

CONSTELLATION BRANDS, INC.

Form 10-Q

October 04, 2018

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended August 31, 2018

or

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

For the transition period from _____ to _____

Commission File Number: 001-08495

CONSTELLATION BRANDS, INC.

(Exact name of registrant as specified in its charter)

Delaware 16-0716709

(State or other jurisdiction of (I.R.S. Employer incorporation or organization) Identification No.)

207 High Point Drive, Building 100, Victor, New York 14564
(Address of principal executive offices) (Zip Code)

(585) 678-7100

(Registrant's telephone number, including area code)

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). ☒ Yes ☐ No

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

Large accelerated filer ☐ Accelerated filer ☐
Non-accelerated filer ☐ Smaller reporting company ☐
Emerging growth company ☐

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

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

The number of shares outstanding with respect to each of the classes of common stock of Constellation Brands, Inc., as of September 30, 2018, is set forth below:

Class	Number of Shares Outstanding
Class A Common Stock, par value \$.01 per share	166,138,226
Class B Common Stock, par value \$.01 per share	23,316,633
Class 1 Common Stock, par value \$.01 per share	9,413

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This Quarterly Report on Form 10-Q contains “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These forward-looking statements are subject to a number of risks and uncertainties, many of which are beyond the Company’s control, that could cause actual results to differ materially from those set forth in, or implied by, such forward-looking statements. For further information regarding such forward-looking statements, risks and uncertainties, please see “Information Regarding Forward-Looking Statements” under Part I – Item 2 “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

Unless the context otherwise requires, the terms “Company,” “CBI,” “we,” “our,” or “us” refer to Constellation Brands, Inc. and its subsidiaries. Unless otherwise defined herein, refer to the Notes to Consolidated Financial Statements under Item 1 of this Quarterly Report on Form 10-Q for the definition of capitalized terms used herein. All references to “Fiscal 2018” refer to our fiscal year ended February 28, 2018. All references to “Fiscal 2019” refer to our fiscal year

ending February 28, 2019. All references to “\$” are to U.S. dollars, all references to “C\$” are to Canadian dollars and all references to “A\$” are to Australian dollars.

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements.

CONSTELLATION BRANDS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(in millions, except share and per share data)

(unaudited)

	August 31, 2018	February 28, 2018
ASSETS		
Current assets:		
Cash and cash equivalents	\$206.1	\$90.3
Accounts receivable	951.2	776.2
Inventories	1,941.9	2,084.0
Prepaid expenses and other	486.3	523.5
Total current assets	3,585.5	3,474.0
Property, plant and equipment	4,947.7	4,789.7
Goodwill	8,082.6	8,083.1
Intangible assets	3,308.9	3,304.8
Other assets	4,172.8	887.1
Total assets	\$24,097.5	\$20,538.7
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Short-term borrowings	\$717.1	\$746.8
Current maturities of long-term debt	18.9	22.3
Accounts payable	734.9	592.2
Other accrued expenses and liabilities	691.6	678.3
Total current liabilities	2,162.5	2,039.6
Long-term debt, less current maturities	9,187.6	9,417.6
Other liabilities	1,212.2	1,089.8
Total liabilities	12,562.3	12,547.0
Commitments and contingencies		
CBI stockholders' equity:		
Class A Common Stock, \$.01 par value – Authorized, 322,000,000 shares; Issued, 259,080,165 shares and 258,718,356 shares, respectively	2.6	2.6
Class B Convertible Common Stock, \$.01 par value – Authorized, 30,000,000 shares; Issued, 28,327,743 shares and 28,335,387 shares, respectively	0.3	0.3
Additional paid-in capital	2,865.3	2,825.3
Retained earnings	13,012.9	9,157.2
Accumulated other comprehensive loss	(304.6)	(202.9)
	15,576.5	11,782.5
Less: Treasury stock –		
Class A Common Stock, at cost, 92,971,811 shares and 90,743,239 shares, respectively	(4,306.0)	(3,805.2)
Class B Convertible Common Stock, at cost, 5,005,800 shares	(2.2)	(2.2)
	(4,308.2)	(3,807.4)
Total CBI stockholders' equity	11,268.3	7,975.1
Noncontrolling interests	266.9	16.6
Total stockholders' equity	11,535.2	7,991.7
Total liabilities and stockholders' equity	\$24,097.5	\$20,538.7

The accompanying notes are an integral part of these statements.

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CONSTELLATION BRANDS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in millions, except per share data)

(unaudited)

	For the Six Months Ended August 31,		For the Three Months Ended August 31,	
	2018	2017	2018	2017
Sales	\$4,755.7	\$4,408.9	\$2,525.7	\$2,300.6
Excise taxes	(409.5)	(392.5)	(226.6)	(212.7)
Net sales	4,346.2	4,016.4	2,299.1	2,087.9
Cost of product sold	(2,129.4)	(1,959.4)	(1,130.9)	(1,019.2)
Gross profit	2,216.8	2,057.0	1,168.2	1,068.7
Selling, general and administrative expenses	(826.4)	(778.6)	(403.2)	(351.4)
Operating income	1,390.4	1,278.4	765.0	717.3
Income from unconsolidated investments	1,052.8	0.6	688.4	0.2
Interest expense	(175.8)	(163.7)	(88.0)	(81.3)
Loss on extinguishment of debt	—	(8.8)	—	(2.1)
Income before income taxes	2,267.4	1,106.5	1,365.4	634.1
Provision for income taxes	(369.8)	(201.4)	(214.1)	(130.0)
Net income	1,897.6	905.1	1,151.3	504.1
Net income attributable to noncontrolling interests	(4.3)	(5.0)	(1.8)	(2.5)
Net income attributable to CBI	\$1,893.3	\$900.1	\$1,149.5	\$501.6
Comprehensive income	\$1,793.5	\$1,236.1	\$1,232.6	\$635.6
Comprehensive income attributable to noncontrolling interests	(1.9)	(23.6)	(9.1)	(9.1)
Comprehensive income attributable to CBI	\$1,791.6	\$1,212.5	\$1,223.5	\$626.5
Net income per common share attributable to CBI:				
Basic – Class A Common Stock	\$10.03	\$4.66	\$6.11	\$2.59
Basic – Class B Convertible Common Stock	\$9.11	\$4.23	\$5.55	\$2.36
Diluted – Class A Common Stock	\$9.64	\$4.47	\$5.87	\$2.49
Diluted – Class B Convertible Common Stock	\$8.89	\$4.13	\$5.41	\$2.30
Weighted average common shares outstanding:				
Basic – Class A Common Stock	167.617	171.821	167.172	172.087
Basic – Class B Convertible Common Stock	23.325	23.341	23.323	23.338
Diluted – Class A Common Stock	196.468	201.199	195.907	201.346
Diluted – Class B Convertible Common Stock	23.325	23.341	23.323	23.338
Cash dividends declared per common share:				
Class A Common Stock	\$1.48	\$1.04	\$0.74	\$0.52
Class B Convertible Common Stock	\$1.34	\$0.94	\$0.67	\$0.47

The accompanying notes are an integral part of these statements.

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CONSTELLATION BRANDS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in millions)
(unaudited)

	For the Six Months Ended August 31,	
	2018	2017
Cash flows from operating activities:		
Net income	\$1,897.6	\$905.1
Adjustments to reconcile net income to net cash provided by operating activities:		
Unrealized gain on securities measured at fair value	(950.4) —
Gain on sale of unconsolidated investment	(99.8) —
Deferred tax provision	202.3	12.2
Depreciation	168.8	140.9
Stock-based compensation	35.9	28.9
Loss on extinguishment of debt and amortization of debt issuance costs	8.9	14.4
Impairment and amortization of intangible assets	3.0	89.7
Change in operating assets and liabilities, net of effects from purchases of businesses:		
Accounts receivable	(173.8	) (116.7)
Inventories	123.8	49.2
Prepaid expenses and other current assets	(49.0	) (89.7)
Accounts payable	111.0	40.2
Deferred revenue	35.6	27.4
Other accrued expenses and liabilities	15.6	(29.5)
Other	9.0	30.8
Total adjustments	(559.1	) 197.8
Net cash provided by operating activities	1,338.5	1,102.9
Cash flows from investing activities:		
Purchases of property, plant and equipment	(370.6	) (505.1)
Investment in debt securities	(150.5) —
Purchases of businesses, net of cash acquired	(20.2	) (131.8)
Proceeds from sale of unconsolidated investment	110.2	—
Proceeds from sales of assets	44.7	0.8
Other investing activities	(2.4	) (4.5)
Net cash used in investing activities	(388.8	) (640.6)
Cash flows from financing activities:		
Purchases of treasury stock	(504.3	) (14.3)
Dividends paid	(279.1	) (201.0)
Net proceeds from (repayments of) short-term borrowings	(32.4	) 206.6
Principal payments of long-term debt	(23.5	) (4,517.9
Payments of debt issuance costs	(13.6	) (20.2)
Payments of minimum tax withholdings on stock-based payment awards	(13.5	) (22.5)
Proceeds from shares issued under equity compensation plans	21.5	32.0
Proceeds from issuance of long-term debt	12.0	4,017.0
Net cash used in financing activities	(832.9) (520.3)

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Effect of exchange rate changes on cash and cash equivalents	(1.0) 6.2
Net increase (decrease) in cash and cash equivalents	115.8	(51.8)
Cash and cash equivalents, beginning of period	90.3	177.4
Cash and cash equivalents, end of period	\$206.1	\$125.6

Supplemental disclosures of noncash investing and financing activities:

Additions to property, plant and equipment	\$147.2	\$172.8
Conversion of long-term debt to noncontrolling equity interest	\$248.4	\$—

The accompanying notes are an integral part of these statements.

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CONSTELLATION BRANDS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2018
(unaudited)

1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of presentation –

Unless the context otherwise requires, the terms “Company,” “CBI,” “we,” “our,” or “us” refer to Constellation Brands, Inc. and its subsidiaries. We have prepared the consolidated financial statements included herein, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission applicable to quarterly reporting on Form 10-Q and reflect, in our opinion, all adjustments necessary to present fairly our financial information. All such adjustments are of a normal recurring nature. Certain information and footnote disclosures normally included in financial statements, prepared in accordance with generally accepted accounting principles, have been condensed or omitted as permitted by such rules and regulations. These consolidated financial statements and related notes should be read in conjunction with the consolidated financial statements and related notes included in our Annual Report on Form 10-K for the fiscal year ended February 28, 2018 (the “2018 Annual Report”), and include the recently adopted accounting guidance described below and in Note 2 herein. Results of operations for interim periods are not necessarily indicative of annual results.

Summary of significant accounting policies –

Revenue recognition:

Effective March 1, 2018, we adopted the FASB amended guidance regarding the recognition of revenue from contracts with customers using the retrospective application method (see Note 2 for impacts of adoption). Our revenue (referred to in our financial statements as “sales”) consists primarily of the sale of beer, wine and spirits domestically in the U.S. Sales of products are for cash or otherwise agreed-upon credit terms. Our payment terms vary by location and customer, however, the time period between when revenue is recognized and when payment is due is not significant. Our customers consist primarily of wholesale distributors. Our revenue generating activities have a single performance obligation and are recognized at the point in time when control transfers and our obligation has been fulfilled, which is when the related goods are shipped or delivered to the customer, depending upon the method of distribution and shipping terms. Revenue is measured as the amount of consideration we expect to receive in exchange for the sale of our product. Our sales terms do not allow for a right of return except for matters related to any manufacturing defects on our part. Amounts billed to customers for shipping and handling are included in sales.

As noted, the majority of our revenues are generated from the domestic sale of beer, wine and spirits to wholesale distributors in the U.S. Our other revenue generating activities include the export of certain of our products to select international markets, as well as the sale of our products through state alcohol beverage control agencies and on-premise, retail locations in certain markets. We have evaluated these other revenue generating activities under the disaggregation disclosure criteria outlined within the amended guidance and concluded that these other revenue generating activities are immaterial for separate disclosure. See Note 15 for disclosure of net sales by product type.

Sales reflect reductions attributable to consideration given to customers in various customer incentive programs, including pricing discounts on single transactions, volume discounts, promotional and advertising allowances, coupons and rebates. This variable consideration is recorded as a reduction of the transaction price based upon expected amounts at the time revenue for the corresponding product sale is recognized. For example, customer promotional discount programs are entered into with certain distributors for certain periods of time. The amount ultimately reimbursed to distributors is determined based upon agreed-upon promotional discounts which are applied to distributors’ sales to retailers. Other common forms of variable consideration include volume rebates for meeting established sales targets, and coupons and mail-in rebates offered to the end consumer. The determination of the

reduction of the transaction price for variable consideration requires that we make certain estimates and assumptions that affect the timing and amounts of revenue and liabilities recorded. We estimate this variable consideration by taking into account factors such as the nature of the promotional activity, historical information and current trends, availability of actual results, and expectations of customer and consumer behavior.

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Excise taxes remitted to tax authorities are government-imposed excise taxes on our beverage alcohol products. Excise taxes are shown on a separate line item as a reduction of sales. Excise taxes are recognized as a current liability within other accrued expenses and liabilities, with the liability subsequently reduced when the taxes are remitted to the tax authority.

2. ACCOUNTING GUIDANCE:

Recently adopted accounting guidance –

Revenue recognition:

In May 2014, the FASB issued guidance regarding the recognition of revenue from contracts with customers. Under this guidance, an entity will recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Additionally, this guidance requires improved disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

We adopted this guidance on March 1, 2018, using the retrospective application method to allow for comparable reporting in all periods throughout the year ending February 28, 2019. Based on our analysis, we concluded that the adoption of the amended guidance did not have a material impact on our net sales recognition. However, the broad definition of variable consideration under this guidance requires us to estimate and record certain variable payments resulting from various sales incentives earlier than we have historically recorded them. This change in the timing of when we recognize sales incentive expenses resulted in a shift in net sales recognition primarily between our fiscal quarters. Under the retrospective application method, we recognized the cumulative impact of adopting this guidance in the first quarter of fiscal 2019 with a reduction to our March 1, 2016, opening retained earnings of \$49.0 million, net of income tax effect, with an offsetting increase to current accrued promotion expense and the recognition of a deferred tax asset to align the timing of when we recognize sales incentive expense and when we recognize revenue.

The effects of the retrospective application method on our consolidated financial statements for the periods presented in this report were as follows:

	As Previously Reported	Revenue Recognition Adjustments	As Adjusted
(in millions, except per share data)			
Consolidated Balance Sheet at February 28, 2018			
Other accrued expenses and liabilities	\$583.4	\$ 94.9	\$678.3
Total current liabilities	\$1,944.7	\$ 94.9	\$2,039.6
Other liabilities (including deferred income taxes – as previously reported, \$718.3 million; as adjusted, \$694.4 million)	\$1,113.7	\$ (23.9)	\$1,089.8
Total liabilities	\$12,476.0	\$ 71.0	\$12,547.0
Retained earnings	\$9,228.2	\$ (71.0)	\$9,157.2
Total stockholders' equity	\$8,062.7	\$ (71.0)	\$7,991.7

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	As Previously Reported	Revenue Recognition Adjustments	As Adjusted
(in millions, except per share data)			
Consolidated Statement of Comprehensive Income for the Six Months Ended August 31, 2017			
Sales	\$4,412.5	\$ (3.6)	\$4,408.9
Net sales	\$4,020.0	\$ (3.6)	\$4,016.4
Gross profit	\$2,060.6	\$ (3.6)	\$2,057.0
Operating income	\$1,282.0	\$ (3.6)	\$1,278.4
Income before income taxes	\$1,110.1	\$ (3.6)	\$1,106.5
Provision for income taxes	\$(202.8)	\$ 1.4	\$(201.4)
Net income	\$907.3	\$ (2.2)	\$905.1
Net income attributable to CBI	\$902.3	\$ (2.2)	\$900.1
Comprehensive income attributable to CBI	\$1,214.7	\$ (2.2)	\$1,212.5

Net income per common share attributable to CBI:

Basic – Class A Common Stock	\$4.67	\$ (0.01)	\$4.66
Basic – Class B Convertible Common Stock	\$4.24	\$ (0.01)	\$4.23
Diluted – Class A Common Stock	\$4.48	\$ (0.01)	\$4.47
Diluted – Class B Convertible Common Stock	\$4.14	\$ (0.01)	\$4.13

Consolidated Statement of Comprehensive Income for the Three Months Ended

August 31, 2017

Sales	\$2,297.2	\$ 3.4	\$2,300.6
Net sales	\$2,084.5	\$ 3.4	\$2,087.9
Gross profit	\$1,065.3	\$ 3.4	\$1,068.7
Operating income	\$713.9	\$ 3.4	\$717.3
Income before income taxes	\$630.7	\$ 3.4	\$634.1
Provision for income taxes	\$(128.7)	\$ (1.3)	\$(130.0)
Net income	\$502.0	\$ 2.1	\$504.1
Net income attributable to CBI	\$499.5	\$ 2.1	\$501.6
Comprehensive income attributable to CBI	\$624.4	\$ 2.1	\$626.5

Net income per common share attributable to CBI:

Basic – Class A Common Stock	\$2.58	\$ 0.01	\$2.59
Basic – Class B Convertible Common Stock	\$2.35	\$ 0.01	\$2.36
Diluted – Class A Common Stock	\$2.48	\$ 0.01	\$2.49
Diluted – Class B Convertible Common Stock	\$2.29	\$ 0.01	\$2.30

The adoption of the revenue recognition guidance had no impact to cash flows from operating, financing or investing activities in our consolidated statement of cash flows for the six months ended August 31, 2017.

Income taxes:

In October 2016, the FASB issued guidance that simplifies the accounting for the income tax consequences of intra-entity transfers of assets other than inventory. Under this guidance, an entity is required to recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. Prior guidance

prohibited the recognition in earnings of current and deferred income taxes for an intra-entity asset transfer until the asset had been sold to an outside party or recovered through use.

We adopted this guidance on March 1, 2018, using the modified retrospective basis, which requires a cumulative-effect adjustment directly to retained earnings as of the beginning of the period of adoption. Based on

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our assessment of intra-entity asset transfers that are in scope and the related deferred income taxes, in the first quarter of fiscal 2019, we recognized a net increase in our March 1, 2018, opening retained earnings and deferred tax assets of \$2.2 billion, primarily in connection with the intra-entity transfer of certain intellectual property related to our imported beer business for the year ended February 28, 2018.

Accounting guidance not yet adopted –

Leases:

In February 2016, the FASB issued guidance for the accounting for leases. Under this guidance, a lessee will recognize assets and liabilities for most leases, but will recognize expense similar to current lease accounting guidance. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election not to recognize lease assets and lease liabilities. We are required to adopt this guidance for our annual and interim periods beginning March 1, 2019, using a modified retrospective approach. We are currently assessing the financial impact of this guidance on our consolidated financial statements.

3. INVENTORIES:

Inventories are stated at the lower of cost (primarily computed in accordance with the first-in, first-out method) or net realizable value. Elements of cost include materials, labor and overhead and consist of the following:

	August 31, February 28,	
	2018	2018
(in millions)		
Raw materials and supplies	\$ 139.4	\$ 160.8
In-process inventories	1,256.6	1,382.8
Finished case goods	545.9	540.4
	\$ 1,941.9	\$ 2,084.0

Related party transactions and arrangements –

We have an equally-owned glass production plant joint venture with Owens-Illinois. We have entered into various contractual arrangements with affiliates of Owens-Illinois primarily for the purchase of glass bottles used largely in our imported and craft beer portfolios. Amounts purchased under these arrangements were \$123.7 million and \$199.1 million for the six months ended August 31, 2018, and August 31, 2017, respectively, and \$54.7 million and \$101.9 million for the three months ended August 31, 2018, and August 31, 2017, respectively.

4. DERIVATIVE INSTRUMENTS:

Overview –

Our risk management and derivative accounting policies are presented in Notes 1 and 6 of our consolidated financial statements included in our 2018 Annual Report and have not changed significantly for the six months and three months ended August 31, 2018.

The aggregate notional value of outstanding derivative instruments is as follows:

	August 31, February 28,	
	2018	2018
(in millions)		
Derivative instruments designated as hedging instruments		
Foreign currency contracts	\$ 1,754.3	\$ 1,465.4
Derivative instruments not designated as hedging instruments		
Foreign currency contracts (see Note 16)	\$ 3,439.5	\$ 440.6

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Commodity derivative contracts	\$ 224.5	\$ 177.5
Interest rate swap contracts (see Note 16)	\$ 1,250.0	\$ —

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Credit risk –

We are exposed to credit-related losses if the counterparties to our derivative contracts default. This credit risk is limited to the fair value of the derivative contracts. To manage this risk, we contract only with major financial institutions that have earned investment-grade credit ratings and with whom we have standard International Swaps and Derivatives Association agreements which allow for net settlement of the derivative contracts. We have also established counterparty credit guidelines that are regularly monitored. Because of these safeguards, we believe the risk of loss from counterparty default to be immaterial.

In addition, our derivative instruments are not subject to credit rating contingencies or collateral requirements. As of August 31, 2018, the estimated fair value of derivative instruments in a net liability position due to counterparties was \$11.1 million. If we were required to settle the net liability position under these derivative instruments on August 31, 2018, we would have had sufficient available liquidity on hand to satisfy this obligation.

Results of period derivative activity –

The estimated fair value and location of our derivative instruments on our balance sheets are as follows (see Note 5):

Assets			Liabilities		
	August 31, 2018	February 28, 2018		August 31, 2018	February 28, 2018
(in millions)					
Derivative instruments designated as hedging instruments					
Foreign currency contracts:					
Prepaid expenses and other	\$ 15.7	\$ 21.2	Other accrued expenses and liabilities	\$ 14.1	\$ 7.8
Other assets	\$ 18.8	\$ 17.0	Other liabilities	\$ 13.8	\$ 9.9
Derivative instruments not designated as hedging instruments					
Foreign currency contracts:					
Prepaid expenses and other	\$ 2.4	\$ 2.1	Other accrued expenses and liabilities	\$ 6.2	\$ 2.2
Commodity derivative contracts:					
Prepaid expenses and other	\$ 8.4	\$ 6.3	Other accrued expenses and liabilities	\$ 2.2	\$ 3.0
Other assets	\$ 4.4	\$ 2.8	Other liabilities	\$ 2.5	\$ 2.6
Interest rate swap contracts:					
Prepaid expenses and other	\$ 2.7	\$ —			

The principal effect of our derivative instruments designated in cash flow hedging relationships on our results of operations, as well as Other Comprehensive Income (“OCI”), net of income tax effect, is as follows:

Derivative Instruments in Designated Cash Flow Hedging Relationships	Net Gain (Loss) Recognized in OCI	Location of Net Gain (Loss) Reclassified from AOCI to Income	Net Gain (Loss) Reclassified from AOCI to Income
(in millions)			
For the Six Months Ended August 31, 2018			
Foreign currency contracts	\$ (7.1)	Sales	\$ 0.1
		Cost of product sold	4.7
	\$ (7.1)		\$ 4.8

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Derivative Instruments in Designated Cash Flow Hedging Relationships	Net Gain (Loss) Recognized in OCI	Location of Net Gain (Loss) Reclassified from AOCI to Income	Net Gain (Loss) Reclassified from AOCI to Income
(in millions)			
For the Six Months Ended August 31, 2017			
Foreign currency contracts	\$ 62.4	Sales	\$ 0.1
		Cost of product sold	(2.0)
Interest rate swap contracts	(2.4)	Interest expense	(0.1)
	\$ 60.0		\$ (2.0)
For the Three Months Ended August 31, 2018			
Foreign currency contracts	\$ 34.8	Sales	\$ —
		Cost of product sold	0.6
	\$ 34.8		\$ 0.6
For the Three Months Ended August 31, 2017			
Foreign currency contracts	\$ 23.8	Sales	\$ (0.2)
		Cost of product sold	0.7
Interest rate swap contracts	(0.4)	Interest expense	—
	\$ 23.4		\$ 0.5

We expect \$1.7 million of net gains, net of income tax effect, to be reclassified from accumulated other comprehensive income (loss) ("AOCI") to our results of operations within the next 12 months.

The effect of our undesignated derivative instruments on our results of operations is as follows:

Derivative Instruments Not Designated as Hedging Instruments	Location of Net Gain (Loss) Recognized in Income	Net Gain (Loss) Recognized in Income
(in millions)		
For the Six Months Ended August 31, 2018		
Commodity derivative contracts	Cost of product sold	\$ 9.6
Foreign currency contracts	Selling, general and administrative expenses	(28.1)
Interest rate swap contracts	Interest expense	2.7
		\$ (15.8)
For the Six Months Ended August 31, 2017		
Commodity derivative contracts	Cost of product sold	\$ 0.8
Foreign currency contracts	Selling, general and administrative expenses	6.4
		\$ 7.2

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Derivative Instruments Not Designated as Hedging Instruments	Location of Net Gain (Loss) Recognized in Income	Net Gain (Loss) Recognized in Income
(in millions)		
For the Three Months Ended August 31, 2018		
Commodity derivative contracts	Cost of product sold	\$ (5.8)
Foreign currency contracts	Selling, general and administrative expenses	(26.2)
Interest rate swap contracts	Interest expense	2.7
		\$ (29.3)
For the Three Months Ended August 31, 2017		
Commodity derivative contracts	Cost of product sold	\$ 3.9
Foreign currency contracts	Selling, general and administrative expenses	1.7
		\$ 5.6

5. FAIR VALUE OF FINANCIAL INSTRUMENTS:

Authoritative guidance establishes a framework for measuring fair value, including a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. The hierarchy includes three levels:

• Level 1 inputs are quoted prices in active markets for identical assets or liabilities;

• Level 2 inputs include data points that are observable such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical assets or similar assets or liabilities in markets that are not active, and inputs (other than quoted prices) such as interest rates and yield curves that are observable for the asset and liability, either directly or indirectly; and

• Level 3 inputs are unobservable data points for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability.

Fair value methodology and assumptions –

The following methods and assumptions are used to estimate the fair value for each class of our financial instruments:

Foreign currency and commodity derivative contracts: The fair value is estimated using market-based inputs, obtained from independent pricing services, entered into valuation models. These valuation models require various inputs, including contractual terms, market foreign exchange prices, market commodity prices, interest-rate yield curves and currency volatilities, as applicable (Level 2 fair value measurement).

Interest rate swap contracts: The fair value is estimated based on quoted market prices from respective counterparties. Quotes are corroborated by using discounted cash flow calculations based upon forward interest-rate yield curves, which are obtained from independent pricing services (Level 2 fair value measurement).

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Equity securities: In November 2017, we acquired (i) a 9.9% ownership interest in Ontario, Canada-based Canopy Growth Corporation (the “Original Canopy Investment”), a public company and leading provider of medicinal cannabis products (“Canopy”), and (ii) warrants which give us the option to purchase an additional ownership interest in Canopy Growth Corporation (the “Original Canopy Warrants”) for C\$245.0 million, or \$191.3 million (see Note 16). The Canopy Warrants expire in May 2020. For the six months and three months ended August 31, 2018, we recognized unrealized gains of \$896.9 million and \$638.6 million, respectively, from the changes in fair value of the Original Canopy Investment and the Original Canopy Warrants, which are included in income from unconsolidated investments. The fair value of the Original Canopy Investment is calculated by using the closing market price of the underlying equity security (Level 1 fair value measurement). The fair value of the Original Canopy Warrants is estimated using the Black-Scholes option-pricing model (Level 2 fair value measurement). As of August 31, 2018, the assumptions used to estimate the fair value of the Original Canopy Warrants are as follows:

Expected life ⁽¹⁾	1.7 years
Expected volatility ⁽²⁾	73.6 %
Risk-free interest rate ⁽³⁾	2.0 %
Expected dividend yield ⁽⁴⁾	0.0 %

(1) Based on the expiration date of the warrants.

(2) Based on historical volatility levels of the underlying equity security.

(3) Based on the implied yield currently available on Canadian Treasury zero coupon issues with a remaining term equal to the expected life.

(4) Based on historical dividend levels.

Debt securities, Convertible: In June 2018, we acquired convertible debt securities issued by Canopy for C\$200.0 million, or \$150.5 million (the “Canopy Debt Securities”). We have elected the fair value option to account for the Canopy Debt Securities. This provides the greatest level of consistency with the accounting treatment for the Original Canopy Warrants. Additionally, interest income on the Canopy Debt Securities is calculated using the effective interest method and is recognized separately from the changes in fair value within interest expense. The Canopy Debt Securities have a contractual maturity of five years from the date of issuance, but may be converted prior to maturity by either party upon the occurrence of certain events. At settlement, the Canopy Debt Securities can be settled at the option of the issuer, in cash, equity shares of the issuer, or a combination thereof. For the six months and three months ended August 31, 2018, we recognized an unrealized gain of \$53.5 million from the changes in fair value of the Canopy Debt Securities, which is included in income from unconsolidated investments. The fair value is estimated using a binomial lattice option-pricing model (Level 2 fair value measurement). As of August 31, 2018, the assumptions used to estimate the fair value of the Canopy Debt Securities are as follows:

Remaining term ⁽¹⁾	4.9 years
Expected volatility ⁽²⁾	43.0 %
Risk-free interest rate ⁽³⁾	2.2 %
Expected dividend yield ⁽⁴⁾	0.0 %

(1) Based on the contractual maturity date of the notes.

(2) Based on historical volatility levels of the underlying equity security reduced to account for certain risks not incorporated into the option-pricing model.

(3) Based on the implied yield currently available on Canadian Treasury zero coupon issues with a term equal to the remaining contractual term of the debt securities.

(4) Based on historical dividend levels.

Debt securities, Available-for-sale (“AFS”): The fair value is estimated by discounting cash flows using market-based inputs (Level 3 fair value measurement) (see Note 8).

Short-term borrowings: The revolving credit facility under our senior credit facility is a variable interest rate bearing note which includes a fixed margin which is adjustable based upon our debt rating (as defined in our senior credit facility). Its fair value is estimated by discounting cash flows using LIBOR plus a margin reflecting

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current market conditions obtained from participating member financial institutions (Level 2 fair value measurement). The remaining instruments, including our commercial paper and accounts receivable securitization facilities, are variable interest rate bearing notes for which the carrying value approximates the fair value.

Long-term debt: The term loan under our senior credit facility is a variable interest rate bearing note which includes a fixed margin which is adjustable based upon our debt rating. The fair value of the term loan is estimated by discounting cash flows using LIBOR plus a margin reflecting current market conditions obtained from participating member financial institutions (Level 2 fair value measurement). The fair value of the remaining long-term debt, which is primarily fixed interest rate, is estimated by discounting cash flows using interest rates currently available for debt with similar terms and maturities (Level 2 fair value measurement).

The carrying amounts of certain of our financial instruments, including cash and cash equivalents, accounts receivable, accounts payable and short-term borrowings, approximate fair value as of August 31, 2018, and February 28, 2018, due to the relatively short maturity of these instruments. As of August 31, 2018, the carrying amount of long-term debt, including the current portion, was \$9,206.5 million, compared with an estimated fair value of \$9,015.6 million. As of February 28, 2018, the carrying amount of long-term debt, including the current portion, was \$9,439.9 million, compared with an estimated fair value of \$9,398.4 million.

Recurring basis measurements –

The following table presents our financial assets and liabilities measured at estimated fair value on a recurring basis:

	Fair Value Measurements Using			
	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
(in millions)				
August 31, 2018				
Assets:				
Foreign currency contracts	\$—	\$ 36.9	\$ —	\$36.9
Commodity derivative contracts	\$—	\$ 12.8	\$ —	\$12.8
Interest rate swap contracts	\$—	\$ 2.7	\$ —	\$2.7
Equity securities	\$863.3	\$ 689.1	\$ —	\$1,552.4
Canopy Debt Securities	\$—	\$ 206.8	\$ —	\$206.8
Liabilities:				
Foreign currency contracts	\$—	\$ 34.1	\$ —	\$34.1
Commodity derivative contracts	\$—	\$ 4.7	\$ —	\$4.7
February 28, 2018				
Assets:				
Foreign currency contracts	\$—	\$ 40.3	\$ —	\$40.3
Commodity derivative contracts	\$—	\$ 9.1	\$ —	\$9.1
Equity securities	\$402.4	\$ 253.2	\$ —	\$655.6
Debt securities, AFS	\$—	\$ —	\$ 16.6	\$16.6
Liabilities:				
Foreign currency contracts	\$—	\$ 19.9	\$ —	\$19.9
Commodity derivative contracts	\$—	\$ 5.6	\$ —	\$5.6

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Nonrecurring basis measurements –

The following table presents our assets and liabilities measured at estimated fair value on a nonrecurring basis for which an impairment assessment was performed for the period presented:

	Fair Value Measurements		
	Using		
	Quoted	Significant	Significant
	Prices	Inputs	Inputs
	in Other	Unobservable	Total
	Observable	Inputs	Losses
	Inputs	(Level 3)	
	(Level 2)		
	(Level 1)		

(in millions)

For the Six Months Ended August 31, 2017

Trademarks	\$ —	\$ 136.0	\$ 86.8
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For the first quarter of fiscal 2018, we identified certain negative trends within our Beer segment's Ballast Point craft beer portfolio which, when combined with the then-recent negative craft beer industry trends, indicated that it was more likely than not that the fair value of our indefinite lived intangible asset associated with the craft beer trademarks might be below its carrying value. Accordingly, we performed a quantitative assessment for impairment of the craft beer trademark asset. As a result of this assessment, the craft beer trademark asset with a carrying value of \$222.8 million was written down to its estimated fair value of \$136.0 million, resulting in an impairment of \$86.8 million. This impairment is included in selling, general and administrative expenses.

6. GOODWILL:

The changes in the carrying amount of goodwill are as follows:

	Beer	Wine and Spirits	Consolidated
(in millions)			
Balance, February 28, 2017	\$5,053.0	\$2,867.5	\$ 7,920.5
Purchase accounting allocations ⁽¹⁾	63.9	56.2	120.1
Foreign currency translation adjustments	40.7	1.8	42.5
Balance, February 28, 2018	5,157.6	2,925.5	8,083.1
Purchase accounting allocations ⁽²⁾	19.7	0.5	20.2
Foreign currency translation adjustments	(10.8)	(9.9)	(20.7)
Balance, August 31, 2018	\$5,166.5	\$2,916.1	\$ 8,082.6

Purchase accounting allocations associated primarily with the acquisitions of a brewery operation business in

⁽¹⁾ Obregon, Sonora, Mexico (the "Obregon Brewery") (\$13.8 million) and Funky Buddha (Beer), and Schrader Cellars (Wine and Spirits). See defined acquisition terms below.

⁽²⁾ Preliminary purchase accounting allocations associated primarily with the acquisition of Four Corners (Beer). See defined acquisition term below.

Acquisitions –

Four Corners:

In July 2018, we acquired the Four Corners Brewing Company LLC business, a portfolio of high-performing, dynamic and bicultural, Texas-based craft beers ("Four Corners"). This transaction primarily included the acquisition of operations, goodwill, property, plant and equipment, and trademarks, plus an earn-out over five years based on the performance of the brands. The results of operations of Four Corners are reported in the Beer segment and have been included in our consolidated results of operations from the date of acquisition.

Other:

During the year ended February 28, 2018, we completed the acquisitions of other businesses, including the Funky Buddha Brewery LLC business, which included a portfolio of high-quality, Florida-based craft beers (“Funky Buddha”), and the Schrader Cellars, LLC business, which included a collection of highly-rated, limited-

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production fine wines (“Schrader Cellars”). The total combined purchase price for these acquisitions was \$149.8 million. The purchase price for each acquisition was primarily allocated to goodwill and trademarks. In addition, the purchase price for Funky Buddha includes an earn-out over five years based on the performance of the brands. The results of operations of these acquired brands are reported in the respective segment and have been included in our consolidated results of operations from their respective date of acquisition.

Subsequent event:

Subsequent to August 31, 2018, we acquired a business in Italy, consisting primarily of a production facility, vineyards and inventory, to provide for additional processing and sourcing capabilities for our Italian wine portfolio.

7. INTANGIBLE ASSETS:

The major components of intangible assets are as follows:

	August 31, 2018		February 28, 2018	
	Gross Carrying Amount	Net Carrying Amount	Gross Carrying Amount	Net Carrying Amount
(in millions)				
Amortizable intangible assets				
Customer relationships	\$89.9	\$41.7	\$89.8	\$44.2
Other	20.3	1.1	20.3	1.4
Total	\$110.2	42.8	\$110.1	45.6
Nonamortizable intangible assets				
Trademarks		3,266.1		3,259.2
Total intangible assets		\$3,308.9		\$3,304.8

We did not incur costs to renew or extend the term of acquired intangible assets for the six months and three months ended August 31, 2018, and August 31, 2017. Net carrying amount represents the gross carrying value net of accumulated amortization.

8. OTHER ASSETS:

The major components of other assets are as follows:

	August 31, 2018	February 28, 2018
(in millions)		
Deferred income taxes (see Note 2)	\$ 2,177.8	\$ —
Investments in securities measured at fair value	1,759.2	672.2
Investments in equity method investees	120.3	121.5
Other	115.5	93.4
	\$ 4,172.8	\$ 887.1

Sale of Accolade Wine Investment –

In May 2018, we completed the sale of our remaining interest in our previously-owned Australian and European business (the “Accolade Wine Investment”) for A\$149.1 million, or \$113.6 million, subject to closing adjustments. We received cash proceeds, net of direct costs to sell, of \$110.2 million and a note receivable of \$3.4 million. This interest consisted of an investment accounted for under the cost method and AFS debt securities. For the six months and three

months ended August 31, 2018, we recognized a net gain (loss) of \$99.8 million and (\$1.6) million, respectively, in connection with this transaction. This net gain (loss) is included in income from unconsolidated investments.

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9. BORROWINGS:

Borrowings consist of the following:

	August 31, 2018			February 28, 2018
	Current	Long-term	Total	Total
(in millions)				
Short-term borrowings				
Senior credit facility, Revolving credit loans	\$56.0			\$ 79.0
Commercial paper	652.1			266.9
Other	9.0			400.9
	\$717.1			\$ 746.8
Long-term debt				
Senior credit facility, Term loans	\$5.0	\$ 490.2	\$495.2	\$ 497.7
Senior notes	—	8,680.7	8,680.7	8,674.2
Other	13.9	16.7	30.6	268.0
	\$18.9	\$ 9,187.6	\$9,206.5	\$ 9,439.9

Senior credit facility –

The Company, CIH International S.à r.l., a wholly-owned indirect subsidiary of ours (“CIH”), CB International Finance S.à r.l., a wholly-owned indirect subsidiary of ours (“CB International”) (together with CIH, the “European Borrowers”), Bank of America, N.A., as administrative agent (the “Administrative Agent”), and certain other lenders were parties to a credit agreement, as amended and restated (the “2017 Credit Agreement”).

In August 2018, the Company, CIH, CB International, certain of the Company’s subsidiaries as guarantors, the Administrative Agent, and certain other lenders entered into a Restatement Agreement (the “August 2018 Restatement Agreement”) that amended and restated the 2017 Credit Agreement (as amended and restated by the August 2018 Restatement Agreement, the “August 2018 Credit Agreement”) (see Note 16). The principal changes effected by the August 2018 Restatement Agreement were:

- The removal of CIH as a borrower under the August 2018 Credit Agreement;
- The termination of a cross-guarantee agreement by the European Borrowers; and
- The addition of a mechanism to provide for the replacement of LIBOR with an alternative benchmark rate in certain circumstances where LIBOR cannot be adequately ascertained or available.

As of August 31, 2018, the August 2018 Credit Agreement provides for aggregate credit facilities of \$2,000.0 million, consisting of the following:

	Amount	Maturity
(in millions)		
Revolving Credit Facility ^{(1) (2)}	\$1,500.0	July 14, 2022
U.S. Term A-1 Facility ^{(1) (3)}	500.0	July 14, 2024
	\$2,000.0	

Contractual interest rate varies based on our debt rating (as defined in the August 2018 Credit Agreement) and is a

⁽¹⁾ function of LIBOR plus a margin, or the base rate plus a margin, or, in certain circumstances where LIBOR cannot be adequately ascertained or available, an alternative benchmark rate plus a margin.

⁽²⁾ Consists of a \$190.0 million U.S. Revolving Credit Facility and a \$1,310.0 million European Revolving Credit Facility. We are the borrower under the \$1,500.0 million Revolving Credit Facility (inclusive of the U.S.

Revolving Credit Facility and the European Revolving Credit Facility). CB International is an additional borrower

under the European Revolving Credit Facility. Includes two sub-facilities for letters of credit of up to \$200.0 million in the aggregate.

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(3) We are the borrower under the U.S. Term A-1 loan facility.

As of August 31, 2018, information with respect to borrowings under the August 2018 Credit Agreement is as follows:

	Revolving Credit Facility	U.S. Term A-1 Facility (1)
(in millions)		
Outstanding borrowings	\$ 56.0	\$495.2
Interest rate	3.2 %	3.6 %
LIBOR margin	1.13 %	1.50 %
Outstanding letters of credit	\$ 10.8	
Remaining borrowing capacity (2)	\$ 780.2	

(1) Outstanding term loan facility borrowings are net of unamortized debt issuance costs.

Net of outstanding revolving credit facility borrowings and outstanding letters of credit under the August 2018

(2) Credit Agreement and outstanding borrowings under our commercial paper program of \$653.0 million (excluding unamortized discount) (see “Commercial paper program”).

Commercial paper program –

We have a commercial paper program which provides for the issuance of up to an aggregate principal amount of \$1.0 billion of commercial paper. Our commercial paper program is backed by unused commitments under our revolving credit facility under our senior credit facility. Accordingly, outstanding borrowings under our commercial paper program reduce the amount available under our revolving credit facility under our senior credit facility. As of August 31, 2018, we had \$652.1 million of outstanding borrowings, net of unamortized discount, under our commercial paper program with a weighted average annual interest rate of 2.4% and a weighted average remaining term of 22 days.

In October 2018, our Board of Directors authorized a \$1.0 billion increase to our commercial paper program, thereby providing for the issuance of up to an aggregate principal amount of \$2.0 billion of commercial paper (see Note 16 for a discussion of the increase in our revolving credit facility under our 2018 Credit Agreement).

Other long-term debt –

In August 2018, we recorded a conversion of \$248.4 million from long-term debt to noncontrolling equity interests associated with the noncash settlement of a prior contractual agreement with our glass production plant joint venture partner, Owens-Illinois.

Accounts receivable securitization facilities –

In September 2017, we amended our prior trade accounts receivable securitization facility (as amended, the “CBI Facility”) for an additional 364-day term. Under the CBI Facility, trade accounts receivable generated by us and certain of our subsidiaries are sold by us to a wholly-owned bankruptcy remote single purpose subsidiary, the CBI SPV, which is consolidated by us for financial reporting purposes. The CBI Facility provides borrowing capacity of \$230.0 million up to \$330.0 million structured to account for the seasonality of our business, subject to further limitations based upon various pre-agreed formulas.

Also, in September 2017, Crown Imports amended its prior trade accounts receivable securitization facility (as amended, the “Crown Facility”) for an additional 364-day term. Under the Crown Facility, trade accounts receivable generated by Crown Imports are sold by Crown Imports to its wholly-owned bankruptcy remote single purpose

subsidiary, the Crown SPV, which is consolidated by us for financial reporting purposes. The Crown Facility provides borrowing capacity of \$130.0 million up to \$250.0 million structured to account for the seasonality of Crown Imports' business.

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As of August 31, 2018, we had no outstanding borrowings under the CBI Facility or the Crown Facility. In accordance with the respective terms for each facility, in September 2018, the CBI Facility and the Crown Facility reached full maturation.

10. INCOME TAXES:

Our effective tax rate for the six months ended August 31, 2018, and August 31, 2017, was 16.3% and 18.2%, respectively. Our effective tax rate for the three months ended August 31, 2018, and August 31, 2017, was 15.7% and 20.5%, respectively.

For the six months and three months ended August 31, 2018, our effective tax rate was lower than the federal statutory rate of 21% primarily due to (i) lower effective tax rates applicable to our foreign businesses and (ii) the recognition of a net income tax benefit from stock-based compensation award activity. For the six months ended August 31, 2018, our effective tax rate also benefited from the reversal of valuation allowances in connection with the sale of our Accolade Wine Investment. For the six months and three months ended August 31, 2017, our effective tax rate was lower than the federal statutory rate of 35% primarily due to (i) lower effective tax rates applicable to our foreign businesses, including our assertion regarding indefinitely reinvesting earnings of certain foreign subsidiaries, and (ii) the recognition of a net income tax benefit from stock-based compensation award activity.

On December 22, 2017, the Tax Cuts and Jobs Act (the “TCJ Act”) was signed into law. The TCJ Act significantly changes U.S. corporate income taxes. Additionally, in December 2017, the SEC issued guidance related to the income tax accounting implications of the TCJ Act. This guidance provides a measurement period, which extends no longer than one year from the enactment date of the TCJ Act, during which a company may complete its accounting for the income tax implications of the TCJ Act. In accordance with this guidance, we recorded a provisional net income tax benefit for the year ended February 28, 2018. Refer to Note 13 of our consolidated financial statements included in our 2018 Annual Report for further information.

We did not record any material adjustments to this provisional amount for the six months and three months ended August 31, 2018. However, as we complete our analysis of the TCJ Act and incorporate additional guidance that may be issued by the U.S. Treasury Department, the IRS and other standard-setting bodies, we may adjust the recorded provisional amounts in subsequent reporting periods. Those adjustments may materially impact our provision for income taxes and effective tax rate in the period in which the adjustments are made.

The TCJ Act also creates a new requirement that certain income earned by foreign subsidiaries (“GILTI”) be included in U.S. gross income. The FASB allows an accounting policy election of either recognizing deferred taxes for temporary differences expected to reverse as GILTI in future years or recognizing such taxes as a current period expense when incurred. We have elected to treat the tax effect of GILTI as a current-period expense when incurred.

11. STOCKHOLDERS’ EQUITY:

In January 2018, our Board of Directors authorized the repurchase of up to \$3.0 billion of our Class A Common Stock and Class B Convertible Common Stock (the “2018 Authorization”). The Board of Directors did not specify a date upon which this authorization would expire. Shares repurchased under the 2018 Authorization have become treasury shares.

For the six months ended August 31, 2018, we repurchased 2,352,145 shares of Class A Common Stock pursuant to the 2018 Authorization at an aggregate cost of \$504.3 million through open market transactions.

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As of August 31, 2018, total shares repurchased under the 2018 Authorization are as follows:

	Repurchase Authorization	Class A Common Shares Dollar Value of Shares Repurchased	Number of Shares Repurchased
(in millions, except share data)			
2018 Authorization	\$ 3,000.0	\$995.9	4,632,012

In October 2018, our Board of Directors retired 74,000,000 shares of our Class A treasury stock. The retired shares are now authorized and unissued shares of our Class A Common Stock.

12. NET INCOME PER COMMON SHARE ATTRIBUTABLE TO CBI:

For the six months and three months ended August 31, 2018, and August 31, 2017, net income per common share – diluted for Class A Common Stock has been computed using the if-converted method and assumes the exercise of stock options using the treasury stock method and the conversion of Class B Convertible Common Stock as this method is more dilutive than the two-class method. For the six months and three months ended August 31, 2018, and August 31, 2017, net income per common share – diluted for Class B Convertible Common Stock has been computed using the two-class method and does not assume conversion of Class B Convertible Common Stock into shares of Class A Common Stock.

The computation of basic and diluted net income per common share is as follows:

	For the Six Months Ended			
	August 31, 2018		August 31, 2017	
	Common Stock Class A	Class B	Common Stock Class A	Class B
(in millions, except per share data)				
Net income attributable to CBI allocated – basic	\$1,680.7	\$212.6	\$801.3	\$98.8
Conversion of Class B common shares into Class A common shares	212.6	—	98.8	—
Effect of stock-based awards on allocated net income	—	(5.2)	—	(2.3)
Net income attributable to CBI allocated – diluted	\$1,893.3	\$207.4	\$900.1	\$96.5
Weighted average common shares outstanding – basic	167.617	23.325	171.821	23.341
Conversion of Class B common shares into Class A common shares	23.325	—	23.341	—
Stock-based awards, primarily stock options	5.526	—	6.037	—
Weighted average common shares outstanding – diluted	196.468	23.325	201.199	23.341
Net income per common share attributable to CBI – basic	\$10.03	\$9.11	\$4.66	\$4.23
Net income per common share attributable to CBI – diluted	\$9.64	\$8.89	\$4.47	\$4.13

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	For the Three Months Ended			
	August 31, 2018		August 31, 2017	
	Common Stock Class A	Class B	Common Stock Class A	Class B
(in millions, except per share data)				
Net income attributable to CBI allocated – basic	\$1,020.0	\$129.5	\$446.6	\$55.0
Conversion of Class B common shares into Class A common shares	129.5	—	55.0	—
Effect of stock-based awards on allocated net income	—	(3.2)	—	(1.3)
Net income attributable to CBI allocated – diluted	\$1,149.5	\$126.3	\$501.6	\$53.7
Weighted average common shares outstanding – basic	167.172	23.323	172.087	23.338
Conversion of Class B common shares into Class A common shares	23.323	—	23.338	—
Stock-based awards, primarily stock options	5.412	—	5.921	—
Weighted average common shares outstanding – diluted	195.907	23.323	201.346	23.338
Net income per common share attributable to CBI – basic	\$6.11	\$5.55	\$2.59	\$2.36
Net income per common share attributable to CBI – diluted	\$5.87	\$5.41	\$2.49	\$2.30

13. COMPREHENSIVE INCOME ATTRIBUTABLE TO CBI:

Comprehensive income consists of net income, foreign currency translation adjustments, net unrealized gains (losses) on derivative instruments, net unrealized gains (losses) on AFS debt securities and pension/postretirement adjustments. The reconciliation of net income attributable to CBI to comprehensive income attributable to CBI is as follows:

	Before Tax Amount	Tax (Expense) Benefit	Net of Tax Amount
(in millions)			
For the Six Months Ended August 31, 2018			
Net income attributable to CBI			\$1,893.3
Other comprehensive income (loss) attributable to CBI:			
Foreign currency translation adjustments:			
Net losses	\$ (92.5)	\$ —	(92.5)
Reclassification adjustments	—	—	—
Net loss recognized in other comprehensive loss	(92.5)	—	(92.5)
Unrealized loss on cash flow hedges:			
Net derivative losses	(7.9)	0.8	(7.1)
Reclassification adjustments	(6.0)	1.2	(4.8)
Net loss recognized in other comprehensive loss	(13.9)	2.0	(11.9)
Unrealized loss on AFS debt securities:			
Net AFS debt securities losses	(0.4)	0.1	(0.3)
Reclassification adjustments	1.9	0.9	2.8
Net gain recognized in other comprehensive loss	1.5	1.0	2.5
Pension/postretirement adjustments:			
Net actuarial gains	—	—	—
Reclassification adjustments	0.3	(0.1)	0.2
Net gain recognized in other comprehensive loss	0.3	(0.1)	0.2
Other comprehensive loss attributable to CBI	\$ (104.6)	\$ 2.9	(101.7)
Comprehensive income attributable to CBI			\$1,791.6

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	Before Tax Amount	Tax (Expense) Benefit	Net of Tax Amount
(in millions)			
For the Six Months Ended August 31, 2017			
Net income attributable to CBI			\$ 900.1
Other comprehensive income (loss) attributable to CBI:			
Foreign currency translation adjustments:			
Net gains	\$ 253.5	\$ (1.0)	252.5
Reclassification adjustments	—	—	—
Net gain recognized in other comprehensive income	253.5	(1.0)	252.5
Unrealized gain on cash flow hedges:			
Net derivative gains	83.9	(23.9)	60.0
Reclassification adjustments	(0.2)	(0.1)	(0.3)
Net gain recognized in other comprehensive income	83.7	(24.0)	59.7
Unrealized gain on AFS debt securities:			
Net AFS debt securities gains	0.4	(0.2)	0.2
Reclassification adjustments	—	—	—
Net gain recognized in other comprehensive income	0.4	(0.2)	0.2
Pension/postretirement adjustments:			
Net actuarial losses	(0.1)	0.1	—
Reclassification adjustments	—	—	—
Net loss recognized in other comprehensive income	(0.1)	0.1	—
Other comprehensive income attributable to CBI	\$ 337.5	\$ (25.1)	312.4
Comprehensive income attributable to CBI			\$ 1,212.5
For the Three Months Ended August 31, 2018			
Net income attributable to CBI			\$ 1,149.5
Other comprehensive income attributable to CBI:			
Foreign currency translation adjustments:			
Net gains	\$ 39.8	\$ —	39.8
Reclassification adjustments	—	—	—
Net gain recognized in other comprehensive income	39.8	—	39.8
Unrealized gain on cash flow hedges:			
Net derivative gains	50.3	(15.5)	34.8
Reclassification adjustments	(0.2)	(0.4)	(0.6)
Net gain recognized in other comprehensive income	50.1	(15.9)	34.2
Other comprehensive income attributable to CBI	\$ 89.9	\$ (15.9)	74.0
Comprehensive income attributable to CBI			\$ 1,223.5

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	Before Tax Amount	Tax (Expense) Benefit	Net of Tax Amount
(in millions)			
For the Three Months Ended August 31, 2017			
Net income attributable to CBI			\$ 501.6
Other comprehensive income (loss) attributable to CBI:			
Foreign currency translation adjustments:			
Net gains	\$ 104.8	\$ (0.8)	104.0
Reclassification adjustments	—	—	—
Net gain recognized in other comprehensive income	104.8	(0.8)	104.0
Unrealized gain on cash flow hedges:			
Net derivative gains	32.0	(8.6)	23.4
Reclassification adjustments	(4.0)	1.1)	(2.9)
Net gain recognized in other comprehensive income	28.0	(7.5)	20.5
Unrealized gain on AFS debt securities:			
Net AFS debt securities gains	0.7	(0.2)	0.5
Reclassification adjustments	—	—	—
Net gain recognized in other comprehensive income	0.7	(0.2)	0.5
Pension/postretirement adjustments:			
Net actuarial losses	(0.1)	0.1)	—
Reclassification adjustments	(0.1)	—	(0.1)
Net loss recognized in other comprehensive income	(0.2)	0.1)	(0.1)
Other comprehensive income attributable to CBI	\$ 133.3	\$ (8.4)	124.9
Comprehensive income attributable to CBI			\$ 626.5

Accumulated other comprehensive loss, net of income tax effect, includes the following components:

	Foreign Currency Translation Adjustments	Net Unrealized Gains on Derivative Instruments	Net Unrealized Losses on AFS Debt Securities	Pension/ Postretirement Adjustments	Accumulated Other Comprehensive Loss
(in millions)					
Balance, February 28, 2018	\$ (212.3)	\$ 14.5	\$ (2.5)	\$ (2.6)	\$ (202.9)
Other comprehensive income (loss):					
Other comprehensive loss before reclassification adjustments	(92.5)	(7.1)	(0.3)	—	(99.9)
Amounts reclassified from accumulated other comprehensive loss	—	(4.8)	2.8	0.2	(1.8)
Other comprehensive income (loss)	(92.5)	(11.9)	2.5	0.2	(101.7)
Balance, August 31, 2018	\$ (304.8)	\$ 2.6	\$ —	\$ (2.4)	\$ (304.6)

14. CONDENSED CONSOLIDATING FINANCIAL INFORMATION:

The following information sets forth the condensed consolidating balance sheets as of August 31, 2018, and February 28, 2018, the condensed consolidating statements of comprehensive income for the six months and three months ended August 31, 2018, and August 31, 2017, and the condensed consolidating statements of cash flows for the six months ended August 31, 2018, and August 31, 2017, for the parent company, our combined subsidiaries which guarantee our senior notes (“Subsidiary Guarantors”), our combined subsidiaries which are not Subsidiary

Guarantors (primarily foreign subsidiaries) (“Subsidiary Nonguarantors”) and the Company. The Subsidiary Guarantors are 100% owned, directly or indirectly, by the parent company and the guarantees are joint and several obligations of each of the Subsidiary Guarantors. The guarantees are full and unconditional, as those terms are used in Rule 3-10 of Regulation S-X, except that a Subsidiary Guarantor can be automatically released and relieved of its obligations under certain

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customary circumstances contained in the indentures governing our senior notes. These customary circumstances include, so long as other applicable provisions of the indentures are adhered to, the termination or release of a Subsidiary Guarantor's guarantee of other indebtedness or upon the legal defeasance or covenant defeasance or satisfaction and discharge of our senior notes. Separate financial information for our Subsidiary Guarantors is not presented because we have determined that such financial information would not be material to investors. The accounting policies of the parent company, the Subsidiary Guarantors and the Subsidiary Nonguarantors are the same as those described for the Company in Note 1 of our consolidated financial statements included in our 2018 Annual Report, and include the accounting policies and the recently adopted accounting guidance described in Note 1 and Note 2 herein. There are no restrictions on the ability of the Subsidiary Guarantors to transfer funds to us in the form of cash dividends, loans or advances.

	Parent Company	Subsidiary Guarantors	Subsidiary Nonguarantors	Eliminations	Consolidated
(in millions)					
Condensed Consolidating Balance Sheet at August 31, 2018					
Current assets:					
Cash and cash equivalents	\$5.0	\$3.2	\$ 197.9	\$—	\$ 206.1
Accounts receivable	1.4	29.9	919.9	—	951.2
Inventories	193.3	1,406.7	508.8	(166.9)	1,941.9
Intercompany receivable	29,081.6	39,406.2	19,782.1	(88,269.9)	—
Prepaid expenses and other	96.9	63.9	390.1	(64.6)	486.3
Total current assets	29,378.2	40,909.9	21,798.8	(88,501.4)	3,585.5
Property, plant and equipment	80.7	774.0	4,093.0	—	4,947.7
Investments in subsidiaries	25,527.1	494.0	6,199.4	(32,220.5)	—
Goodwill	—	6,185.5	1,897.1	—	8,082.6
Intangible assets	—	715.6	2,593.3	—	3,308.9
Intercompany notes receivable	5,764.2	2,294.9	—	(8,059.1)	—
Other assets	49.7	3.3	4,142.1	(22.3)	4,172.8
Total assets	\$60,799.9	\$51,377.2	\$ 40,723.7	\$(128,803.3)	\$ 24,097.5
Current liabilities:					
Short-term borrowings	\$652.1	\$—	\$ 65.0	\$—	\$ 717.1
Current maturities of long-term debt	5.0	13.7	0.2	—	18.9
Accounts payable	70.9	256.7	407.3	—	734.9
Intercompany payable	39,251.5	30,569.6	18,448.8	(88,269.9)	—
Other accrued expenses and liabilities	356.1	270.2	156.1	(90.8)	691.6
Total current liabilities	40,335.6	31,110.2	19,077.4	(88,360.7)	2,162.5
Long-term debt, less current maturities	9,170.8	16.4	0.4	—	9,187.6
Intercompany notes payable	—	4,936.9	3,122.2	(8,059.1)	—
Other liabilities	25.2	534.9	674.4	(22.3)	1,212.2
Total liabilities	49,531.6	36,598.4	22,874.4	(96,442.1)	12,562.3
CBI stockholders' equity	11,268.3	14,778.8	17,582.4	(32,361.2)	11,268.3
Noncontrolling interests	—	—	266.9	—	266.9
Total stockholders' equity	11,268.3	14,778.8	17,849.3	(32,361.2)	11,535.2
Total liabilities and stockholders' equity	\$60,799.9	\$51,377.2	\$ 40,723.7	\$(128,803.3)	\$ 24,097.5

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	Parent Company	Subsidiary Guarantors	Subsidiary Nonguarantors	Eliminations	Consolidated
(in millions)					
Condensed Consolidating Balance Sheet at February 28, 2018					
Current assets:					
Cash and cash equivalents	\$4.6	\$4.4	\$ 81.3	\$—	\$ 90.3
Accounts receivable	2.0	12.6	761.6	—	776.2
Inventories	184.3	1,537.5	546.6	(184.4	) 2,084.0
Intercompany receivable	27,680.0	37,937.5	18,940.8	(84,558.3) —
Prepaid expenses and other	138.4	77.7	311.0	(3.6	) 523.5
Total current assets	28,009.3	39,569.7	20,641.3	(84,746.3	) 3,474.0
Property, plant and equipment	76.2	775.7	3,937.8	—	4,789.7
Investments in subsidiaries	20,948.7	442.0	5,876.9	(27,267.6) —
Goodwill	—	6,185.5	1,897.6	—	8,083.1
Intangible assets	—	718.2	2,586.6	—	3,304.8
Intercompany notes receivable	6,236.4	2,435.4	—	(8,671.8) —
Other assets	33.1	4.7	866.7	(17.4	) 887.1
Total assets	\$55,303.7	\$50,131.2	\$ 35,806.9	\$(120,703.1)	\$ 20,538.7
Current liabilities:					
Short-term borrowings	\$266.9	\$—	\$ 479.9	\$—	\$ 746.8
Current maturities of long-term debt	7.1	15.0	0.2	—	22.3
Accounts payable	63.4	128.3	400.5	—	592.2
Intercompany payable	37,408.2	30,029.7	17,120.4	(84,558.3) —
Other accrued expenses and liabilities	356.2	199.3	150.5	(27.7	) 678.3
Total current liabilities	38,101.8	30,372.3	18,151.5	(84,586.0	) 2,039.6
Long-term debt, less current maturities	9,166.9	9.1	241.6	—	9,417.6
Intercompany notes payable	—	5,029.2	3,642.6	(8,671.8) —
Other liabilities	59.9	493.5	553.8	(17.4	) 1,089.8
Total liabilities	47,328.6	35,904.1	22,589.5	(93,275.2	) 12,547.0
CBI stockholders' equity	7,975.1	14,227.1	13,200.8	(27,427.9	) 7,975.1
Noncontrolling interests	—	—	16.6	—	16.6
Total stockholders' equity	7,975.1	14,227.1	13,217.4	(27,427.9	) 7,991.7
Total liabilities and stockholders' equity	\$55,303.7	\$50,131.2	\$ 35,806.9	\$(120,703.1)	\$ 20,538.7

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	Parent Company	Subsidiary Guarantors	Subsidiary Nonguarantors	Eliminations	Consolidated
(in millions)					
Condensed Consolidating Statement of Comprehensive Income for the Six Months Ended August 31, 2018					
Sales	\$1,491.2	\$3,993.9	\$ 2,004.7	\$(2,734.1)	\$ 4,755.7
Excise taxes	(179.7)	(223.6)	(6.2)	—	(409.5)
Net sales	1,311.5	3,770.3	1,998.5	(2,734.1)	4,346.2
Cost of product sold	(1,034.8)	(2,820.2)	(1,015.1)	2,740.7	(2,129.4)
Gross profit	276.7	950.1	983.4	6.6	2,216.8
Selling, general and administrative expenses	(271.6)	(452.1)	(114.2)	11.5	(826.4)
Operating income	5.1	498.0	869.2	18.1	1,390.4
Equity in earnings (losses) of equity method investees and subsidiaries	2,145.9	(26.0)	326.7	(2,444.0)	2.6
Unrealized gain on securities measured at fair value	—	—	950.4	—	950.4
Net gain on sale of unconsolidated investment	—	—	99.8	—	99.8
Interest income	0.1	—	3.4	—	3.5
Intercompany interest income	135.3	321.5	2.4	(459.2)	—
Interest expense	(164.6)	(0.5)	(14.2)	—	(179.3)
Intercompany interest expense	(271.0)	(99.0)	(89.2)	459.2	—
Income before income taxes	1,850.8	694.0	2,148.5	(2,425.9)	2,267.4
(Provision for) benefit from income taxes	42.5	(167.9)	(246.4)	2.0	(369.8)
Net income	1,893.3	526.1	1,902.1	(2,423.9)	1,897.6
Net income attributable to noncontrolling interests	—	—	(4.3)	—	(4.3)
Net income attributable to CBI	\$1,893.3	\$526.1	\$ 1,897.8	\$(2,423.9)	\$ 1,893.3
Comprehensive income attributable to CBI	\$1,791.6	\$525.5	\$ 1,796.3	\$(2,321.8)	\$ 1,791.6
Condensed Consolidating Statement of Comprehensive Income for the Six Months Ended August 31, 2017					
Sales	\$1,415.1	\$3,693.8	\$ 1,842.5	\$(2,542.5)	\$ 4,408.9
Excise taxes	(174.0)	(212.6)	(5.9)	—	(392.5)
Net sales	1,241.1	3,481.2	1,836.6	(2,542.5)	4,016.4
Cost of product sold	(986.5)	(2,574.7)	(953.2)	2,555.0	(1,959.4)
Gross profit	254.6	906.5	883.4	12.5	2,057.0
Selling, general and administrative expenses	(216.3)	(474.1)	(94.0)	5.8	(778.6)
Operating income	38.3	432.4	789.4	18.3	1,278.4
Equity in earnings (losses) of equity method investees and subsidiaries	973.1	(23.4)	244.5	(1,193.6)	0.6
Interest income	—	—	0.2	—	0.2
Intercompany interest income	116.8	240.0	2.4	(359.2)	—
Interest expense	(129.1)	(0.5)	(34.3)	—	(163.9)
Intercompany interest expense	(191.7)	(98.5)	(69.0)	359.2	—
Loss on extinguishment of debt	(7.0)	—	(1.8)	—	(8.8)
Income before income taxes	800.4	550.0	931.4	(1,175.3)	1,106.5
(Provision for) benefit from income taxes	99.7	(193.0)	(85.3)	22.8	(201.4)
Net income	900.1	357.0	846.1	(1,198.1)	905.1
Net income attributable to noncontrolling interests	—	—	(5.0)	—	(5.0)
Net income attributable to CBI	\$900.1	\$357.0	\$ 841.1	\$(1,198.1)	\$ 900.1

Comprehensive income attributable to CBI	\$1,212.5	\$355.0	\$ 1,159.4	\$(1,514.4)	\$ 1,212.5
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	Parent Company	Subsidiary Guarantors	Subsidiary Nonguarantors	Eliminations	Consolidated
(in millions)					
Condensed Consolidating Statement of Comprehensive Income for the Three Months Ended August 31, 2018					
Sales	\$808.6	\$2,112.7	\$ 997.1	\$(1,392.7)	\$ 2,525.7
Excise taxes	(100.9)	(122.7)	(3.0)	—	(226.6)
Net sales	707.7	1,990.0	994.1	(1,392.7)	2,299.1
Cost of product sold	(548.0)	(1,498.1)	(516.8)	1,432.0	(1,130.9)
Gross profit	159.7	491.9	477.3	39.3	1,168.2
Selling, general and administrative expenses	(130.3)	(213.4)	(64.7)	5.2	(403.2)
Operating income	29.4	278.5	412.6	44.5	765.0
Equity in earnings (losses) of equity method investees and subsidiaries	1,235.3	(13.5)	179.5	(1,403.4)	(2.1)
Unrealized gain on securities measured at fair value	—	—	692.1	—	692.1
Net loss on sale of unconsolidated investment	—	—	(1.6)	—	(1.6)
Interest income	0.1	—	3.0	—	3.1
Intercompany interest income	67.7	162.7	1.5	(231.9)	—
Interest expense	(84.3)	(0.2)	(6.6)	—	(91.1)
Intercompany interest expense	(137.4)	(49.5)	(45.0)	231.9	—
Income before income taxes	1,110.8	378.0	1,235.5	(1,358.9)	1,365.4
(Provision for) benefit from income taxes	38.7	(91.0)	(150.3)	(11.5)	(214.1)
Net income	1,149.5	287.0	1,085.2	(1,370.4)	1,151.3
Net income attributable to noncontrolling interests	—	—	(1.8)	—	(1.8)
Net income attributable to CBI	\$1,149.5	\$287.0	\$ 1,083.4	\$(1,370.4)	\$ 1,149.5
Comprehensive income attributable to CBI	\$1,223.5	\$287.0	\$ 1,158.1	\$(1,445.1)	\$ 1,223.5
Condensed Consolidating Statement of Comprehensive Income for the Three Months Ended August 31, 2017					
Sales	\$720.2	\$1,943.7	\$ 939.2	\$(1,302.5)	\$ 2,300.6
Excise taxes	(90.4)	(119.2)	(3.1)	—	(212.7)
Net sales	629.8	1,824.5	936.1	(1,302.5)	2,087.9
Cost of product sold	(509.3)	(1,360.1)	(482.9)	1,333.1	(1,019.2)
Gross profit	120.5	464.4	453.2	30.6	1,068.7
Selling, general and administrative expenses	(111.3)	(192.6)	(50.5)	3.0	(351.4)
Operating income	9.2	271.8	402.7	33.6	717.3
Equity in earnings (losses) of equity method investees and subsidiaries	541.5	(11.9)	130.2	(659.6)	0.2
Interest income	—	—	0.1	—	0.1
Intercompany interest income	58.9	122.6	1.2	(182.7)	—
Interest expense	(63.9)	(0.2)	(17.3)	—	(81.4)
Intercompany interest expense	(98.4)	(49.2)	(35.1)	182.7	—
Loss on extinguishment of debt	(0.3)	—	(1.8)	—	(2.1)
Income before income taxes	447.0	333.1	480.0	(626.0)	634.1
(Provision for) benefit from income taxes	54.6	(124.6)	(53.4)	(6.6)	(130.0)
Net income	501.6	208.5	426.6	(632.6)	504.1
Net income attributable to noncontrolling interests	—	—	(2.5)	—	(2.5)
Net income attributable to CBI	\$501.6	\$208.5	\$ 424.1	\$(632.6)	\$ 501.6
Comprehensive income attributable to CBI	\$626.5	\$205.6	\$ 553.7	\$(759.3)	\$ 626.5

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	Parent Company	Subsidiary Guarantors	Subsidiary Nonguarantors	Elimination	Consolidated
(in millions)					
Condensed Consolidating Statement of Cash Flows for the Six Months Ended August 31, 2018					
Net cash provided by (used in) operating activities	\$ (84.4)	\$ 778.1	\$ 644.8	\$ —	\$ 1,338.5
Cash flows from investing activities:					
Purchases of property, plant and equipment	(15.5)	(58.2)	(296.9)	—	(370.6)
Investment in debt securities	—	—	(150.5)	—	(150.5)
Purchases of businesses, net of cash acquired	—	(19.5)	(0.7)	—	(20.2)
Proceeds from sale of unconsolidated investment	—	—	110.2	—	110.2
Proceeds from sales of assets	0.3	38.3	6.1	—	44.7
Net proceeds from intercompany notes	456.5	—	—	(456.5)	—
Net investment in equity affiliates	(15.8)	(11.1)	—	26.9	—
Other investing activities	—	—	(2.4)	—	(2.4)
Net cash provided by (used in) investing activities	425.5	(50.5)	(334.2)	(429.6)	(388.8)
Cash flows from financing activities:					
Dividends paid to parent company	—	—	(29.5)	29.5	—
Net contributions from equity affiliates	—	32.7	23.7	(56.4)	—
Net proceeds from (repayments of) intercompany notes	57.6	(740.3)	226.2	456.5	—
Purchases of treasury stock	(504.3)	—	—	—	(504.3)
Dividends paid	(279.1)	—	—	—	(279.1)
Net proceeds from (repayments of) short-term borrowings	381.7	—	(414.1)	—	(32.4)
Principal payments of long-term debt	(4.5)	(8.5)	(10.5)	—	(23.5)
Payments of debt issuance costs	(13.6)	—	—	—	(13.6)
Payments of minimum tax withholdings on stock-based payment awards	—	(12.7)	(0.8)	—	(13.5)
Proceeds from shares issued under equity compensation plans	21.5	—	—	—	21.5
Proceeds from issuance of long-term debt	—	—	12.0	—	12.0
Net cash used in financing activities	(340.7)	(728.8)	(193.0)	429.6	(832.9)
Effect of exchange rate changes on cash and cash equivalents	—	—	(1.0)	—	(1.0)
Net increase (decrease) in cash and cash equivalents	0.4	(1.2)	116.6	—	115.8
Cash and cash equivalents, beginning of period	4.6	4.4	81.3	—	90.3
Cash and cash equivalents, end of period	\$ 5.0	\$ 3.2	\$ 197.9	\$ —	\$ 206.1

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	Parent Company	Subsidiary Guarantors	Subsidiary Nonguarantors	Elimination	Consolidated
(in millions)					
Condensed Consolidating Statement of Cash Flows for the Six Months Ended August 31, 2017					
Net cash provided by (used in) operating activities	\$ (200.9)	\$ 934.4	\$ 369.4	\$ —	\$ 1,102.9
Cash flows from investing activities:					
Purchases of property, plant and equipment	(10.0)	(59.2)	(435.9)	—	(505.1)
Purchases of businesses, net of cash acquired	—	(70.9)	(60.9)	—	(131.8)
Proceeds from sale of assets	—	—	0.8	—	0.8
Net proceeds from intercompany notes	658.6	—	1.8	(660.4)	—
Net investments in equity affiliates	(53.8)	—	—	53.8	—
Other investing activities	—	—	(4.5)	—	(4.5)
Net cash provided by (used in) investing activities	594.8	(130.1)	(498.7)	(606.6)	(640.6)
Cash flows from financing activities:					
Dividends paid to parent company	—	—	(15.0)	15.0	—
Net contributions from equity affiliates	—	6.8	62.0	(68.8)	—
Net proceeds from (repayments of) intercompany notes	(5.1)	(779.7)	124.4	660.4	—
Purchases of treasury stock	(14.3)	—	—	—	(14.3)
Dividends paid	(201.0)	—	—	—	(201.0)
Net proceeds from (repayments of) short-term borrowings	(71.0)	—	277.6	—	206.6
Principal payments of long-term debt	(2,116.6)	(9.6)	(2,391.7)	—	(4,517.9)
Payments of debt issuance costs	(16.7)	—	(3.5)	—	(20.2)
Payments of minimum tax withholdings on stock-based payment awards	—	(21.5)	(1.0)	—	(22.5)
Proceeds from shares issued under equity compensation plans	32.0	—	—	—	32.0
Proceeds from issuance of long-term debt	1,995.5	—	2,021.5	—	4,017.0
Net cash provided by (used in) financing activities	(397.2)	(804.0)	74.3	606.6	(520.3)
Effect of exchange rate changes on cash and cash equivalents	—	—	6.2	—	6.2
Net increase (decrease) in cash and cash equivalents	(3.3)	0.3	(48.8)	—	(51.8)
Cash and cash equivalents, beginning of period	9.6	5.3	162.5	—	177.4
Cash and cash equivalents, end of period	\$ 6.3	\$ 5.6	\$ 113.7	\$ —	\$ 125.6

15. BUSINESS SEGMENT INFORMATION:

Our internal management financial reporting consists of two business divisions: (i) Beer and (ii) Wine and Spirits, and we report our operating results in three segments: (i) Beer, (ii) Wine and Spirits, and (iii) Corporate Operations and Other. In the Beer segment, our portfolio consists of high-end imported and craft beer brands. We have an exclusive perpetual brand license to import, market and sell in the U.S. our Mexican beer portfolio. In the Wine and Spirits segment, we sell a large number of wine brands across all categories – table wine, sparkling wine and dessert wine – and across all price points – popular, premium and luxury categories, primarily within the \$5 to \$25 price range at U.S. retail – complemented by certain premium spirits brands. Amounts included in the

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Corporate Operations and Other segment consist of costs of executive management, corporate development, corporate finance, human resources, internal audit, investor relations, legal, public relations and information technology. The amounts included in the Corporate Operations and Other segment are general costs that are applicable to the consolidated group and are therefore not allocated to the other reportable segments. All costs reported within the Corporate Operations and Other segment are not included in our chief operating decision maker's evaluation of the operating income performance of the other reportable segments. The business segments reflect how our operations are managed, how resources are allocated, how operating performance is evaluated by senior management and the structure of our internal financial reporting.

In addition, management excludes items that affect comparability ("Comparable Adjustments") from its evaluation of the results of each operating segment as these Comparable Adjustments are not reflective of core operations of the segments. Segment operating performance and segment management compensation are evaluated based upon core segment operating income (loss). As such, the performance measures for incentive compensation purposes for segment management do not include the impact of these Comparable Adjustments.

We evaluate segment operating performance based on operating income (loss) of the respective business units. Comparable Adjustments that impacted comparability in our segment operating income (loss) for each period are as follows:

	For the Six Months Ended August 31, 2018		For the Three Months Ended August 31, 2017	
(in millions)				
Cost of product sold				
Settlements of undesignated commodity derivative contracts	\$(5.1)	\$4.7	\$(3.6)	\$2.3
Accelerated depreciation	(5.0)	—	(1.6)	—
Loss on inventory write-down	(1.5)	—	—	—
Flow through of inventory step-up	(1.4)	(9.8)	(0.8)	(2.8)
Net gain (loss) on undesignated commodity derivative contracts	9.6	0.8	(5.8)	3.9
Total cost of product sold	(3.4)	(4.3)	(11.8)	3.4
Selling, general and administrative expenses				
Deferred compensation	(16.3)	—	—	—
Restructuring and other strategic business development costs	(8.6)	(3.4)	(4.3)	(2.0)
Transaction, integration and other acquisition-related costs	(8.1)	(2.3)	(8.1)	(0.7)
Impairment of intangible assets	—	(86.8)	—	—
Costs associated with the sale of the Canadian wine business and related activities	—	(3.2)	—	—
Other gains	8.5	3.4	8.5	3.4
Total selling, general and administrative expenses	(24.5)	(92.3)	(3.9)	0.7
Comparable Adjustments, Operating income (loss)	\$(27.9)	\$(96.6)	\$(15.7)	\$4.1

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The accounting policies of the segments are the same as those described for the Company in Note 1 of our consolidated financial statements included in our 2018 Annual Report, and include the accounting policies and the recently adopted accounting guidance described in Note 1 and Note 2 herein. Segment information is as follows:

	For the Six Months Ended August 31,		For the Three Months Ended August 31,	
	2018	2017	2018	2017
(in millions)				
Beer				
Net sales	\$2,902.2	\$2,620.9	\$1,527.1	\$1,381.7
Segment operating income	\$1,150.6	\$1,066.5	\$630.6	\$569.0
Long-lived tangible assets	\$3,819.6	\$3,326.4	\$3,819.6	\$3,326.4
Total assets	\$14,929.1	\$11,992.5	\$14,929.1	\$11,992.5
Capital expenditures	\$296.3	\$433.1	\$159.8	\$241.9
Depreciation and amortization	\$100.5	\$79.9	\$51.0	\$40.1
Wine and Spirits				
Net sales:				
Wine	\$1,262.8	\$1,216.1	\$671.0	\$614.0
Spirits	181.2	179.4	101.0	92.2
Net sales	\$1,444.0	\$1,395.5	\$772.0	\$706.2
Segment operating income	\$369.2	\$387.4	\$201.4	\$185.7
Income (loss) from unconsolidated investments	\$3.8	\$0.2	\$(1.0)	\$—
Long-lived tangible assets	\$1,046.0	\$1,017.6	\$1,046.0	\$1,017.6
Investments in equity method investees	\$79.1	\$76.9	\$79.1	\$76.9
Total assets	\$7,100.5	\$7,051.5	\$7,100.5	\$7,051.5
Capital expenditures	\$58.8	\$63.0	\$31.0	\$41.4
Depreciation and amortization	\$49.2	\$45.8	\$24.8	\$23.2
Corporate Operations and Other				
Segment operating loss	\$(101.5)	\$(78.9)	\$(51.3)	\$(41.5)
Income (loss) from unconsolidated investments	\$(1.2)	\$0.4	\$(1.1)	\$0.2
Long-lived tangible assets	\$82.1	\$120.2	\$82.1	\$120.2
Investments in equity method investees	\$41.2	\$21.5	\$41.2	\$21.5
Total assets	\$2,067.9	\$374.4	\$2,067.9	\$374.4
Capital expenditures	\$15.5	\$9.0	\$11.6	\$4.7
Depreciation and amortization	\$17.1	\$18.1	\$8.7	\$9.0
Comparable Adjustments				
Operating income (loss)	\$(27.9)	\$(96.6)	\$(15.7)	\$4.1
Income from unconsolidated investments	\$1,050.2	\$—	\$690.5	\$—
Depreciation and amortization	\$5.0	\$—	\$1.6	\$—
Consolidated				
Net sales	\$4,346.2	\$4,016.4	\$2,299.1	\$2,087.9
Operating income	\$1,390.4	\$1,278.4	\$765.0	\$717.3
Income from unconsolidated investments ⁽¹⁾	\$1,052.8	\$0.6	\$688.4	\$0.2
Long-lived tangible assets	\$4,947.7	\$4,464.2	\$4,947.7	\$4,464.2
Investments in equity method investees	\$120.3	\$98.4	\$120.3	\$98.4
Total assets	\$24,097.5	\$19,418.4	\$24,097.5	\$19,418.4

Capital expenditures	\$370.6	\$505.1	\$202.4	\$288.0
Depreciation and amortization	\$171.8	\$143.8	\$86.1	\$72.3

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(1) Income from unconsolidated investments consists of:

	For the Six Months Ended August 31, 2018		For the Three Months Ended August 31, 2018	
(in millions)	2018	2017	2018	2017
Unrealized gain on securities measured at fair value	\$950.4	\$ —	\$692.1	\$ —
Net gain (loss) on sale of unconsolidated investment	99.8	—	(1.6)	—
Equity in earnings (losses) from equity method investees	2.6	0.6	(2.1)	0.2
	\$1,052.8	\$ 0.6	\$688.4	\$ 0.2

16. CANOPY AND RELATED TRANSACTIONS:

Canopy Transaction –

In August 2018, we signed a definitive agreement to increase our ownership interest in Canopy by agreeing to acquire 104.5 million common shares (the “Additional Canopy Investment”) plus warrants to purchase an additional 139.7 million common shares (the “Additional Canopy Warrants”, and together with the “Additional Canopy Investment”, the “Canopy Transaction”) for C\$5.1 billion, or approximately \$4 billion. The Additional Canopy Warrants will expire three years from the date of closing of the Canopy Transaction. Upon closing of the Canopy Transaction, we expect to have an approximate 37% ownership interest of outstanding common shares of Canopy consisting of the Original Canopy Investment and the Additional Canopy Investment (collectively, the “2018 Canopy Investment”). We expect to account for the 2018 Canopy Investment under the equity method of accounting from the date of closing. We expect to account for the Additional Canopy Warrant