current Report on Form 8-K, filed on July 13, 2017). |
| 10.3           | Form of Commercial Paper Dealer Agreement (incorporated by reference to Exhibit 10.3 of our Current Report on Form 8-K, filed on July 13, 2017).                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| 31.1           | Section 302 Certification of Chief Executive Officer.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| 31.2           | Section 302 Certification of Chief Financial Officer.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| 32             | Written Statement of Chief Executive Officer and Chief Financial Officer furnished pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 USC. Section 1350).                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| 101.INS        | XBRL Instance Document.*                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| 101.SCH        | XBRL Taxonomy Extension Schema Document.*                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| 101.CAL        | XBRL Taxonomy Extension Calculation Linkbase Document.*                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| 101.LAB        | XBRL Taxonomy Extension Label Linkbase Document.*                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| 101.PRE        | XBRL Taxonomy Extension Presentation Linkbase Document.*                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| 101.DEF        | XBRL Taxonomy Extension Definition Linkbase Document.*                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| *              | Attached as Exhibit 101 to this report are the following documents formatted in XBRL (Extensible Business Reporting Language): (i) the Unaudited Condensed Consolidated Statements of Operations, (ii) the Unaudited Condensed Consolidated Statements of Comprehensive Income (Loss), (iii) the Unaudited Condensed Consolidated Balance Sheets, (iv) the Unaudited Condensed Consolidated Statements of Cash Flows, (v) the Unaudited Condensed Consolidated Statements of Stockholders' Equity and Noncontrolling Interests, (vi) the Notes to Unaudited Condensed Consolidated Financial Statements, and (vii) document and entity information.                                                                                                                                                                                                                                                                                                               |

## SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

MOLSON COORS BREWING COMPANY

By: /s/ BRIAN C. TABOLT

Brian C. Tabolt  
*Global Controller*  
*(Chief Accounting Officer)*  
November 1, 2017

## SECTION 302 CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Mark Hunter, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Molson Coors Brewing Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ MARK R. HUNTER

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Mark R. Hunter  
President and Chief Executive Officer  
(Principal Executive Officer)

November 1, 2017

## SECTION 302 CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Tracey Joubert, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Molson Coors Brewing Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ TRACEY I. JOUBERT

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Tracey I. Joubert  
*Chief Financial Officer*  
*(Principal Financial Officer)*

November 1, 2017

**WRITTEN STATEMENT OF CHIEF EXECUTIVE OFFICER  
AND CHIEF FINANCIAL OFFICER  
FURNISHED PURSUANT TO SECTION 906  
OF THE SARBANES-OXLEY ACT OF 2002 (18 USC. SECTION 1350)  
AND FOR THE PURPOSE OF COMPLYING WITH RULE 13a-14(b)  
OF THE SECURITIES EXCHANGE ACT OF 1934.**

The undersigned, the Chief Executive Officer and the Chief Financial Officer of Molson Coors Brewing Company (the "Company") respectively, each hereby certifies that to his knowledge on the date hereof:

- (a) the Quarterly Report on Form 10-Q of the Company for the quarterly period ended September 30, 2017 filed on the date hereof with the Securities and Exchange Commission (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (b) Information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ MARK R. HUNTER

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Mark R. Hunter  
*President and Chief Executive Officer*  
*(Principal Executive Officer)*

November 1, 2017

/s/ TRACEY I. JOUBERT

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Tracey I. Joubert  
*Chief Financial Officer*  
*(Principal Financial Officer)*

November 1, 2017

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.