MOLSON COORS BREWING CO
Form 10-K
February 14, 2017
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K
(Mark One)
ý ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2016
OR
o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from ______ to ______ .
Commission File Number: 1-14829
Molson Coors Brewing Company
(Exact name of registrant as specified in its charter)

DELAWARE	84-0178360
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1801 California Street, Suite 4600, Denver, Colorado	80202
1555 Notre Dame Street East, Montréal, Québec, Canada	H2L 2R5
(Address of principal executive offices)	(Zip Code)

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

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

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

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES ý NO o
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. YES o NO ý
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES ý NO o
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES ý NO o
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or

information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ý

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

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

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

The aggregate market value of the registrant's voting and non-voting common stock held by non-affiliates of the registrant at the close of business on June 30, 2016, was approximately $18.2 billion based upon the last sales price reported for such date on the New York Stock Exchange and the Toronto Stock Exchange. For purposes of this disclosure, shares of common and exchangeable stock held by persons holding more than 10% of the outstanding shares of stock and shares owned by officers and directors of the registrant as of June 30, 2016, are excluded in that such persons may be deemed to be affiliates. This determination is not necessarily conclusive of affiliate status for other purposes.

The number of shares outstanding of each of the registrant's classes of common stock, as of February 9, 2017:

Class A Common Stock—2,560,918 shares Class B Common Stock—194,416,411 shares

Exchangeable shares:

As of February 9, 2017, the following number of exchangeable shares was outstanding for Molson Coors Canada, Inc.:

Class A Exchangeable Shares—2,878,936 shares Class B Exchangeable Shares—15,107,753 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.

Documents Incorporated by Reference: Portions of the registrant's definitive proxy statement for the registrant's 2017 annual meeting of stockholders, which will be filed no later than 120 days after the close of the registrant's fiscal year ended December 31, 2016, are incorporated by reference under Part III of this Annual Report on Form 10-K.

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

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

Statements that refer to projections of our future financial performance, our anticipated growth and trends in our businesses, and other characterizations of future events or circumstances are forward-looking statements, and include, but are not limited to, statements in Part II—Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations in this report, and under the heading "Outlook for 2017" therein, relating to the acquisition of MillerCoors LLC and all trademarks, contracts and other assets primarily related to the Miller brand portfolio outside of the U.S. and Puerto Rico, overall volume trends, consumer preferences, pricing trends, industry forces, cost reduction strategies, anticipated results, anticipated synergies, expectations for funding future capital expenditures and operations, debt service capabilities, shipment levels and profitability, market share and the sufficiency of capital resources. In addition, statements that we make in this report that are not statements of historical fact may also be forward-looking statements. Words such as "expects," "goals," "plans," "believes," "continues," "may," "anticipate," "seek," "estimate," "outlook," "trends," "future benefits," "potential," "projects," "strategies," and variations of such words and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are subject to risks and uncertainties that could cause actual results to be materially different from those indicated (both favorably and unfavorably). These risks and uncertainties include, but are not limited to those described in Part I—Item 1A "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"). 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 Annual Report on Form 10-K are based on independent industry publications, customers, trade or business organizations, reports by market research firms and other published statistical information from third parties, as well as information based on management’s good faith estimates, which we derive from our review of internal information and independent sources. Although we believe these sources to be reliable, we have not independently verified the accuracy or completeness of the information.

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PART I

ITEM 1. BUSINESS

Unless otherwise noted in this report, any description of "we," "us" or "our" includes Molson Coors Brewing Company ("MCBC" or the "Company"), principally a holding company, and its 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 MCI segment), operating in various other countries.

Unless otherwise indicated, information in this report is presented in U.S. dollars ("USD" or "$") and comparisons are to comparable prior periods. 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").

Background

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 the Blue Moon Brewing Company brands, the Jacob Leinenkugel Brewing Company brands, Creemore Springs, Cobra and Doom Bar. 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 ambition 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.

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

Coors was incorporated in June 1913 under the laws of the state of Colorado. In October 2003, Coors merged with and into Adolph Coors Company, a Delaware corporation. In February 2005, upon completion of the Merger, Adolph Coors Company (the Delaware corporation) changed its name to Molson Coors Brewing Company.

Acquisition

During 2015, Anheuser-Busch InBev SA/NV’s (“ABI”) announced it had entered into a definitive agreement to acquire SABMiller plc ("SABMiller") (“ABI/SABMiller transaction”) and concurrently, on November 11, 2015, we entered into a purchase agreement (as amended, the “Purchase Agreement”) with ABI to acquire, contingent upon the closing of the ABI/SABMiller transaction, all of SABMiller’s 58% economic interest and 50% voting interest in MillerCoors and all trademarks, contracts and other assets primarily related to the Miller brand portfolio outside of the U.S. and Puerto Rico for $12.0 billion in cash, subject to downward adjustment as described in the Purchase Agreement (the "Acquisition"). On October 11, 2016, the Acquisition was completed and MillerCoors, previously a joint venture between MCBC and SABMiller, became a wholly-owned subsidiary of MCBC and as a result, MCBC now owns 100% of the outstanding equity and voting interests of MillerCoors.

Industry Overview

The brewing industry has significantly evolved over the years, becoming an increasingly global beer market. The industry was previously founded on local presence with modest international expansion achieved through export, license and partnership arrangements. More recently, it has become increasingly complex, as the consolidation of brewers has occurred globally, resulting in fewer major global market participants. In addition to the acquisitive element of this industry consolidation, the market continues to utilize export, license and partnership arrangements; however, these are often with the same global competitors that make up the majority of the market. This industry consolidation has resulted in a small number of large global brewers representing the majority of the worldwide beer market. At the same time, smaller local brewers within certain established markets are experiencing accelerated growth as consumers increasingly place value on locally-produced, regionally-sourced products. As the beer industry continues its evolution of consolidation and diversification of its products to meet consumer demand with broadening preferences, large global brewers are uniquely positioned to leverage the scale, depth of product portfolio and industry knowledge to continue to lead the market forward.

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Global Competitors' Market Capitalization

We evaluate ourselves in relation to other global brewers using various metrics, including overall market capitalization, volume, net sales revenue, gross margins and net profits, as well as our position within each of our core markets, with the goal to be the first choice for our consumers and customers. To provide a perspective of the relative size of the major participants in the global brewing market, the market capitalizations of our primary global competitors, based on foreign exchange rates at December 31, 2016, were as follows:

	Market Capitalization (In billions)
Anheuser-Busch InBev SA/NV	$ 213.5
Heineken N.V. ("Heineken")	$ 43.2
MCBC	$ 20.9
Asahi Group Holdings, Ltd. ("Asahi")	$ 15.3
Carlsberg Group ("Carlsberg")	$ 13.1

Our Products

We have a diverse portfolio of owned and partner brands which are positioned to meet a wide range of consumer segments and occasions in a variety of markets, including core brands Carling, Coors Light, Miller Lite, Molson Canadian, and Staropramen. We consider these our core global brands which we continue to invest in and focus on growing globally. We believe our portfolio encompasses all segments of the beer industry with the purpose of delighting the world's beer drinkers, including premium and premium lights, economy, above premium and craft, as well as adjacencies such as ciders and other malt beverages.

Our core brands sold in the U.S. include Coors Light and Miller Lite. We also sell additional beer brands in the U.S. including Coors Banquet, the Blue Moon Brewing Company brands, the Jacob Leinenkugel Brewing Company brands, Keystone, Icehouse, Mickey’s, Miller 64, Miller Genuine Draft, Miller High Life, Milwaukee’s Best, Hamm's, Olde English 800 and Steel Reserve. Craft and import brands in the U.S. are marketed and sold through Tenth and Blake Beer Company ("Tenth and Blake"). These include the Hop Valley, Revolver, Saint Archer and Terrapin brands, as well as the Grolsch, Peroni Nastro Azzurro and Pilsner Urquell brands which are imported. Our U.S. hard cider brands are Crispin and Smith & Forge. Flavored malt beverages in the U.S. include Redd's, the Henry’s Hard Soda and Steel Reserve Alloy Series brands. We also brew or distribute under license George Killian's Irish Red and the Redd's brands, as well as certain of the Foster's brands. As a result of the Acquisition, our import and license rights for the Redd's, Foster's, Grolsch, Peroni and Pilsner Urquell brands are perpetual and on a royalty-free basis.

Our core brands sold in Canada include Coors Light and Molson Canadian. We also sell Belgian Moon, Carling, Carling Black Label, Coors Banquet, Creemore Springs, the Granville Island brands, Keystone, Mad Jack, the Miller brands, Molson Canadian 67, Molson Canadian Cider, Molson Dry, Molson Export, Old Style Pilsner, the Rickard's family of brands and a number of other regional brands. Under license from Heineken, we also brew or distribute Amstel Light, Heineken, Murphy's, Newcastle Brown Ale and Strongbow cider. In January 2015, we also began selling premium import brands owned by Heineken, including Desperados, Dos Equis, Moretti, Sol and Tecate. We also have contract brewing agreements to produce for the U.S. market Asahi Select and Asahi Super Dry for Asahi and Labatt Blue and Labatt Blue Light for North American Breweries, Inc.

Our core brands sold in Europe include Carling and Staropramen. We also sell Apatinsko, Astika, Bergenbier, Blue Moon, Borsodi, Branik, Coors Light, Jelen, Kamenitza, Miller Genuine Draft, Niksicko, Noroc, Ostravar, Ozujsko, Sharp's Doom Bar and Worthington's, as well as a number of smaller regional ale brands in the U.K., Republic of Ireland and Central Europe. The European business has licensing agreements with various other brewers through which it also brews or distributes Beck's, Belle-Vue Kriek brands, Hoegaarden, Leffe, Lowenbrau, Löwenweisse, Spaten and Stella Artois, Corona Extra and other Modelo brands throughout the Central European countries in which we operate. We also distribute the Rekorderlig cider brand in the U.K. and Republic of Ireland. In the U.K., we also sell the Cobra brands through the Cobra Beer Partnership Ltd. joint venture and the Grolsch brands through a joint venture with Royal Grolsch N.V., and are the exclusive distributor for several brands including Singha. Additionally, in order to be able to provide a full line of beer and other beverages to our U.K. on-premise customers, we sell "factored" brands, which are third-party beverage brands for which we provide distribution to retail, typically on a non-exclusive basis. We also recently entered into an agreement with Dutch brewer, Bavaria, for the exclusive on-premise and off-premise rights to the sales, distribution and customer marketing of Bavaria and its portfolio of brands in the U.K.

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Our core brands sold in our international markets as part of our MCI segment include Carling, Coors Light, Staropramen and Miller Lite. Other brands sold in our international markets, including brands sold under export and license agreements, include Blue Moon, Cobra, Corona, Miller Genuine Draft, Miller High Life, and Molson Canadian. We also market and sell brands unique to these international markets which include Carling Strong, Coors, Coors 1873, Coors Extra, Coors Gold, Iceberg 9000, King Cobra, Thunderbolt and Zima.

Our Segments

In 2016, we operated the following segments: the U.S., Canada, Europe and MCI. A separate operating team manages each segment and each segment manufactures, markets, and sells beer and other beverage products.

As result of the Acquisition, effective January 1, 2017, various European markets including Sweden, Spain, Germany, Ukraine and Russia, which are currently reported under our MCI segment, will move to our Europe segment. Additionally, effective January 1, 2017, the results of the MillerCoors Puerto Rico business, which are currently reported as part of the U.S. segment, will be reported within the MCI segment.

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

United States Segment

We are the second largest brewer by volume in the U.S., selling approximately 25% of the total 2016 U.S. brewing industry shipments (excluding exports). MillerCoors was formed on July 1, 2008, as a joint venture between MCBC and SABMiller. Each party contributed its U.S. and Puerto Rico businesses and related operating assets and certain liabilities. Prior to the Acquisition which was completed on October 11, 2016, 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 became a wholly-owned subsidiary of MCBC and its results were fully consolidated by MCBC prospectively beginning on October 11, 2016.

Sales and Distribution

In the United States, beer is generally distributed through a three-tier system consisting of manufacturers, distributors and retailers. A national network of approximately 400 independent distributors and one owned distributor, Coors Distribution Company, purchases MillerCoors' products and distributes them to retail accounts.

Channels

In the United States, the on-premise channel, which includes sales in bars and restaurants, declined approximately 3% in 2016. On-premise declines were driven by a reduction in visits as consumers shifted their on-premise occasions to off-premise.

The off-premise channel includes sales in convenience stores, grocery stores, liquor stores and other retail outlets. The off-premise channel volumes declined approximately 1% in 2016 versus prior year.

We wholly own one distributorship, which handled less than 2% of our total owned and non-owned volume in 2016.

The following table reflects the percentage of our U.S. segment's sales volume by channel over the last five years.

	Sales volume by channel				
	2016	2015	2014	2013	2012
On-premise	16%	17%	17%	18%	18%
Off-premise	84%	83%	83%	82%	82%

Manufacturing, Production and Packaging

Brewing Raw Materials

We use high quality ingredients to brew our products. We malt a portion of our production requirements, using barley purchased under annual contracts from independent farmers located in the western United States. Other barley, malt, and cereal grains are purchased from suppliers primarily in the U.S. Hops are purchased from suppliers in the U.S., Europe and New Zealand. We both own and lease water rights to provide for and to sustain brewing operations in case of a prolonged drought in

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the regions where we have operations. We do not currently anticipate future difficulties in accessing water or agricultural products used in our brewing process in the near term.

Brewing and Container Facilities

We currently operate seven large breweries, five craft breweries, two container operations and one cidery. MillerCoors closed its Eden, North Carolina brewery in September of 2016. We import Molson brands from Molson Coors Canada and Peroni Nastro Azzurro, Pilsner Urquell, Grolsch and other import brands formerly from SABMiller with purchases now from Asahi and ABI.

Packaging Materials

Approximately 66% of U.S. products sold were packaged in aluminum cans or bottles in 2016. A portion of the aluminum containers were purchased from Rocky Mountain Metal Container ("RMMC"), a joint venture between MillerCoors and Ball Corporation ("Ball"), whose production facilities, which are leased from us, are located near our brewery in Golden, Colorado. In addition to the supply agreement with RMMC, we have a supply agreement with Ball to purchase cans and ends in excess of what is supplied through RMMC. In 2011, MillerCoors signed a 10-year contract extension with Ball to extend the RMMC joint venture agreement along with the can and end purchase agreements, both of which will expire December 31, 2021. Approximately 24% of U.S. products sold in 2016 were packaged in glass bottles, of which a portion was provided by Rocky Mountain Bottle Company ("RMBC"), a joint venture with Owens-Brockway Glass Container, Inc. ("Owens"). In 2015, MillerCoors signed a 10-year contract extension with Owens to extend the RMBC joint venture agreement which expires July 31, 2025. MillerCoors and Owens entered into a supply agreement effective January 1, 2015, for requirements in excess of RMBC's production. Approximately 8% of U.S. production volume sold in 2016 was packaged in half, quarter, and one-sixth barrel stainless steel kegs. A limited number of kegs are purchased each year, and there is no long-term supply agreement. Approximately 2% of U.S. products sold in 2016 were in plastic bottles. Crowns, labels, corrugate and paperboard are purchased from a small number of sources unique to each product. In recent years, we have experienced a slight shift in the allocation among different packaging types toward aluminum cans and bottles and away from glass bottles. In general, aluminum cans allow for lower packaging costs compared to most other types of packaging materials. We do not currently anticipate future difficulties in accessing packaging products in the near term.

Contract Manufacturing

We have an agreement to brew, package and ship products for Pabst Brewing Company through June 2020. Additionally, the U.S. segment produces beer for our Canada and MCI segments. As a result of the Acquisition, we produce a small amount of beer for an affiliate of ABI under an Amended and Restated Brewing Agreement ("Brewing Agreement") in which we continue to produce Redd’s and Foster’s products for the ABI affiliate for sale outside of the U.S. This Brewing Agreement is temporary in nature and has a contractual term of 18 months from the close of the Acquisition.

Seasonality of the Business

Total industry volume in the U.S. is sensitive to factors such as weather, changes in demographics, consumer preferences and drinking occasions. Weather conditions consisting of high temperatures and extended periods of warm weather favor increased consumption of our products, while unseasonably cool or wet weather, especially during the summer months, adversely affects our sales volumes and net sales. Accordingly, consumption of beer in the U.S. is seasonal, with approximately 38% of industry sales volume typically occurring during the warmer months from May through August.

Known Trends and Competitive Conditions

2016 U.S. Beer Industry Overview

The beer industry in the United States is highly competitive, and the two largest brewers, ABI and MillerCoors together represented the majority of the market in 2016. The formation of MillerCoors in 2008 created a stronger U.S. presence for MCBC with the scale, operational efficiency and distribution platform to compete more effectively in the U.S. marketplace and we expect to continue our U.S. presence through the MillerCoors business which became a wholly-owned subsidiary of MCBC on October 11, 2016, as a result of the Acquisition. Growing or even maintaining market share has required significant investments in marketing. From 1998 to 2008, the U.S. beer industry shipments annual growth rate approximated 1%, compared with declines ranging from 1% to 2% in each of the years 2009, 2010 and 2011. With ideal weather conditions, industry volumes improved slightly in 2012, growing approximately 1%. However, in 2013 the industry saw a decline of less than 1%, and in 2014, the industry grew slightly, by less than 1%. In 2015 and 2016, the industry slightly declined by approximately 1%.

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Overall declines in the U.S. beer industry volumes since 2009 have been partially attributed to per capita beer consumption declines as consumer preferences shifted to higher alcohol, full calorie beers, as well as spirits and wine. Competition from outside of the beer category continues to be a challenge and despite recent improvement in economic indicators, the industry is still recovering from multiple years of challenging economic conditions such as with higher rates of unemployment, declining labor participation rates and lower consumer confidence that negatively affected the purchasing behaviors of legal age key beer drinkers.

The following table summarizes the estimated percentage market share by volume of beer (including adjacencies, such as cider) and other alcohol beverages as a component of the overall U.S. alcohol market over the last five years. We anticipate that 2016 data, when available, will reflect a continuation of the recent consumer trends. Note that percentages reflect estimates based on market data currently available.

	2015	2014	2013	2012	2011
Beer	51 %	51 %	52 %	53 %	53 %
Other alcohol beverages	49 %	49 %	48 %	47 %	47 %

Our Competitive Position

Our portfolio of beers competes with numerous above-premium, premium, and economy brands. These competing brands are produced by international, national, regional and local brewers. We compete most directly with ABI brands, but also compete with imported and craft beer brands. The following table summarizes the estimated percentage share of the U.S. beer market represented by MillerCoors, ABI and all other brewers over the last five years. Note that current year percentages reflect estimates based on market data currently available.

	2016	2015	2014	2013	2012
MillerCoors' share	25 %	26 %	27 %	28 %	29 %
ABI's share	44 %	45 %	46 %	47 %	48 %
Others' share	31 %	29 %	27 %	25 %	23 %

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

Regulation

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

Governmental entities also levy taxes and may require bonds to ensure compliance with applicable laws and regulations. In 2016, excise taxes on malt beverages were approximately $15 per hectoliter sold on a reported basis. State excise taxes are levied in specific states at varying rates. Refer to Part I—Item 1A, Risk Factors for risks associated with the regulatory environment in the U.S.

Canada Segment

We are Canada's second-largest brewer by volume and North America's oldest beer company. Our market share of the Canada beer market in 2016 was approximately 34%. We brew, market, sell and distribute a wide variety of beer brands nationally. Our portfolio has leading brands in all major product and price segments. Our focus and investment is on Canada core brands, primarily Coors Light and Molson Canadian, as well as other key owned brands, including Coors Banquet, Creemore Springs, Granville Island, Molson Dry, Molson Export, Old Style Pilsner and Rickard's and strategic distribution partnerships, including those with Heineken. In 2016, Coors Light had an approximate 11% market share and was the second largest selling beer brand in Canada, and Molson Canadian had an approximate 6% market share and was the fourth largest selling beer in Canada. As a result of the Acquisition, the Miller brands returned to our Canada business.

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The Canada segment also includes our partnership arrangements related to the distribution of beer in Ontario, Brewers' Retail Inc. ("BRI"), and in the Western provinces, Brewers' Distributor Ltd. ("BDL"). BRI and BDL are accounted for under the equity method of accounting. The majority of ownership in BRI resides with MCC, Labatt Breweries of Canada LP (a subsidiary of ABI) and Sleeman Breweries Ltd. (a subsidiary of Sapporo International). BDL is jointly owned by MCC and Labatt Breweries of Canada LP.

Sales and Distribution

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

Channels

In Canada, the on-premise channel includes sales in bars and restaurants. In Ontario and Western Canada, MCC uses jointly-owned distribution systems to deliver beer to on-premise customers along with products from Labatt Breweries of Canada LP and Sleeman Breweries Ltd., and other small participating brewers. In Quebec and Eastern Canada, MCC primarily delivers directly. The on-premise channel, and relationships with customers, are highly regulated and the regulations differ significantly across different provincial jurisdictions.

The off-premise channel includes sales to convenience stores, grocery stores, liquor stores and other specialty retail outlets, including "The Beer Store" in Ontario, which is the world's largest beer retailer and is co-owned by Ontario's three largest brewers. The off-premise channel is highly regulated and differs significantly across different provincial jurisdictions.

The following table reflects the percentage of our Canada segment's sales volume by channel over the last five years.

	Sales volume by channel				
	2016	2015	2014	2013	2012
On-premise	19%	19%	19%	18%	18%
Off-premise	81%	81%	81%	82%	82%

Province of Ontario

In Ontario, beer is primarily purchased at retail outlets operated by BRI, at government-regulated retail outlets operated by the Liquor Control Board of Ontario, at approved agents of the Liquor Control Board of Ontario, at certain licensed grocery stores, or at any bar, restaurant, or tavern licensed by the Liquor Control Board of Ontario to sell alcohol for on-premise consumption. The BRI retail outlets operate under The Beer Store name. Brewers may deliver directly to BRI's outlets or may choose to use BRI's distribution centers to access retail stores in Ontario, the Liquor Control Board of Ontario system, the grocery channel and licensed establishments.

We, together with certain other brewers, have historically participated in the ownership of BRI in proportion to provincial market share relative to other brewers in the ownership group. Effective January 1, 2016, we, along with the other owners of BRI and the Province of Ontario, agreed to revise the ownership structure of BRI. The new BRI shareholder agreement (“New Shareholder Agreement”) adjusted the existing BRI ownership structure to allow all other small and large Ontario based brewers the ability to participate in the ownership of BRI. As part of this change, the board of directors of BRI has been expanded to include representation for these new ownership groups, as well as independent director representation. The new owners are subject to the same fee structure as the current owners, with the exception of smaller brewers, who have discounted fees, as they are not required to fund certain costs associated with pension obligations. BRI operates on a cash neutral basis under the new ownership structure. BRI also converted all existing capital stock into a new share class, as well as created a separate new share class to facilitate new and existing brewer participation and governance. While governance and board of director participation continues to have the ability to fluctuate based on market share relative to the other owners, our equity interest has become fixed under the New Shareholder Agreement.

Province of Québec

In Québec, the distribution and sale of beer is governed by the Quebec Alcohol Corporation ("SAQ"). Beer is distributed to retail outlets directly by each brewer or through approved independent agents. We are the agent for the licensed brands we distribute. The brewer or agent distributes the products to permit holders for retail sales for on-premise consumption. Québec retail sales for off-premise consumption are made through grocery and convenience stores, as well as government operated outlets.

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Province of British Columbia

In British Columbia, the government's Liquor Distribution Branch controls the regulatory elements of distribution of all alcohol products in the province. BDL, which we co-own with ABI, manages the distribution of our products throughout British Columbia. Consumers can purchase beer at any Liquor Distribution Branch retail outlet, at any independently owned and licensed retail store or at any licensed establishment for on-premise consumption. Establishments licensed primarily for on-premise alcohol sales may also be licensed for off-premise consumption.

Province of Alberta

In Alberta, the distribution of beer is managed by independent private warehousing and shipping companies or by a government sponsored system in the case of U.S. sourced products. All sales of liquor in Alberta are made through retail outlets licensed by the Alberta Gaming and Liquor Commission or licensees, such as bars, hotels and restaurants. BDL manages the distribution of our products in Alberta.

Other Provinces

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

Manufacturing, Production and Packaging

Brewing Raw Materials

We select global suppliers in order to procure high quality materials and services at the lowest prices available. We also use hedging instruments to mitigate the risk of volatility in certain commodities and foreign exchange markets. We source barley malt from one primary provider, from which we have a committed supply through 2021. Hops are purchased from a variety of global suppliers in the U.S. and Europe through contracts that vary in length based on market conditions and cover our supply requirements through 2019. Other starch brewing adjuncts are sourced from two main suppliers, both in North America. Water used in the brewing process is from local sources in the communities where our breweries operate. We do not currently anticipate future difficulties in accessing water or agricultural products used in our brewing process in the near term.

Brewing and Packaging Facilities

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

Packaging Materials

We single source glass bottles and have a committed supply through December 2019. We source lids and cans from two primary providers with contracts ending February 2017 and December 2023. We currently utilize a hedging program for aluminum requirements and related transportation and storage costs in Canada. The distribution systems in each province generally provide the collection network for returnable bottles and aluminum cans. The standard bottle for beer brewed in Canada is the 341 ml returnable bottle and represents the vast majority of our bottle sales. Bottle sales continue to decline as we have experienced a shift in consumers' preference toward aluminum cans. This standard returnable bottle requires significant investment behind our returnable bottle inventory and bottling equipment. Therefore, the trend away from returnable bottles could result in higher fixed cost deleverage related to these assets and an ultimate decreased need for the assets that support this packaging, which could adversely impact profitability. A limited number of kegs are purchased every year, and we have no long-term supply commitment. Crowns are currently sourced from two suppliers with contracts through February 2017 and December 2018. Paperboard and labels are currently sourced from one supplier with contracts through December 2017 and December 2021, respectively. Corrugate is purchased from a small number of sources with contracts through December 2017. We do not currently anticipate future difficulties in accessing any of our required packaging materials in the near term. The following table reflects the percentage of total sales volumes (excluding imports) for each of the last five years by type of packaging material.

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	2016	2015	2014	2013	2012
Aluminum cans	56 %	53 %	49 %	46 %	42 %
Bottles	34 %	37 %	40 %	43 %	47 %
Stainless steel kegs	10 %	10 %	11 %	11 %	11 %

Contract Manufacturing

We have an agreement with North American Breweries, Inc. ("NAB") to brew, package and ship certain Labatt brands to the U.S. market through 2020. We also have an agreement with Asahi to brew and package Asahi Super Dry and Asahi Select to the U.S. market through early 2017. We are currently finalizing negotiations with Asahi for an extension of this contract through early 2020.

Seasonality of Business

Total industry volume in Canada is sensitive to factors such as weather, changes in demographics, consumer preferences and drinking occasions. Weather conditions consisting of high temperatures and extended periods of warm weather favor increased consumption of our products, while unseasonably cool or wet weather, especially during the summer months, adversely affects our sales volumes and net sales. Accordingly, consumption of beer in Canada is seasonal, with approximately 41% of industry sales volume typically occurring during the warmer months from May through August.

Known Trends and Competitive Conditions

2016 Canada Beer Industry Overview

The Canadian brewing industry is a mature market and ABI and MCBC are the two largest brewers. It is characterized by aggressive competition for volume and market share from regional brewers, microbrewers and certain foreign brewers, as well as our main domestic competitor. These competitive pressures require significant annual investment in marketing and selling activities. In 2016, the Ontario and Québec markets accounted for approximately 60% of the total beer market in Canada.

There are three major beer price segments: above premium, which includes craft and most imports; premium, which includes the majority of domestic brands and the light sub-segment; and value (below premium). Since 2001, the premium beer segment in Canada has gradually lost volume to the above premium and value segments.

Recently, the beer industry has been weak, with declines in three of the last five years. Aging population and strong competition from other alcohol beverages have been the main contributors to the declining state of the beer industry.

The following table summarizes the estimated percentage market share by volume of beer (including adjacencies, such as cider) and other alcohol beverages as a component of the overall Canadian alcohol market over the last five years, for which data is currently available. We anticipate that 2016 data, when available, will reflect a continuation of the recent consumer trends. Note that percentages reflect estimates based on market data currently available.

	2015	2014	2013	2012	2011
Beer	48 %	48 %	48 %	49 %	50 %
Other alcohol beverages	52 %	52 %	52 %	51 %	50 %

Our Competitive Position

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

The Canada brewing industry is composed principally of two major brewers, MCBC and ABI. The following table summarizes the estimated percentage share of the Canadian beer market represented by MCBC, ABI and all other brewers over the last five years. Note that the sum of the percentages below may not equal 100% due to rounding. Current year percentages reflect estimates based on market data currently available.

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	2016	2015	2014	2013	2012
MCBC's share(1)	34 %	34 %	37 %	39 %	40 %
ABI's share(1)	43 %	43 %	43 %	40 %	41 %
Others' share	24 %	23 %	21 %	20 %	19 %

(1) The decrease in MCBC's share in 2015 was largely driven by the loss of the contract with Miller Brewing Company ("Miller"), under which we had exclusive rights to distribute certain Miller brands in Canada and was terminated effective March 2015. As a result of the Acquisition, beginning October 11, 2016, these Miller brands returned to our Canada business. The decrease in MCBC's share and increase in ABI's share from 2013 to 2014 is primarily the result of ABI's acquisition of Grupo Modelo S.A.B. de C.V. ("Modelo") in 2013. Subsequent to the termination of Modelo Molson Imports, L.P. ("MMI"), our joint venture with Modelo in Canada, in the first quarter of 2014, the Modelo brands are now distributed by ABI in Canada.

Regulation

In Canada, provincial governments regulate the production, marketing, distribution, selling and pricing of beer (including the establishment of minimum prices), and impose commodity taxes and license fees in relation to the production, distribution and sale of beer. In addition, the federal government regulates the advertising, labeling, quality control, and international trade of beer, and also imposes commodity taxes on both domestically produced and imported beer. In 2016, our Canada segment excise taxes were approximately $51 per hectoliter sold on a reported basis. Further, certain bilateral and multilateral treaties entered into by the federal government, provincial governments and certain foreign governments, especially with the United States, affect the Canadian beer industry. We, along with other owners of BRI, entered into a new beer framework agreement with the Province of Ontario on September 22, 2015, which became effective January 1, 2016. Refer to Part I—Item 1A, Risk Factors for risks associated with the regulatory environment in Canada.

Europe Segment

We are the second largest brewer by volume, on a combined basis, within the European countries in which we operate, with an approximate aggregate 20% market share (excluding factored products) in 2016. The majority of our European segment sales are in the U.K., Croatia, Czech Republic and Romania. Our portfolio includes beers that have the largest share in their respective countries, such as Carling in the U.K., Ozujsko in Croatia and Niksicko in Montenegro. We have beers that rank in the top three in market share in their respective segments throughout the region, including Staropramen in Czech Republic, Bergenbier in Romania, Jelen in Serbia, Kamenitza in Bulgaria and Borsodi in Hungary. Additionally, as a result of the Acquisition, we began selling Miller Genuine Draft in various European countries. We also brew and distribute Beck's, Lowenbrau, Spaten and Stella Artois under license agreements with ABI companies, and beginning in January 2015, we distribute certain of the Modelo brands throughout the Central European countries in which we operate. Our Europe segment includes our consolidated joint venture arrangements for the production and distribution of Grolsch and Cobra brands in the U.K. and Republic of Ireland and factored brand sales (beverage brands owned by other companies, but sold and delivered to retail by us). In 2015, we purchased the Rekorderlig cider brand distribution rights in the U.K. and Republic of Ireland and also sold our U.K. malting facility. Additionally, in 2015, we closed a brewery in the U.K. and terminated our distribution agreement with Carlsberg whereby it held the exclusive distribution rights for the Staropramen brand in the U.K. As a result, we repatriated the Staropramen brand back to the U.K. at the end of 2015.

In the second half of 2016, we entered into a long-term partnership agreement with Dutch brewer, Bavaria. The agreement gives us the exclusive rights in the on- and off-premise channels to the sales, distribution and customer marketing of Bavaria and its portfolio of brands in the U.K. Additionally, effective January 1, 2017, various European markets including Sweden, Spain, Germany, Ukraine and Russia, which were previously presented within our MCI segment will be included within our Europe segment.

Sales and Distribution

In Europe, beer is generally distributed through either a two-tier system consisting of manufacturers and retailers, or a three-tier system consisting of manufacturers, distributors and retailers. Distribution activities for both the on-premise and off-premise channels are conducted primarily by third-party logistics providers. Most of our beer in the U.K. is sold directly to retailers. We have an agreement with Tradeteam Ltd. ("Tradeteam", a subsidiary of DHL) to provide the distribution of our products throughout the U.K. through 2023. We utilize several hundred third-party logistics providers across our Central European operations. We also conduct a small amount of secondary distribution in Czech Republic utilizing our own fleet of vehicles. It is also common in the U.K. for brewers to distribute beer, wine, spirits, and other products owned and produced by

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other companies, which we refer to as factored brands, to the on-premise channel (bars and restaurants). Approximately 19% of our Europe segment net sales in 2016 represented factored brands. In addition, we have an agreement with Heineken through December 2019, whereby they sell, market and distribute Coors Light in Republic of Ireland.

Channels

In Europe, the on-premise channel includes sales to pubs and restaurants. The installation and maintenance of draught beer dispensing equipment in the on-premise channel is generally the responsibility of the brewer. Accordingly, we own refrigeration units and other equipment used to dispense beer from kegs to consumers that are used in on-premise outlets. This includes beer lines, cooling equipment, taps, and counter mounts.

The off-premise channel includes sales to supermarkets, convenience stores, liquor stores, distributors, and wholesalers. The off-premise channel has become increasingly concentrated among a small number of super-store chains, placing increasing downward pressure on beer pricing.

Generally, over the years, volumes in Europe have shifted from the higher margin on-premise channel, where products are consumed in pubs and restaurants, to the lower margin off-premise channel, also referred to as the "take-home" market. In 2016, approximately 40% of sales were on-premise and 60% were off-premise. Consistent with prior years, the on-premise channel has continued to experience declines from shifting consumer preference to off-premise partially due to smoking bans in many countries. The off-premise channel continues to be challenged by competitive pricing.

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

Manufacturing, Production and Packaging

Brewing Raw Materials

We use high quality water, barley, malt and hops to brew our products. During 2016, our malt requirements were sourced from third party suppliers. We have multiple agreements with various suppliers that cover almost all of our total required malt, with terms ending in 2019 through 2025. Hops are purchased under various contracts with suppliers in Germany, the U.S. and the U.K., which cover our requirements through 2017. Adjuncts are purchased under various contracts with local producers, which are typically crop year contracts commencing in October of each year. Water used in the brewing process is sourced from various wells and through water rights and supply contracts. We do not currently anticipate future difficulties in accessing required water or agricultural products used in our brewing process in the near term.

Brewing and Packaging Facilities

We operate twelve breweries in Europe, which brew and package brands sold in Europe. As part of the continued strategic review of our European supply chain network, in 2015 we closed our brewing facilities in Alton, Hampshire, U.K. and in Plovdiv, Bulgaria. Additionally, in 2015, we announced the planned closure of our Burton South brewery in the U.K. which is expected to be completed by the end of 2017. See Item 2, "Properties" for additional information.

Packaging Materials

Approximately 29% of our Europe volumes sold in 2016 were packaged in bottles, with a significant majority in returnable bottles sourced under various agreements with third party suppliers. Kegs and casks comprised approximately 28% of volume sold in Europe in 2016. Cans represent approximately 26% of our Europe volumes sold in 2016. We have long-term contracts with four providers for our required supply of cans. Approximately 17% of our Europe volume sold in 2016 consisted of products packaged in recyclable plastic containers for which we are currently negotiating agreements for our 2017 requirements with various manufacturers in the region. Crowns, labels and corrugate are purchased from sources unique to each category. We do not currently foresee future difficulties in accessing these or other packaging materials in the near term.

Seasonality of Business

In Europe, the beer industry is subject to seasonal sales fluctuations primarily influenced by holidays, weather and by certain major televised sporting events. Weather conditions consisting of high temperatures and extended periods of warm weather favor increased consumption of our products, while unseasonably cool or wet weather, especially during the summer months, adversely affects our sales volumes and net sales. Accordingly, the peak selling seasons typically occur during the summer and during the Christmas and New Year holiday season.

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Known Trends and Competitive Conditions

2016 Europe Beer Industry Overview

We estimate that the Europe beer market decreased by approximately 1% in 2016, driven by decreased beer consumption versus last year in some of the largest regions in which we operate. Since 2010, the off-premise market share has increased in our European markets from 55% to nearly 60% of total volume, and the on-premise market share has declined from 45% to approximately 40%. Europe beer industry retail shipments have declined by approximately 1% to 2% yearly since 2011, with the exception of 2015 where we saw a recovery of approximately 2%. These market fluctuations are consistent with the fluctuations within the overall alcohol market in each of the respective years.

The following table summarizes the estimated percentage market share by volume of beer (including adjacencies, such as cider) and other alcohol beverages as a component of the overall European alcohol market, within the countries in which we have production facilities, over the last five years, for which data is currently available. We anticipate that 2016 data, when available, will reflect a continuation of the recent consumer trends. Note that percentages reflect estimates based on market data currently available.

	2015	2014	2013	2012	2011
Beer	36%	36%	36%	36%	36%
Other alcohol beverages	64%	64%	64%	64%	64%

Our Competitive Position

Our beers compete not only with similar products from competitors, but also with other alcohol beverages, including wines, spirits and ciders. We believe our brand portfolio gives us strong representation in all major beer categories.

In European countries where we currently operate, our primary competitors are Heineken, Carlsberg and ABI. During 2016, Asahi acquired brands previously owned by SABMiller in Western Europe and announced the acquisition of brands previously owned by SABMiller in Central and Eastern Europe. The following table summarizes our estimated percentage share of the beer market within the European countries where we operate and our primary competitors over the last five years. Note that current year percentages reflect estimates based on market data currently available.

	2016	2015	2014	2013	2012
MCBC's share	20%	20%	20%	20%	20%
Primary competitors' share	57%	57%	59%	59%	60%
Others' share	23%	23%	21%	21%	20%

Regulation

Each country that is part of our Europe segment is either a member of the European Union ("EU") or a current candidate to join, with the exception of Bosnia, which is a potential candidate, and, as such, there are similarities in the regulations that apply to many parts of our Europe segment's operations and products, including brewing, food safety, labeling and packaging, marketing and advertising, environmental, health and safety, employment and data protection regulations. To operate breweries and conduct our business in Europe, we must obtain and maintain numerous permits and licenses from various governmental agencies.

In a referendum held on June 23, 2016, a majority of voters in the U.K. voted in favor of the U.K. leaving the EU. Negotiations on exit terms may take two years to complete once the U.K. formally initiates its exit from the EU and negotiations on new trade agreements may take longer. Because the terms of the exit are unknown, we may face regulatory uncertainty and we may need to quickly adapt to regulatory changes.

Each country's government levies excise taxes on all alcohol beverages. With the exception of Serbia, Montenegro and Bosnia, all countries' laws on excise taxes are consistent with the directives of the EU. With the exception of Serbia, where a flat excise per hectoliter is used, all European countries use similar measurements based on either alcohol by volume or Plato degrees. In 2016, the excise taxes for our Europe segment, excluding a provision for indirect taxes related to the assessments discussed in Part II—Item 8 Financial Statements and Supplementary Data, Note 18, "Commitments and Contingencies" of the Notes were approximately $43 per hectoliter on a reported basis. Refer to Part I—Item 1A, Risk Factors for risks associated with the regulatory environment in Europe.

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Molson Coors International Segment

The objective of MCI is to grow and expand our business and brand portfolio in new and existing markets, including emerging markets, outside the U.S., Canada and Europe segments. The focus of MCI includes Latin America (including Mexico, Central America, the Caribbean and South America and excluding Puerto Rico through December 31, 2016, as it was part of the U.S. segment as discussed above), Asia Pacific and Africa. Various European markets were a focus of MCI through December 31, 2016, prior to the segment change discussed below. The MCI portfolio of beers competes within the above-premium category in most of our markets. Our principal competitors include large global brewers, as well as local brewers. As MCI's objective is to grow and expand our business, we are developing scale and building market share in the countries where we operate. Many of the markets in which we operate are considered emerging beer markets, with other brewers controlling the majority of the market share. Our beers compete not only with similar products from competitors, but also with other alcohol beverages, including wines, spirits, and ciders, and thus our competitive position is affected by consumer preferences between and among these other categories. Effective January 1, 2017, the results of operations in our various European markets including Sweden, Spain, Germany, Ukraine and Russia, currently included within MCI, will be presented within our Europe segment. Additionally, the Puerto Rico business, which is currently presented within the U.S. segment will be presented within MCI.

Latin America Business

In Latin America, Coors Light, Coors 1873 and Blue Moon are exported from the U.S. and sold through agreements with independent distributors. We also have an exclusive licensing agreement with Heineken to brew and distribute Coors Light in Mexico and licensing agreements with other distributors for the manufacturing and distribution of Coors Light and Coors 1873 in Chile and Colombia.

Asia Pacific Business

Our operations in the Asia region are based in India, Japan, China and Australia.

Our business in India consists of our joint venture which gives us a majority share and operational control of Molson Coors Cobra India Ltd., based in the state of Bihar, India, as well as Molson Coors India Private Ltd. (formally known as Mount Shivalik Breweries Ltd.), with its largest operations in the states of Punjab and Haryana, India, which we acquired in 2015. Our consolidated India business produces, markets and sells a beer portfolio consisting of Thunderbolt, Iceberg 9000 and Carling Strong in select Indian states. We own and operate three breweries in India, where we use high quality ingredients to brew our products, which are sourced through various contracts with local suppliers. We do not currently anticipate any significant disruption in the supply of these raw materials or brewing inputs in the near term. During the second quarter of 2016, a complete prohibition of the sale and consumption of all forms of alcohol in the state of Bihar was implemented. The expected length of the prohibition is unclear but we continue to monitor legal proceedings impacting the regulatory environment as it relates to our ability to resume operations in the state. As a result of this ban, 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, which operates outside of Bihar, India. See Part II—Item 8 Financial Statements and Supplementary Data, Note 11, "Goodwill and Intangible Assets" for further details.

In Japan our focus is on the marketing and selling of the Blue Moon, Coors Light and Zima brands. We also have a contract with ABI to sell and distribute the Modelo brands, however, we have received notification of ABI's intention to terminate this contract in June 2017. Our brands are imported into Japan and are sold through independent wholesalers to both the on-premise and off-premise channels.

Our China business sells the Coors family of brands through a trade distribution model.

Our Australia business consists of a partnership with Coca Cola Amatil (CCA), which manufactures and distributes Blue Moon, Coors and other products for us.

Europe Business

Our Europe business consists of both export and license businesses. Our Europe export business focuses on expanding the reach of our international brands which are exported from our breweries in the U.K. and Czech Republic. The brands sold include Blue Moon, Carling, Cobra, Coors Light, Miller brands, Molson Canadian and Staropramen. Our Europe license business seeks to build long-term partnerships with leading global brewers to market and grow our international brands, which include licensing arrangements with ABI to brew and distribute Staropramen in Russia and Ukraine. We also have various licensing agreements for the manufacturing and distribution of Carling primarily in Spain and Ukraine. As noted above, effective January 1, 2017, various European markets previously included within MCI, will be presented within our Europe segment.

Miller Business

With the recent Acquisition of the Miller global brands, MCI's global volume footprint has doubled. We have expanded our reach into new and existing markets in Africa, Asia Pacific, Europe and Latin America. In existing priority markets, such as Panama and Honduras, we intend to accelerate growth with the addition of the Miller brands. In new attractive markets, such as Argentina and South Africa, we have begun expanding distribution with local partners, on-boarding our country managers, and activating various transitional service agreements.

As part of the acquisition of the Miller global brand rights, MCI entered into various Transitional Service Agreements ("TSAs") with local SABMiller and now ABI owned entities. The intent of these TSAs is to enable the brands to continue to be produced and/or distributed in the local markets while MCI is finalizing its route to market. The services provided through these agreements range from fully brewing, selling, distributing and marketing Miller products on behalf of MCI to solely providing back office services. These TSAs are intended to be temporary in nature and have contractual terms up to a period of three years with the ability to terminate earlier within a specified period of notice. We intend to use the TSAs until MCI has created a presence and route to market in each of these markets.

Corporate

Corporate includes interest and certain other general and administrative costs that are not allocated to any of the operating segments. The majority of these corporate costs relate to worldwide administrative functions, such as corporate affairs, legal, human resources, information technology, finance, internal audit, insurance and risk management, global growth and commercial initiatives, as well as acquisition, integration and financing costs associated with the Acquisition. Additionally, we include in Corporate the results of our water resources and energy operations in Colorado as well as the unrealized changes in fair value on our commodity swaps not designated in hedging relationships, which are later reclassified when realized to the segment in which the underlying exposure resides.

Other Information

Global Intellectual Property

We own trademarks on the majority of the brands we produce and have licenses for the remainder. We also hold several patent and design registrations with expiration dates through 2038 relating to brewing methods, beer dispensing systems, packaging and certain other innovations. We are not reliant on patent royalties for our financial success. Therefore, these expirations are not expected to have a significant impact on our business.

Corporate Responsibility

Corporate responsibility, or Our Beer Print, is integral to our business strategy. We are committed to growing our business the right way while improving the impact we have on our communities, our people and the environment. Since 2012 we have been listed on the Dow Jones Sustainability World Index, and were named Beverage Sector Leader in 2012 and 2013. We have retained a position on the World Index since 2012, for five consecutive years.

In 2012, Molson Coors built on long-standing efforts to reduce harmful drinking by becoming a signatory of the Beer, Wine and Spirits Producers' Commitments to Reduce Harmful Drinking (www.producerscommitments.org). In support of the Commitments we have a robust plan to ensure support across the business, with particular emphasis on our commercial activity through a Commercial Integrity Policy incorporating the recently launched International Alliance for Responsible Drinking Digital Guiding Principles.

Our approach to improving Our Beer Print within our brewing operations is outlined in our 2020 Sustainability Strategy found on our website at www.molsoncoors.com. Launched in 2013, our 2020 Sustainability Strategy integrates how we manage energy, greenhouse gas emissions, water and solid waste and sets out how we intend to meet our 2020 ambitions. The cornerstone of our 2020 Sustainability Strategy is a commitment to invest in waste water treatment and generate clean energy from this waste stream. These investments will alleviate the impact of our operations on municipal water treatment resources, reduce our reliance on fossil fuels and save greenhouse gas emissions.

Environmental Matters

Our operations are subject to a variety of extensive and changing federal, state and local environmental laws, regulations and ordinances that govern activities or operations that may have adverse effects on human health or the environment. Such laws, regulations or ordinances may impose liability for the cost of remediation, and for certain damages resulting from sites of past releases of hazardous materials. Our policy is to comply with all such legal requirements. While we cannot predict our eventual aggregate cost for the environmental and related matters in which we may be or are currently involved, we believe that any payments, if required, for these matters would be made over a period of time in amounts that would not be material in any one year to our operating results, cash flows, or our financial or competitive position. We believe adequate reserves have been provided for losses that are probable and estimable. However, there can be no assurance that environmental laws will not become more stringent in the future or that we will not incur material costs in the future in order to comply with such laws. See Part II—Item 8 Financial Statements and Supplementary Data, Note 18, "Commitments and Contingencies" of the Notes under the caption "Environmental" for additional information regarding environmental matters.

Employees

As of the end of 2016, we had approximately 17,400 full-time employees within MCBC globally, including 8,100 within our U.S. segment, 6,100 within our Europe segment, 2,600 within our Canada segment, 400 within our MCI segment, and 200 within our Corporate headquarters in Colorado.

Financial Information about Foreign and Domestic Operations and Export Sales

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

Available Information

We file with, or furnish to, the SEC reports, including our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports pursuant to Section 13(a) or 15(d) of the Exchange Act. These reports are available free of charge on our corporate website (www.molsoncoors.com) as soon as reasonably practicable after they are electronically filed with or furnished to the SEC. Copies of any materials we file with the SEC can be obtained at www.sec.gov or at the SEC's public reference room at 100 F Street, N.E., Washington, D.C. 20549. Information on the operation of the public reference room is available by calling the SEC at 1-800-SEC-0330. The foregoing website addresses are provided as inactive textual references only. The information provided on our website (or any other website referred to in this report) is not part of this report and is not incorporated by reference as part of this report.

Executive Officers

The following tables set forth certain information regarding our executive officers as of February 14, 2017:

Name	Age	Position
Peter H. Coors	70	Chief Customer Relations Officer, Vice Chairman of the Board and Chairman of Coors Brewing Company
Mark R. Hunter	54	President and Chief Executive Officer
Tracey I. Joubert	50	Chief Financial Officer
Gavin D. Hattersley	54	President and Chief Executive Officer, MillerCoors LLC
Stewart F. Glendinning	51	President and Chief Executive Officer, Molson Coors International
Simon J. Cox	49	President and Chief Executive Officer, Molson Coors Europe
Fred Landtmeters	43	President and Chief Executive Officer, Molson Coors Canada
Samuel D. Walker	58	Chief Legal and Corporate Affairs Officer
Celso L. White	55	Chief Supply Chain Officer
Michelle S. Nettles	45	Chief People and Diversity Officer
Brenda Davis	57	Chief Integration Officer
Krishnan Anand	59	Chief Growth Officer

ITEM 1A. RISK FACTORS

Investing in our Company involves risk. The reader should carefully consider the following risk factors and the other information contained within this Annual Report on Form 10-K. The risks set forth below are those that management believes are most likely to have a material adverse effect on us, however are not a comprehensive description of the risks facing our Company. We may also be subject to other risks or uncertainties not presently known to us or that we currently deem to be immaterial but may materially adversely affect our business, financial condition or results of operations in future periods. If the following risks or uncertainties, individually or in combination, actually occur, they may have a material adverse effect on our business, results of operations and prospects.

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Risks Specific to the Acquisition
We may not be able to realize anticipated cost and operational synergies from the Acquisition. The success of the Acquisition will depend, in part, on our ability to realize anticipated cost and operational synergies. Our success in realizing these cost synergies, and the timing of this realization, depends on the successful integration of our business and operations with the acquired business and operations. Even if we are able to integrate the acquired businesses and operations successfully, this integration may not result in the realization of the full benefits of the cost and operational synergies of the Acquisition that we currently expect within the anticipated time frame or at all.

The Acquisition subjects us to significant additional liabilities, costs and other risks. We have assumed all of the liabilities of MillerCoors, including, among others, significant pension and other post-employment benefit liabilities. The assumed liabilities put additional pressure on our ability to successfully meet our deleveraging commitments and grow our business over time as discussed further below. In addition, as a result of the Acquisition, we are subject to the risks of the U.S. beer market to a much greater extent, and a significant majority of our overall business is in mature, low growth beer markets, such as the U.S., Canada and the U.K. Economic conditions and consumer preferences in these markets will have a greater impact on our results of operations and financial condition.

We may also incur additional costs in the course of the integration of the MillerCoors business and the international Miller brand portfolio, and we cannot be certain that the elimination of duplicative costs or the realization of other efficiencies related to the integration of the businesses will offset the transaction and integration costs in the near term, or at all. Integrations of acquired businesses are complex, costly, and time-consuming, and such activities divert management’s time and attention. The assumption of liabilities in the Acquisition, coupled with any delays, additional costs, or issues experienced during the integration period could have a material adverse effect on our business, financial condition, results of operations and cash flows.

The Acquisition has impacted our financial position and could adversely impact our credit ratings. We raised significant capital to fund the Acquisition, including the issuance of our 2016 Notes, as defined in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations, and the borrowings on our term loan completed in October 2016, in addition to our Class B common stock offering completed in February 2016. Ratings agencies may downgrade our credit ratings below their current investment grade levels if we are unable to meet our deleveraging commitments. A ratings downgrade could increase our costs of future borrowing and harm our ability to refinance our debt in the future on acceptable terms or access the capital markets. We currently intend to hold per share dividends constant and have suspended both our dividend target of 18% to 22% of trailing annualized EBITDA and our share repurchase program. We also intend to use cash from operations to reduce our debt level, which will reduce funds available for other operational or strategic needs and may increase our vulnerability to adverse economic or industry conditions. See “Risks Specific to Our Company” below for additional risks relating to our debt.

We face numerous risks associated with the acquisition and integration of the Miller brand portfolio outside the U.S. and Puerto Rico. The acquisition of the Miller brand portfolio outside of the U.S. and Puerto Rico may subject us to unknown expenses and liabilities. These risks arise because we acquired the Miller brand portfolio from ABI at a time when it had no access to historical financial statements which were then in the possession of SABMiller. Accordingly, our due diligence was limited. We protected ourselves via a downward price adjustment described in more detail below. The success of our acquisition of the Miller brand portfolio outside of the U.S. and Puerto Rico will depend, in part, on our ability to realize all or some of the anticipated synergies and other benefits from integrating this business with our existing businesses and operations. The integration process will be complex, costly and time-consuming as the operations from the Miller brand portfolio assets are in over 50 foreign countries. The difficulties of integrating the operations include, among others:

•failure to implement our business plan for the combined business;

- unanticipated issues in integrating manufacturing, logistics, information, communications and other systems;
- possible inconsistencies in standards, controls, contracts, procedures and policies;
- impacts of change in control provisions in contracts and agreements;
- failure to retain key customers and suppliers;
- unanticipated changes in applicable laws and regulations;

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- failure to recruit and retain key employees to operate the combined business;
- inherent operating risks in the business;
- unanticipated issues, expenses and liabilities;
- increased foreign currency exposures which could adversely affect the amounts recorded for our foreign assets, liabilities, revenues and expenses, and could have a negative effect on our results of operations;
- unfamiliarity with operating in many of the countries in which the international Miller brand portfolio operates;
- reliance on competitors, ABI (or Asahi, in the case of Europe), to provide transition services for this business;
- failure to develop sustainable routes to market upon the expiration of transition services;
- difficulty in fully separating the Miller brand portfolio from SABMiller's current brand portfolio; and
- inability to perform satisfactory due diligence on the business prior to closing of the Acquisition.

We may not be able to maintain the levels of revenue, earnings or operating efficiency that each of the Company and the international Miller brand portfolio had achieved or might achieve separately. Although we have a downward purchase price adjustment if the unaudited U.S. GAAP earnings before interest, tax, depreciation and amortization (EBITDA) for the international Miller brand portfolio for the twelve months prior to closing is below $70 million, such adjustment may not be adequate to protect us from the future harm of acquiring an underperforming or declining brand portfolio. In addition, we may not accomplish the integration of the international Miller brand portfolio smoothly, successfully or within the anticipated costs or timeframe. Moreover, the markets in which the international Miller brand portfolio operates may not experience the growth rates expected and any economic downturn affecting those markets could negatively impact the international Miller brand portfolio. These markets are in differing stages of development and may experience more volatility than expected or face more operating risks than in the more mature markets in which we have historically operated. If we experience difficulties with the integration process or if the international Miller brand portfolio or the markets in which it operates deteriorate, the potential cost savings, growth opportunities and other synergies of the acquisition of the Miller brand portfolio outside the U.S. and Puerto Rico may not be realized fully, or at all, or may take longer to realize than expected. In such case, our business, financial condition, results of operations and cash flows may be negatively impacted.

Risks Specific to Our Company

The global beer industry is constantly evolving, and our position within the global beer industry and our markets in which we operate may fundamentally change. If we do not successfully transform along with the evolving industry and market dynamics, then the result could have a material adverse effect on our business and financial results. The brewing industry has significantly evolved over the years becoming an increasingly global beer market. For many years, the industry operated primarily on local presence with modest international expansion achieved through export, license and partnership arrangements, whereas it has now become increasingly complex as the consolidation of brewers has occurred globally resulting in fewer major global market participants. At the same time, smaller local brewers within certain geographies are seeing accelerated growth as consumers increasingly place value on locally-produced and/or regionally-sourced products. As a result of the increased global consolidation of brewers and the dynamic of an expanding new segment within the industry with new market entrants, the markets in which we operate, particularly the more mature markets, may evolve at a disadvantage to our current market position and local governments may intervene, which may fundamentally accelerate transformational changes to such markets. For example, U.S. and Canada beer markets have long consisted of a select number of significant market participants with government-regulated routes to market. However, recent evolution in these markets and emerging changes to consumer preferences have introduced a significant expansion of market entrants and resulted in increased consumer choice and market competition, as well as increased government scrutiny. Specifically, in the U.S., we have experienced vast expansion in the craft beer industry and have accordingly strategically acquired several craft breweries in the recent year. If our competitors are able to respond more quickly to the evolving trends within the craft beer industry, or if our new products are not successful, our U.S. business may be adversely impacted. In Canada, changes to regulations, distribution models, and packaging requirements, such as government-owned retail outlets and industry standard returnable bottles may be disadvantageous to us. Currently, in Ontario and other provinces, provincial governments are reviewing and/or changing this historical foundation as a result of this market evolution and increased demand by some for government intervention to enhance competition and choice. As further described below, in addition to these risks related to growing competition and market evolution, the existing Ontario distribution models may be changed in ways that are unfavorable to us and the industry standard returnable bottle agreement may change in ways that adversely impact our operating model across Canada. If we are unsuccessful in evolving with, and navigating through, the changes to the markets in which we operate, the above risk could result in a material adverse effect on our business and financial results.

Competition in our markets could require us to reduce prices or increase capital and other expenditures or cause us to lose sales volume, any of which could have a material adverse effect on our business and financial results. In most of our markets, our primary competitors have substantially greater financial, marketing, production and distribution resources than we do, and are more diverse in terms of their geographies and brand portfolios. In all of the markets in which we operate, aggressive marketing strategies, such as reduced pricing, brand positioning, and increased capital investments by these competitors could have a material adverse effect on our business and financial results. In addition, continuing consolidation among major global brewers may lead to stronger or new competitors, loss of partner brands, negative impacts on our distributor networks and pressures from marketing and pricing tactics by competitors. Further, distributor consolidation could reduce our ability to promote our brands in the market in a manner that enhances rather than diminishes their value, as well as reduce our ability to manage our pricing effectively. Failure to generate significant cost savings and margin improvement through our ongoing initiatives could adversely affect our profitability and these factors could result in lower margins or loss of market share, due to increased pressures for reduced pricing or difficulties in increasing prices while remaining competitive within our markets, as well as the need for increased capital investment, marketing and other expenditures. Moreover, most of our major markets are mature, so growth opportunities may be more limited to us than to our competitors. For example, sales in the U.S. were approximately $7.7 billion in 2016 and sales in Canada accounted for approximately 27.5% of our total 2016 sales. The above risk, if realized, could result in a material adverse effect on our business and financial results.

Our success as an enterprise depends largely on the success of relatively few products in several mature markets specific to the beer industry; if consumer preferences shift away from our products or consumption of our products decline, our business and financial results could be materially adversely affected. Our Coors Light and Miller Lite brands in the U.S., Coors Light, Molson Canadian brands, Coors Banquet and Carling in Canada, and Carling, Staropramen, Jelen, Ozujsko and Coors Light brands in Europe represented approximately half of each respective segment's sales volumes in 2016. Additionally, several of our brands represent a significant share of their respective market, therefore volatility in these markets could disproportionately impact the performance of these brands. Consequently, any material shift in consumer preferences away from these brands, or from the categories in which they compete, could have a material adverse effect on our business and financial results. Consumer preferences and tastes may shift away from our brands or beer generally due to, among others, changing taste preferences, demographics, downturn in economic conditions or perceived value, as well as changes in consumers' perception of our brands due to negative publicity, regulatory actions or litigation. Recently, there has been more attention focused on the health concerns and harmful effects of alcoholic beverages which could result in a change in the social acceptability of beer and other alcoholic beverages which could materially impact our sales. Additionally, in some of our major markets, specifically Canada and the U.S., there has been a recent shift in consumer preferences within the total beer market away from premium brands to "craft beer" produced by small, regional microbreweries, as well as a shift within the total alcohol beverage market from beer to wine and spirits. Moreover, several of our major markets are mature and we have significant share, therefore small movements in consumer preference can disproportionately impact our results. As a result, a shift in consumer preferences away from our products or beer could result in a material adverse effect on our business and financial results.

The success of our business relies heavily on brand image, reputation, product quality and protection of intellectual property. It is important that we maintain and increase the image and reputation of our existing products. Concerns about product quality, even when unsubstantiated, could be harmful to our image and reputation of our products.

While we have quality control programs in place, in the event we experienced an issue with product quality, we may experience recalls or liability in addition to business disruption which could further negatively impact brand image and reputation. Deterioration to our brand equity may be difficult to combat or reverse and could have a material effect on our business and financial results. In addition, because our brands carry family names, personal activities by certain members of the Molson or Coors families that harm their public image or reputation could have an adverse effect on our brands. Further, our success is dependent on our ability to protect our intellectual property rights, including trademarks, patents, domain names, trade secrets and know-how. We cannot be certain that the steps we have taken to protect our intellectual property rights will be sufficient or that third parties will not infringe upon or misappropriate these rights. If we are unable to protect our intellectual property rights, it could have a material adverse effect on our business and financial results.

Continued weak, or further weakening of, economic conditions in the markets in which we do business could have a material adverse effect on our business and financial results.   Beer consumption in many of our markets is closely tied to general economic conditions and a significant portion of our portfolio consists of premium and above premium brands.

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Difficult macroeconomic conditions in our markets, such as decreases in per capita income and level of disposable income driven by increases to inflation, income taxes, the cost of living, unemployment levels, political or economic instability or other country specific factors could have an adverse effect on the demand for our products. For example, we have continued to experience economic pressures in certain European markets, resulting in an increased consumer trend toward value brands within the impacted markets. A continuation of this trend or further deterioration of the current economic conditions could result in a material adverse effect on our business and financial results. A significant portion of our consolidated net sales revenues will be concentrated in the U.S. Therefore, unfavorable macroeconomic conditions, such as a recession or slowed economic growth, in the U.S. could negatively affect consumer demand for our product in this important market. Under difficult economic conditions, consumers may seek to reduce discretionary spending by forgoing purchases of our products or by shifting away from our products to lower-priced products offered by other companies. Softer consumer demand for our products in the U.S. could reduce our profitability and could negatively affect our overall financial performance.

Our debt level, which increased significantly in 2016 to fund the Acquisition, subjects us to financial and operating risks, and the agreements governing such debt subject us to financial and operating covenants and restrictions. Our indebtedness subjects us to financial and operating covenants, including restrictions on priority indebtedness, leverage thresholds, liens, certain types of secured debt and certain types of sale lease-back transactions and transfers of assets, which may limit our flexibility in responding to our business needs. If we are not able to maintain compliance with stated financial covenants or if we breach other covenants in any debt agreement, we could be in default under such agreement. Such a default would adversely affect our credit ratings, may allow our creditors to accelerate the related indebtedness, and may result in the acceleration of any other indebtedness to which a cross-acceleration or cross-default provision applies.
Our significant debt level and the terms of such debt could, among other things:

- make it more difficult to satisfy our obligations under the terms of our indebtedness;

- limit our ability to refinance our indebtedness on terms acceptable to us or at all;

- limit our flexibility to plan for and adjust to changing business and market conditions and increase our vulnerability to general adverse economic and industry conditions;

- require us to dedicate a substantial portion of our cash flow to make interest and principal payments on our debt, thereby limiting the availability of our cash flow to fund future acquisitions, working capital, business activities, and other general corporate requirements;

- limit our ability to obtain additional financing for working capital, capital expenditures, strategic opportunities, including acquisitions or other investments, to fund growth or for general corporate purposes, even when necessary to maintain adequate liquidity, particularly if any ratings assigned to our debt securities by rating organizations were revised downward; and

- adversely impact our competitive position in the industry.

Failure to comply with our debt covenants or a deterioration in our credit rating could have an adverse effect on our ability to obtain future financing at competitive rates and/or our ability to refinance our existing indebtedness. 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. Failure to comply with these restrictions or maintain our credit rating may result in issues with our current financing structure and potential future financing requirements. A deterioration in our credit rating could also affect our ability to obtain future financing or refinance our current debt, as well as increase our borrowing rates, which could have an adverse effect on our business and financial results.

Default by or failure of one or more of our counterparty financial institutions could cause us to incur significant losses. As part of our risk management activities, we enter into transactions involving derivative financial instruments, including, among others, forward contracts, commodity swap contracts, option contracts, with various financial institutions. In addition, we have significant amounts of cash and cash equivalents on deposit or in accounts with banks or other financial institutions in the United States and abroad. As a result, we are exposed to the risk of default by, or failure of, counterparty financial institutions. The risk of counterparty default or failure may be heightened during economic downturns and periods of uncertainty in the financial markets. If one of our counterparties were to become insolvent or file for bankruptcy, our ability to recover losses incurred as a result of default or to retrieve our assets that are deposited or held in accounts with such counterparty may be limited by the counterparty's liquidity or the applicable laws governing the insolvency or bankruptcy proceedings. In the event of default by or failure of one or more of our counterparties, we could incur significant losses, which could negatively impact our results of operations and financial condition.

Our consolidated financial statements are subject to fluctuations in foreign exchange rates, most significantly the Canadian dollar and the European operating currencies such as, Euro, British Pound, Czech Koruna, Croatian Kuna, Serbian Dinar, New Romanian Leu, Bulgarian Lev and Hungarian Forint. We hold assets and incur liabilities, earn revenues and pay expenses in different currencies, most significantly in Canada and throughout Europe. Because our financial statements are presented in U.S. Dollars ("USD"), we must translate our assets, liabilities, income and expenses into USD. Increases and decreases in the value of the USD will affect, perhaps adversely, the value of these items in our financial statements, even if their local currency value has not changed. Additionally, we are exposed to currency transaction risks related to transactions denominated in currencies other than one of the functional currencies of our operating entities, such as the purchase of certain raw material inputs or capital expenditures, as well as sales transactions and debt issuances or other incurred obligations. Further, certain actions by the government of any of the jurisdictions in which we operate could adversely affect our results and financial position. To the extent that we fail to adequately manage these risks through our risk management policies intended to protect our exposure to currency movements, which may affect our operations, including if our hedging arrangements do not effectively or completely hedge changes in foreign currency rates, our results of operations may be materially and adversely affected. As a result the U.K. vote to leave the European Union, the GBP experienced a significant decline in comparison to USD and EUR and continues to be volatile. Any significant further weakening of the GBP to the USD will have an adverse impact on our European revenues as reported in USD due to the importance of U.K. sales. Additionally, the recent strengthening of the USD against the Canadian dollar, European currencies and various other global currencies, if continued, would adversely impact our USD reported results due to the impact on foreign currency translation.

Our operations face significant exposure to changes in commodity prices, which could materially and adversely affect our business and financial results.   We use a large volume of agricultural and other raw materials, some of which are purchased through supply contracts with third parties, to produce our products, including barley, malted barley, hops, corn, other various starches, water and packaging materials, including aluminum cans and bottles, glass and polyethylene terephthalate (“PET”) containers, as well as, cardboard and other paper products. We also use a significant amount of diesel fuel, natural gas and electricity in our operations. The supply and price of these raw materials and commodities can be affected by a number of factors beyond our control, including market demand, alternative sources for suppliers, global geopolitical events (especially as to their impact on crude oil prices and the resulting impact on diesel fuel prices), trade agreements among producing and consuming nations, governmental regulations, including tariffs, frosts, droughts and other weather conditions, economic factors affecting growth decisions, inflation, plant diseases and theft. To the extent any of the foregoing factors affect the availability or prices of ingredients or packaging or our hedging arrangements do not effectively or completely hedge changes in commodity price risks and we are not able to pass these increased costs along to customers, our financial results could be materially adversely impacted.

We may incur impairments of the carrying value of our goodwill and other intangible assets.   In connection with various business combinations, we have historically allocated material amounts of the related purchase prices to goodwill and other intangible assets that are considered to have indefinite useful lives. For example, as a result of the Acquisition, we have preliminarily allocated approximately $6.4 billion and $7.7 billion to goodwill and indefinite-lived intangible assets, respectively. These assets are tested for impairment at least annually, using estimates and assumptions affected by factors such as economic and industry conditions and changes in operating performance. Additionally, in conjunction with the brand impairment tests, we also reassess each brand's indefinite-life classification. Potential resulting charges from an impairment of goodwill or brand intangible, as well as reclassification of an indefinite-lived to a definite-lived brand intangible, could have a material adverse effect on our results of operations. For example, the results of our annual impairment testing completed as of October 1, 2016, indicated that the fair value of the Molson core brand indefinite-lived intangible asset was below its carrying value. As a result, we recorded an impairment charge of $495.2 million recorded within special items in our consolidated statements of operations during the fourth quarter of 2016. Additionally, during this review, we also reassessed the asset's indefinite-life classification and determined that the Molson core brands have characteristics that have evolved which now indicate a definite-life is more appropriate. These brands were therefore reclassified as definite-lived intangible assets and will be amortized over useful lives ranging from 30 to 50 years.

Our most recent impairment analysis, conducted as of October 1, 2016, the first day of our fiscal fourth quarter, indicated that the fair value of our Canada reporting unit declined from the prior year, while our Europe reporting unit fair value remained comparable with the prior year, and therefore continues 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 their carrying values, respectively. The Europe reporting unit is therefore at risk of a 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

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thereof), terminal growth rates, market transaction multiples and/or weighted-average cost of capital utilized in the discounted cash flow analysis. Although the fair value in excess of the carrying value has increased for the Canada reporting unit from the October 1, 2015, testing date, the fair value is sensitive to potential unfavorable changes in forecasted cash flows, macroeconomic conditions, market multiples or discount rates that could have an adverse impact. Any future impairment of the Europe or Canada reporting units or brands, or reclassification of indefinite-lived brands to definite-lived, may result in material charges that could have a material adverse effect on our business and financial results. Additionally, if the resulting integration of the MillerCoors and Miller global business is unsuccessful due to, for example, unexpected challenges or difficulties, or adverse economic, market or industry conditions, material impairment charges may be incurred in the future. The testing of our goodwill for impairment is predicated upon our determination of our reporting units. Any change to the conclusion of our reporting units or the aggregation of components within our reporting units could result in a different outcome to our annual impairment test. See Part II-Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations, Critical Accounting Estimates and Part II-Item 8 Financial Statements and Supplementary Data, Note 11, "Goodwill and Intangible Assets" of the Notes for additional information related to the results of our annual impairment testing.

Termination of one or more manufacturer/distribution agreements could have a material adverse effect on our business and financial results.   We manufacture and/or distribute products of other beverage companies through various joint venture, licensing, distribution, contract brewing or other similar arrangements. The loss of one or more of these arrangements, as a result of industry consolidation or otherwise, could have a material adverse effect on our business and financial results. For example, our 2015 Europe results were adversely impacted by the termination of our brewing and kegging agreement with Heineken under which we produced and packaged the Foster’s and Kronenbourg brands in the U.K. Additionally, Canada volumes were also adversely impacted by the termination of our license agreement with Miller Brewing Company (“Miller”) in 2015.

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

We rely on a small number of suppliers to obtain the packaging materials we need to operate our business. The inability to obtain materials could unfavorably affect our ability to produce our products.   We purchase certain types of packaging materials including aluminum cans and bottles, glass bottles and paperboard from a small number of suppliers. Consolidation of packaging materials suppliers has reduced local supply alternatives and increased risks of supply disruptions. The inability of any of these suppliers to meet our production requirements without sufficient time to develop an alternative source could have a material adverse effect on our business and financial results. Additionally, if the financial condition of these suppliers deteriorates our business and financial results could be adversely impacted. Our suppliers’ financial condition is affected in large part by conditions and events that are beyond our and their control, including competitive and general market conditions in the locations in which they operate; the availability of capital and other financing resources on reasonable terms; loss of major customers; or disruptions of bottling operations that may be caused by strikes, work stoppages, labor unrest or natural disasters. A deterioration of the financial condition or results of operations of one or more of our major suppliers could adversely affect our business.

Risks associated with operating our joint ventures may materially adversely affect our business and financial results.   We have entered into several joint ventures, including our joint ventures with Ball Corporation, Rocky Mountain Metal Container, and with Owens-Brockway Glass Container Inc., Rocky Mountain Bottle Company, for a portion of our aluminum and glass packaging supply in the United States. We may enter into additional joint ventures in the future. Our joint venture partners may at any time have economic, business or legal interests or goals that are inconsistent with our goals or with the goals of the joint venture. In addition, we compete against our joint venture partners in certain of our other markets. Disagreements with our business partners may impede our ability to maximize the benefits of our partnerships. Our joint venture arrangements may require us, among other matters, to pay certain costs or to make certain capital investments or to seek our joint venture partner's consent to take certain actions. In addition, our joint venture partners may be unable or unwilling to meet their economic or other obligations under the operative documents, and we may be required to either fulfill those obligations alone to ensure the ongoing success of a joint venture or to dissolve and liquidate a joint venture. For example, we terminated our MMI joint venture that imported, distributed and marketed the Modelo beer brand portfolio across all Canadian provinces and territories, which, since termination in the first quarter of 2014, has had an adverse effect on our Canadian volumes and financial results. The above risk, if realized, could result in a material adverse effect on our business and financial results.

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

In addition, as a global company, we are subject to foreign and U.S. laws and regulations designed to combat governmental corruption, including the U.S. Foreign Corrupt Practices Act and the U.K. Bribery Act. Violations of these laws and regulations could result in fines and penalties, criminal sanctions against us, our officers, or our employees, prohibitions on the conduct of our business and on our ability to offer our products and services in one or more countries, each of which could have a materially negative effect on our brands and our operating results. Although we have implemented policies and procedures designed to ensure compliance with these foreign and U.S. laws and regulations, including the U.S. Foreign Corrupt Practices Act and the U.K. Bribery Act, there can be no assurance that our employees, business partners or agents will not violate our policies.

Changes to the regulation of the distribution systems for our products could adversely affect our business and financial results.   Many countries in which we operate regulate the distribution of alcohol products and if those regulations were changed, it could alter our business practices and have material adverse effects on our business and financial results. For example, in the U.S. market, there is a three-tier distribution system that governs the sale of malt beverage products. That system, consisting of required separation of manufacturers, distributors and retailers, dates back to the repeal of prohibition and is periodically subject to legal challenges. To the extent that such challenges are successful and allow changes to the three-tier system, such changes could have a material adverse effect on our U.S. segment results of operations. Further, in Canada, our products are required to be distributed through each province's respective provincial liquor board. Additionally, in certain provinces, we rely on our joint venture arrangements, such as BRI and BDL, to distribute our products via retail outlets that are mandated and regulated by provincial government regulators. BRI owns and operates commercial retail outlets, known as The Beer Store, in Ontario, and BDL facilitates the distribution of our products in the Western provinces. If provincial regulation should change, the costs to adjust our distribution methods could have a material adverse effect on our business and financial results.

Changes in tax, environmental, trade or other regulations or failure to comply with existing licensing, trade and other regulations could have a material adverse effect on our business and financial results.   Our business is highly regulated by national, state, provincial and local laws and regulations in various jurisdictions regarding such matters as tariffs, licensing requirements, trade and pricing practices, labeling, advertising, promotion and marketing practices, relationships with distributors, environmental matters, smoking bans at on-premise locations and other matters. These laws and regulations are subject to frequent re-evaluation, varying interpretations and political debate and inquiries from government regulators charged with their enforcement. An example of this is the regulatory assessments received in Europe in the first quarters of 2016 and 2015 and fourth quarter of 2014 related to the interpretation of the application of tax on the production and sale of our products for which we recorded a charge of approximately $50 million in the fourth quarter of 2016. If these assessments are upheld in full or in part, in addition to potentially recording an additional charge, we would be subject to increased taxes on future sales of our products, which could have a material adverse effect on our results of operations and operating income. In addition, U.S. legislative initiatives to reform U.S. tax law could have a material impact on our tax rate and our cash tax expectations, including our expected cash tax benefits related to the Acquisition. Modifications of U.S. laws and policies governing foreign trade and investment (including trade agreements and tariffs) could adversely affect our supply chain, business and results of operations. Failure to comply with existing laws and regulations or changes in these laws, regulations, or interpretations thereof, or in tax, environmental, excise tax levels imposed or any other laws or regulations could result in the loss, revocation or suspension of our licenses, permits or approvals and could have a material adverse effect on our business, financial condition and results of operations. Additionally, uncertainties exist with respect to adding new tax laws, the interpretation of, and potential future developments in, complex domestic and international tax laws and regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. Finally, advocates of prohibition and other severe restrictions on the marketing and sales of alcohol are becoming increasingly organized and coordinated on a global basis, seeking to impose laws or regulations or to bring actions against us, to curtail substantially the consumption of alcohol, including beer, in developed and developing markets. To the extent such views gain traction in regulations of jurisdictions in which we do or plan to do business, they could have a material adverse effect on our business and financial results. For example, in early 2016, the government of Bihar, India, the largest state in India in which MCI operates, announced a complete prohibition on the sale and distribution of alcohol, which if not reversed, could have a material adverse effect on our business and financial results.

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

Loss or closure of a major brewery or other key facility, due to unforeseen or catastrophic events or otherwise, could have a material adverse effect on our business and financial results. Our business and financial results could be materially adversely impacted by physical risks such as earthquakes, hurricanes, floods, other natural disasters or catastrophic events that damage or destroy one of our breweries or key facilities or the key facilities of our significant suppliers. Additionally, certain catastrophes are not covered by our general insurance policies, which could result in significant unrecoverable losses. In addition, our business and results of operations could be adversely impacted by under-investment in physical assets or production capacity, including contract brewing and effect on priority of our brands if production capacity is limited. Further, significant excess capacity at any of our breweries as a result of increased efficiencies in our supply chain process or continued volume declines, could result in under-utilization of our assets, which could lead to excess overhead expenses or additional costs incurred associated with the closure of one or more of our facilities. For example, as part of a strategic review of our supply chain network, certain breweries and bottling lines were closed during 2015 and 2016 and we incurred related costs and for which we may incur additional costs during 2017. We regularly review our supply chain network to ensure that our supply chain capacity is aligned with the needs of the business. Such review could potentially result in further closures and the related costs could be material.

Failure to successfully identify, complete or integrate attractive acquisitions and joint ventures into our existing operations could have an adverse effect on our business and financial results. We have made a number of acquisitions and entered into several joint ventures. In order to compete in the consolidating global brewing industry, we anticipate that we may, from time to time, in the future acquire additional businesses or enter into additional joint ventures that we believe would provide a strategic fit with our business such as the Acquisition. See above "Risks Specific to the Acquisition" for further details. Potential risks associated with acquisitions and joint ventures could include, among other things: our ability to identify attractive acquisitions and joint ventures; our ability to offer potential acquisition targets and joint venture partners' competitive transaction terms; our ability to raise capital on reasonable terms to finance attractive acquisitions and joint ventures; our ability to realize the benefits or cost savings that we expect to realize as a result of the acquisition or joint venture; diversion of management's attention; our ability to successfully integrate our businesses with the business of the acquired company; motivating, recruiting and retaining key employees; conforming standards, controls, procedures and policies, business cultures and compensation structures among our company and the acquired company; consolidating and streamlining sales, marketing and corporate operations; potential exposure to unknown liabilities of acquired companies; loss of key employees and customers of the acquired business; and managing tax costs or inefficiencies associated with integrating our operations following completion of an acquisition or entry into a joint venture. If an acquisition or joint venture is not successfully completed or integrated into our existing operations, our business and financial results could be materially adversely impacted.

Poor investment performance of pension plan holdings and other factors impacting pension plan costs could unfavorably affect our business, liquidity and our financial results. Our costs of providing defined benefit pension plans are dependent upon a number of factors, such as the rates of return on the plans' assets, discount rates, the level of interest rates used to measure the required minimum funding levels of the plans, exchange rate fluctuations, future government regulation, global equity prices, and our required and/or voluntary contributions to the plans. While we comply with the minimum funding requirements, we have certain qualified pension plans with obligations which exceed the value of the plans' assets. These

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funding requirements may also require contributions even when there is no reported deficit. Without sustained growth in the pension investments over time to increase the value of the plans' assets, and depending upon the other factors as listed above, we could be required to fund the plans with significant amounts of cash. Such cash funding obligations (or the timing of such contributions) could have a material adverse effect on our cash flows, credit rating and cost of borrowing, financial position and/or results of operations. For example, following the completion of the triennial review of the U.K. pension plan with the plan's trustees in 2014, we made a GBP 150 million contribution to our U.K. pension plan in January 2015, based on the underfunded status of the plan and the evaluation of the plan's performance and long-term obligations.

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

Due to a high concentration of workers represented by unions or trade councils in Canada, Europe, and at MillerCoors in the U.S., we could be significantly affected by labor strikes, work stoppages or other employee-related issues. Approximately 50%, 28% and 36% of our Canadian, U.S. and European workforces, respectively, are represented by trade unions. Stringent labor laws in certain of our key markets expose us to a greater risk of loss should we experience labor disruptions in that market. A prolonged labor strike, work stoppage or other employee-related issue, could have a material adverse effect on our business and financial results. For example, early in the first quarter of 2017, our Toronto brewery unionized employees commenced a labor strike initiated from on-going negotiations of the collective bargaining agreement. This labor strike has resulted in slower than expected production at the Toronto brewery early in the first quarter of 2017.

Because of our reliance on third-party service providers and internal and outsourced systems for our information technology and certain other administrative functions, we could experience a disruption to our business. We rely extensively on information services providers worldwide for our information technology functions including network, help desk, hardware and software configuration. Additionally, we rely on internal networks and information systems and other technology, including the internet and third-party hosted services, to support a variety of business processes and activities, including procurement and supply chain, manufacturing, distribution, invoicing and collection of payments. We use information systems for certain human resource activities and to process our employee benefits, as well as to process financial information for internal and external reporting purposes and to comply with various reporting, legal and tax requirements. We also have outsourced a significant portion of work associated with our finance and accounting, human resources and other information technology functions to third-party service providers. As information systems are critical to many of our operating activities, our business may be impacted by system shutdowns, service disruptions or security breaches. Additionally, if one of our service providers was to fail and we were unable to find a suitable replacement in a timely manner, we could be unable to properly administer our outsourced functions. Further, our internal and outsourced systems may also be the target of a breach to our security, which, if successful, could expose us to the loss of key business, employee, customer or vendor information and disruption of our operations. If our information systems suffer severe damage, disruption or shutdown and our remediation plans do not effectively resolve the issues in a timely manner, we could experience delays in reporting our financial results and we may lose revenue and profits as a result of our inability to timely manufacture, distribute, invoice and collect payments from our customers. Misuse, leakage or falsification of information could result in a violation of data privacy laws and regulations, or damage our reputation and credibility. In addition, we may suffer financial and reputational damage because of lost or misappropriated confidential information and may become subject to legal action and increased regulatory oversight or consumers may avoid our brands due to negative publicity. We could also be required to spend significant financial and other resources to remedy the damage caused by a security breach or to repair or replace networks and information systems.

If the Pentland Trust and the Coors Trust do not agree on a matter submitted to stockholders or if a super-majority of our board of directors do not agree on certain actions, generally the matter will not be approved, even if beneficial to us or favored by other stockholders or a majority of our board of directors. Pentland Securities (1981) Inc. (the "Pentland Trust") (a company controlled by the Molson family and related parties) and the Adolph Coors, Jr. Trust (the "Coors Trust"), which together control more than 90% of our Class A common stock and Class A exchangeable shares, have a voting trust agreement through which they have combined their voting power over the shares of our Class A common stock and the Class A exchangeable shares that they own. In the event that these two stockholders do not agree to vote in favor of a matter submitted to a stockholder vote (other than the election of directors), the voting trustees are required to vote all of the Class A common stock and Class A exchangeable shares deposited in the voting trust against the matter. There is no other mechanism in the voting trust agreement to resolve a potential deadlock between these stockholders. Therefore, if either the Pentland Trust or the Coors Trust is unwilling to vote in favor of a proposal that is subject to a stockholder vote, we would be unable to implement the proposal even if our board of directors, management or other stockholders believe the proposal is beneficial to us. Similarly, our bylaws require the authorization of a super-majority (two-thirds) of the board of directors to take certain transformational actions. Thus, it is possible that the Company will not be authorized to take action even if it is supported by a simple majority of the board of directors.

The interests of the controlling stockholders may differ from those of other stockholders and could prevent the Company from making certain decisions or taking certain actions that would be in the best interest of the other stockholders. Our Class B common stock has fewer voting rights than our Class A common stock and holders of our Class A common stock have the ability to effectively control or have a significant influence over certain company actions requiring stockholder approval, which could have a material adverse effect on Class B stockholders. See Part II-Item 8 Financial Statements and Supplementary Data, Note 8, "Stockholders' Equity" of the Notes for additional information regarding voting rights of Class A and Class B stockholders.

Risks Specific to the United States Segment

Our U.S. business is highly dependent on independent distributors to sell our products, with no assurance that these distributors will effectively sell our products. We sell nearly all of our products, including all of our imported products, in the United States to independent distributors for resale to retail outlets. These independent distributors are entitled to exclusive territories and protected from termination by state statutes and regulations. Consequently, if we are not allowed or are unable to replace unproductive or inefficient distributors, our business, financial position and results of operation may be adversely affected, which could have a material adverse effect on our business and financial results.

Competition in the U.S. market could have a material adverse impact on our U.S. business. Craft breweries continue to expand in capacity, geographic and in their brand options while distributors and retailers are making more shelf space available for these expanding craft beer brands. With the continued growth of the craft industry in the U.S. market, we may not remain competitive and relevant with our product offerings and related innovations. An inability to remain competitive, could adversely impact our results of operations and market share. Additionally, due to competition with brewers and other alternative beverage companies in the U.S., an increase in the purchasing power of our large competitors, may cause further pricing pressures which could prevent us from increasing prices to recover higher costs necessary to compete. Such pressures, could have a material adverse impact our on our business and our financial results and market share.

Changes in the social acceptability of alcohol and the political view of the alcohol industry may harm the U.S. business. The alcoholic beverage industry is regularly the subject of anti-alcohol activist activity related to the health concerns from the misuse of alcohol and concerns regarding underage drinking and exposure to alcohol advertisements. Negative publicity regarding beer and changes in consumer perceptions in relation to beer and other alcoholic beverages, could adversely affect the sale and consumption of our products which could adversely affect our business and financial conditions. Additionally, the concerns around alcohol, could result in advertising, selling and other restrictions imposed by regulators. Moreover, it could result in increased taxes associated with alcohol sales, which could also negatively impact our business, results of operations, cash flows or financial condition if consumers and customers change their purchasing patterns.

Risks Specific to the Canada Segment

We may experience adverse effects on our Canada business and financial results due to declines in the overall Canadian beer industry, continued price discounting, increased cost of goods sold and higher taxes. If the Canadian beer market continues to decline, the impact to our financial results could be exacerbated due to our significant share of the overall market. Additionally, continuation, acceleration or the increase of price discounting, in Ontario, Québec, Alberta or other provinces, as well as increases in our cost of goods sold, could adversely impact our business. Further, changes in the Canadian tax legislation, such as the potential for an increase in beer excise taxes, could decrease our net sales. Moreover, the future success and earnings growth of the Canada business depends, in part, on our ability to efficiently conduct our operations. Failure to generate significant cost savings and margin improvement through our ongoing initiatives could adversely affect our profitability.

In the event that we are required to move away from the industry standard returnable bottle we use today, we may incur unexpected losses. Along with ABI and other brewers in Canada, we currently use an industry standard returnable bottle which represents approximately 34% of total volume sales (excluding imports) in Canada. Changes to the Industry Standard Bottle Agreement could impact our use of the industry standard returnable bottle. If we cease to use the industry standard returnable bottle, our current bottle inventory and a portion of our bottle packaging equipment could become obsolete and could result in a material write-off of these assets.

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Risks Specific to the Europe Segment

The vote in the U.K. to leave the European Union could adversely affect us. Approximately 22% of our consolidated net sales in 2016 came from the U.K., which is our largest market in Europe. In a referendum held on June 23, 2016, a majority of voters in the U.K. voted in favor of the U.K. leaving the European Union. The U.K. vote to leave the European Union triggered a decline in the GBP in comparison to USD and EUR. Weakening of economic conditions or economic uncertainties tend to harm the beer business, and if such conditions emerge in the U.K. or in the rest of Europe, it may have a material adverse effect on our Europe segment. In addition, any significant further weakening of the GBP to the USD will have an adverse impact on our European revenues as reported in USD due to the importance of U.K. sales. Negotiations on exit terms may take two years to complete once the U.K. formally initiates its exit from the European Union and negotiations on new trade agreements may take longer. The U.K. will remain a member of the European Union until then and will be bound by its legal and treaty obligations. Because of the uncertain terms of the exit, market volatility may continue.

Economic trends and intense competition in European markets could unfavorably affect our profitability. Our European businesses have been, and may continue to be, adversely affected by conditions in the global financial markets and general economic and political conditions, as well as a continued weakening of their respective currencies versus the U.S. dollar. Additionally, we face intense competition in certain of our European markets, particularly with respect to price, which could lead to reduced sales or profitability. In particular, the on-going focus by large competitors in Europe to drive increased market share through aggressive pricing strategies could adversely affect our sales and results of operations. In addition, in recent years, beer volume sales in Europe have been shifting from pubs and restaurants (on-premise) to retail stores (off-premise) as well as from premium or core brands to value brands, for the industry in general. Margins on sales of value brands and sales to off-premise customers tend to be lower than margins on sales to on-premise customers, and, as a result, continuation or acceleration of these trends would further adversely affect our profitability.

Risks Specific to the Molson Coors International Segment

An inability to expand our operations in emerging markets could adversely affect our growth prospects. Our ability to grow our MCI segment in emerging markets depends on social, economic and political conditions in those markets, on our ability to create effective product distribution networks and consumer brand awareness in new markets and in many cases our ability to find appropriate local partners. Due to product price, local regulatory changes, local competition from competitors that are larger and have more resources than we do and cultural differences, or absence of effective routes to market, there is no assurance that our products will be accepted in any particular emerging market. If we are unable to expand our businesses in emerging markets, our growth prospects could be adversely affected.

Risks Specific to Our Discontinued Operations

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

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

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ITEM 2. PROPERTIES

As of February 14, 2017, our major facilities were owned (unless otherwise indicated) and are as follows:

Facility	Location	Character
U.S. Segment		
Administrative offices	Chicago, Illinois(1)	U.S. segment headquarters
	Golden, Colorado	U.S. segment administrative office
	Milwaukee, Wisconsin	U.S. segment administrative office
Brewery/packaging plants	Albany, Georgia(2)	Brewing and packaging
	Athens, Georgia	Brewing and packaging
	Chippewa Falls, Wisconsin	Brewing and packaging
	Elkton, Virginia	Brewing and packaging
	Eugene, Oregon	Brewing and packaging
	Fort Worth, Texas(2)	Brewing and packaging
	Golden, Colorado(2)	Brewing and packaging
	Granbury, Texas	Brewing and packaging
	Irwindale, California	Brewing and packaging
	Milwaukee, Wisconsin(2)	Brewing and packaging
	San Diego, California(3)	Brewing and packaging
	Trenton, Ohio(2)	Brewing and packaging
Beer distributorship	Denver, Colorado	Distribution
Cidery	Colfax, California(3)	Cidery and packaging
Container operations	Wheat Ridge, Colorado	Bottling manufacturing facility
	Golden, Colorado	Can and end manufacturing facility
Malting operations	Golden, Colorado	Malting
Distribution warehouses	Golden, Colorado	Distribution centers
	Rest of U.S.(4)	Distribution centers
Canada Segment		
Administrative offices	Montréal, Québec	Corporate headquarters
	Toronto, Ontario	Canada segment headquarters
Brewery/packaging plants	Creemore, Ontario	Brewing and packaging
	Granville Island, British Columbia(6)	Brewing and packaging
	Moncton, New Brunswick	Brewing and packaging
	Montréal, Québec(5)	Brewing and packaging
	St John's, Newfoundland	Brewing and packaging
	Toronto, Ontario(5)	Brewing and packaging
	Vancouver, British Columbia(6)	Brewing and packaging
Distribution warehouses	Québec Province(7)	Distribution centers
	Rest of Canada(8)	Distribution centers
Europe Segment		
Administrative offices	Prague, Czech Republic	Europe segment headquarters
Brewery/packaging plants	Apatin, Serbia(9)	Brewing and packaging
	Bőcs, Hungary	Brewing and packaging
	Burton-on-Trent, Staffordshire, U.K.(9)(10)	Brewing and packaging
	Burtonwood Brewery, Warrington, U.K.	Brewing and packaging

	Haskovo, Bulgaria	Brewing and packaging
	Niksic, Montenegro	Brewing and packaging
	Ostrava, Czech Republic	Brewing and packaging
	Ploiesti, Romania(9)	Brewing and packaging
	Prague, Czech Republic(9)	Brewing and packaging
	Sharp's Brewery, Cornwall, U.K.	Brewing and packaging
	Tadcaster Brewery, Yorkshire, U.K.(9)	Brewing and packaging
	Zagreb, Croatia	Brewing and packaging
Distribution warehouses	Europe(11)	Distribution centers
MCI Segment		
Brewery/packaging plants	Patna, Bihar, India(12)	Brewing and packaging
Brewery/packaging plants	Saha, Haryana, India	Brewing and packaging
Brewery/packaging plants	Bhankharpur, Punjab, India	Brewing and packaging

(1) We lease the office space for our U.S. Segment headquarters in Chicago, Illinois.

(2) The Golden, Trenton, Albany, Fort Worth and Milwaukee breweries collectively account for approximately 75% of our U.S. production.

(3) We lease the land and building at our Colfax, California cidery and San Diego, California brewery.

(4) We lease six warehouses throughout the United States.

(5) The Montréal and Toronto breweries collectively account for over 78% of our Canada production. Early in the first quarter of 2017, our Toronto brewery unionized employees commenced a labor strike initiated from on-going negotiations of the collective bargaining agreement. This labor strike has resulted in slower than expected production at the Toronto brewery early in the first quarter of 2017.

(6) We lease two brewing and packaging facilities in British Columbia. As a result of the ongoing strategic review of our supply chain network, in October 2015, we entered into an agreement to sell our Vancouver brewery with the intent to use the proceeds from the sale to help fund the construction of an efficient and flexible brewery in British Columbia. The sale was fully completed on March 31, 2016, and separately, during the third quarter of 2016, we completed the purchase of land in British Columbia for the site of the new brewery. In conjunction with the sale, we also agreed to leaseback the existing property to continue operations on an uninterrupted basis while the new brewery is being constructed. The final closure of the brewery is currently anticipated to occur near the end of 2018.

(7) We own eight distribution centers, lease two additional distribution centers, lease three cross docks and own one cross dock, lease two warehouses and lease two parking facilities in the Province of Québec.

(8) We own one and lease six warehouses throughout Canada, excluding the Province of Québec.

(9) The Burton-on-Trent, Prague, Ploiesti, Apatin and Tadcaster breweries collectively account for over 70% of our Europe production.

(10) During the fourth quarter of 2015, we announced the planned closure of the Burton South brewery in the U.K., which is expected to be completed by the end of 2017. We continue to own the Burton South Brewery as of December 31, 2016.

(11) We own thirteen distribution centers, lease eighteen additional distribution centers, own three warehouses and lease five additional warehouses throughout Europe.

(12) As a result of the implementation of total alcohol prohibition, the Bihar brewery is not currently operating and is idled pending any future change in law or regulation. The expected length of the prohibition is unclear but we continue to monitor legal proceedings impacting the regulatory environment as it relates to our ability to resume operations in the state.

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 the Eden brewery were transitioned to other breweries in the MillerCoors network. As of December 31, 2016, we continue to own the Eden, North Carolina brewery, which closed in September 2016.

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During the second quarter of 2015 and fourth quarter of 2015, we completed the closure of the Alton brewery in the U.K. and our Plovdiv brewery in Bulgaria, respectively. We continue to own the Alton and Plovdiv breweries as of December 31, 2016.

We also lease offices in Colorado, the location of our Corporate headquarters, as well as within various international countries in which our MCI segment operates. We believe our facilities are well maintained and suitable for their respective operations. In 2016, our operating facilities were not capacity constrained.

ITEM 3. LEGAL PROCEEDINGS

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, 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 II—Item 8 Financial Statements and Supplementary Data, Note 18, "Commitments and Contingencies" of the Notes for additional information.

For additional information regarding environmental and regulatory proceedings see Part II—Item 8 Financial Statements and Supplementary Data, Note 18, "Commitments and Contingencies" of the Notes.

We are involved in other disputes and legal actions arising in the ordinary course of our business. While it is not feasible to predict or determine the outcome of these proceedings, in our opinion, based on a review with legal counsel, none of these disputes and legal actions is expected to have a material impact on our 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 4. MINE SAFETY DISCLOSURES

Not applicable.

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PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our Class A common stock and Class B common stock trade on the New York Stock Exchange under the symbols "TAP.A" and "TAP," respectively. In addition, the Class A exchangeable shares and Class B exchangeable shares of our indirect subsidiary, Molson Coors Canada Inc., trade on the Toronto Stock Exchange under the symbols "TPX.A" and "TPX.B," respectively. The Class A and B exchangeable shares are a means for shareholders to defer tax in Canada and have substantially the same economic and voting rights as the respective common shares. The exchangeable shares can be exchanged for our Class A or B common stock at any time and at the exchange ratios described in the Merger documents, and receive the same dividends. At the time of exchange, shareholders' taxes are due. The exchangeable shares have voting rights through special voting shares held by a trustee.

The approximate number of record security holders by class of stock at February 9, 2017, is as follows:

Title of class	Number of record security holders
Class A common stock, $0.01 par value	22
Class B common stock, $0.01 par value	2,771
Class A exchangeable shares, no par value	231
Class B exchangeable shares, no par value	2,431

The following table sets forth the high and low sales prices per share of our Class A common stock for each quarter of 2016 and 2015 as reported by the New York Stock Exchange, as well as dividends paid in such quarter.

	High	Low	Dividends
2016			
First quarter	$93.87	$81.97	$ 0.41