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 September 30, 2023

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: 001-37482

The Kraft Heinz Company

(Exact name of registrant as specified in its charter)

Delaware	**46-2078182**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
One PPG Place, Pittsburgh, Pennsylvania	**15222**
(Address of principal executive offices)	(Zip Code)

(412) 456-5700
(Registrant's telephone number, including area code)

Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, $0.01 par value	KHC	The Nasdaq Stock Market LLC
Floating Rate Senior Notes due 2025	KHC25	The Nasdaq Stock Market LLC

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. ☐

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

As of October 28, 2023, there were 1,226,538,694 shares of the registrant’s common stock outstanding.

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Unless the context otherwise requires, the terms "we," "us," "our," "Kraft Heinz," and the "Company" each refer to The Kraft Heinz Company and all of its consolidated subsidiaries.

Forward-Looking Statements

This Quarterly Report on Form 10-Q contains a number of forward-looking statements. Words such as “anticipate,” “assume,” “believe,” “estimate,” “expect,” “intend,” “may,” “plan,” “will,” and variations of such words and similar future or conditional expressions are intended to identify forward-looking statements. These forward-looking statements include, but are not limited to, statements regarding our plans, impacts of accounting standards and guidance, growth, legal matters, taxes, costs and cost savings, impairments, and dividends. These forward-looking statements reflect management’s current expectations and are not guarantees of future performance and are subject to a number of risks and uncertainties, many of which are difficult to predict and beyond our control.

Important factors that may affect our business and operations and that may cause actual results to differ materially from those in the forward-looking statements include, but are not limited to, operating in a highly competitive industry; our ability to correctly predict, identify, and interpret changes in consumer preferences and demand, to offer new products to meet those changes, and to respond to competitive innovation; changes in the retail landscape or the loss of key retail customers; changes in our relationships with significant customers or suppliers, or in other business relationships; our ability to maintain, extend, and expand our reputation and brand image; our ability to leverage our brand value to compete against private label products; our ability to drive revenue growth in our key product categories or platforms, increase our market share, or add products that are in faster-growing and more profitable categories; product recalls or other product liability claims; climate change and legal or regulatory responses; our ability to identify, complete, or realize the benefits from strategic acquisitions, divestitures, alliances, joint ventures, or investments; our ability to successfully execute our strategic initiatives; the impacts of our international operations; our ability to protect intellectual property rights; our ability to realize the anticipated benefits from prior or future streamlining actions to reduce fixed costs, simplify or improve processes, and improve our competitiveness; the influence of our largest stockholder; our level of indebtedness, as well as our ability to comply with covenants under our debt instruments; additional impairments of the carrying amounts of goodwill or other indefinite-lived intangible assets; foreign exchange rate fluctuations; volatility in commodity, energy, and other input costs; volatility in the market value of all or a portion of the commodity derivatives we use; compliance with laws and regulations and related legal claims or regulatory enforcement actions; failure to maintain an effective system of internal controls; a downgrade in our credit rating; the impact of sales of our common stock in the public market; our ability to continue to pay a regular dividend and the amounts of any such dividends; disruptions in the global economy caused by geopolitical conflicts, including the ongoing conflict between Russia and Ukraine; unanticipated business disruptions and natural events in the locations in which we or our customers, suppliers, distributors, or regulators operate; economic and political conditions in the United States and various other nations where we do business (including inflationary pressures, instability in financial institutions, general economic slowdown, recession, or a potential U.S. federal government shutdown); changes in our management team or other key personnel and our ability to hire or retain key personnel or a highly skilled and diverse global workforce; our dependence on information technology and systems, including service interruptions, misappropriation of data, or breaches of security; increased pension, labor, and people-related expenses; changes in tax laws and interpretations and the final determination of tax audits, including transfer pricing matters, and any related litigation; volatility of capital markets and other macroeconomic factors; and other factors. For additional information on these and other factors that could affect our forward-looking statements, see Item 1A, Risk Factors, in our Annual Report on Form 10-K for the year ended December 31, 2022. We disclaim and do not undertake any obligation to update, revise, or withdraw any forward-looking statement in this report, except as required by applicable law or regulation.

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

The Kraft Heinz Company
Condensed Consolidated Statements of Income
(in millions, except per share data)
(Unaudited)

	For the Three Months Ended		For the Nine Months Ended	
	September 30, 2023	September 24, 2022	September 30, 2023	September 24, 2022
Net sales	$ 6,570	$ 6,505	$ 19,780	$ 19,104
Cost of products sold	4,335	4,662	13,171	13,346
Gross profit	2,235	1,843	6,609	5,758
Selling, general and administrative expenses, excluding impairment losses	920	798	2,675	2,437
Goodwill impairment losses	510	220	510	444
Intangible asset impairment losses	152	74	152	469
Selling, general and administrative expenses	1,582	1,092	3,337	3,350
Operating income/(loss)	653	751	3,272	2,408
Interest expense	228	228	683	704
Other expense/(income)	(35)	(22)	(94)	(211)
Income/(loss) before income taxes	460	545	2,683	1,915
Provision for/(benefit from) income taxes	206	110	594	434
Net income/(loss)	254	435	2,089	1,481
Net income/(loss) attributable to noncontrolling interest	(8)	3	(9)	8
Net income/(loss) attributable to common shareholders	$ 262	$ 432	$ 2,098	$ 1,473
Per share data applicable to common shareholders:				
Basic earnings/(loss)	$ 0.21	$ 0.35	$ 1.71	$ 1.20
Diluted earnings/(loss)	0.21	0.35	1.70	1.19

See accompanying notes to the condensed consolidated financial statements.

The Kraft Heinz Company
Condensed Consolidated Statements of Comprehensive Income
(in millions)
(Unaudited)

	For the Three Months Ended		For the Nine Months Ended	
	September 30, 2023	September 24, 2022	September 30, 2023	September 24, 2022
Net income/(loss)	$ 254	$ 435	$ 2,089	$ 1,481
Other comprehensive income/(loss), net of tax:				
Foreign currency translation adjustments	(355)	(816)	(61)	(1,500)
Net deferred gains/(losses) on net investment hedges	92	324	17	581
Amounts excluded from the effectiveness assessment of net investment hedges	7	8	21	26
Net deferred losses/(gains) on net investment hedges reclassified to net income/(loss)	(8)	(10)	(21)	(23)
Net deferred gains/(losses) on cash flow hedges	14	(29)	5	(101)
Amounts excluded from the effectiveness assessment of cash flow hedges	3	1	13	9
Net deferred losses/(gains) on cash flow hedges reclassified to net income/(loss)	13	48	(18)	97
Net actuarial gains/(losses) arising during the period	—	(117)	—	(260)
Net postemployment benefit losses/(gains) reclassified to net income/(loss)	(1)	(4)	(8)	(15)
Total other comprehensive income/(loss)	(235)	(595)	(52)	(1,186)
Total comprehensive income/(loss)	19	(160)	2,037	295
Comprehensive income/(loss) attributable to noncontrolling interest	(11)	2	(8)	2
Comprehensive income/(loss) attributable to common shareholders	$ 30	$ (162)	$ 2,045	$ 293

See accompanying notes to the condensed consolidated financial statements.

The Kraft Heinz Company
Condensed Consolidated Balance Sheets
(in millions, except per share data)
(Unaudited)

	September 30, 2023	December 31, 2022
ASSETS		
Cash and cash equivalents	$ 1,052	$ 1,040
Trade receivables (net of allowances of $43 at September 30, 2023 and $46 at December 31, 2022)	2,103	2,120
Inventories	3,779	3,651
Prepaid expenses	245	240
Other current assets	654	842
Assets held for sale	5	4
Total current assets	7,838	7,897
Property, plant and equipment, net	6,813	6,740
Goodwill	30,310	30,833
Intangible assets, net	42,314	42,649
Other non-current assets	2,381	2,394
TOTAL ASSETS	$ 89,656	$ 90,513
LIABILITIES AND EQUITY		
Commercial paper and other short-term debt	$ —	$ 6
Current portion of long-term debt	608	831
Trade payables	4,463	4,848
Accrued marketing	793	749
Interest payable	268	264
Other current liabilities	1,672	2,330
Total current liabilities	7,804	9,028
Long-term debt	19,270	19,233
Deferred income taxes	10,132	10,152
Accrued postemployment costs	143	144
Long-term deferred income	1,436	1,477
Other non-current liabilities	1,413	1,609
TOTAL LIABILITIES	40,198	41,643
Commitments and Contingencies (Note 14)		
Redeemable noncontrolling interest	24	40
Equity:		
Common stock, $0.01 par value (5,000 shares authorized; 1,249 shares issued and 1,227 shares outstanding at September 30, 2023; 1,243 shares issued and 1,225 shares outstanding at December 31, 2022)	12	12
Additional paid-in capital	52,004	51,834
Retained earnings/(deficit)	1,104	489
Accumulated other comprehensive income/(losses)	(2,863)	(2,810)
Treasury stock, at cost (23 shares at September 30, 2023 and 18 shares at December 31, 2022)	(981)	(847)
Total shareholders' equity	49,276	48,678
Noncontrolling interest	158	152
TOTAL EQUITY	49,434	48,830
TOTAL LIABILITIES AND EQUITY	$ 89,656	$ 90,513

See accompanying notes to the condensed consolidated financial statements.

The Kraft Heinz Company
Condensed Consolidated Statements of Equity
(in millions)
(Unaudited)

	Common Stock	Additional Paid-in Capital	Retained Earnings/(Deficit)	Accumulated Other Comprehensive Income/(Losses)	Treasury Stock, at Cost	Noncontrolling Interest	Total Equity
Balance at December 31, 2022	$ 12	$ 51,834	$ 489	$ (2,810)	$ (847)	$ 152	$ 48,830
Net income/(loss) excluding redeemable noncontrolling interest	—	—	836	—	—	1	837
Other comprehensive income/(loss) excluding redeemable noncontrolling interest	—	—	—	62	—	4	66
Dividends declared-common stock ($0.40 per share)	—	—	(494)	—	—	—	(494)
Exercise of stock options, issuance of other stock awards, repurchase of common stock, and other	—	76	—	—	(5)	3	74
Balance at April 1, 2023	$ 12	$ 51,910	$ 831	$ (2,748)	$ (852)	$ 160	$ 49,313
Net income/(loss) excluding redeemable noncontrolling interest	—	—	1,000	—	—	—	1,000
Other comprehensive income/(loss) excluding redeemable noncontrolling interest	—	—	—	117	—	—	117
Dividends declared-common stock ($0.40 per share)	—	—	(495)	—	—	—	(495)
Exercise of stock options, issuance of other stock awards, repurchase of common stock, and other	—	57	—	—	(18)	—	39
Balance at July 1, 2023	$ 12	$ 51,967	$ 1,336	$ (2,631)	$ (870)	$ 160	$ 49,974
Net income/(loss) excluding redeemable noncontrolling interest	—	—	262	—	—	(2)	260
Other comprehensive income/(loss) excluding redeemable noncontrolling interest	—	—	—	(232)	—	(3)	(235)
Dividends declared-common stock ($0.40 per share)	—	—	(494)	—	—	—	(494)
Exercise of stock options, issuance of other stock awards, repurchase of common stock, and other	—	37	—	—	(111)	3	(71)
Balance at September 30, 2023	$ 12	$ 52,004	$ 1,104	$ (2,863)	$ (981)	$ 158	$ 49,434

	Common Stock		Additional Paid-in Capital		Retained Earnings/(Deficit)		Accumulated Other Comprehensive Income/(Losses)		Treasury Stock, at Cost		Noncontrolling Interest		Total Equity
Balance at December 25, 2021	$	12	$	53,379	$	(1,682)	$	(1,824)	$	(587)	$	150	$ 49,448
Net income/(loss) excluding redeemable noncontrolling interest		—		—		776		—		—		4	780
Other comprehensive income/(loss) excluding redeemable noncontrolling interest		—		—		—		12		—		(1)	11
Dividends declared-common stock ($0.40 per share)		—		(492)		—		—		—		—	(492)
Exercise of stock options, issuance of other stock awards, repurchase of common stock, and other		—		67		1		—		(18)		—	50
Balance at March 26, 2022	$	12	$	52,954	$	(905)	$	(1,812)	$	(605)	$	153	$ 49,797
Net income/(loss) excluding redeemable noncontrolling interest		—		—		265		—		—		2	267
Other comprehensive income/(loss) excluding redeemable noncontrolling interest		—		—		—		(598)		—		(4)	(602)
Dividends declared-common stock ($0.40 per share)		—		(494)		—		—		—		—	(494)
Exercise of stock options, issuance of other stock awards, repurchase of common stock, and other		—		60		—		—		(81)		15	(6)
Balance at June 25, 2022	$	12	$	52,520	$	(640)	$	(2,410)	$	(686)	$	166	$ 48,962
Net income/(loss) excluding redeemable noncontrolling interest		—		—		432		—		—		4	436
Other comprehensive income/(loss) excluding redeemable noncontrolling interest		—		—		—		(594)		—		(1)	(595)
Dividends declared-common stock ($0.40 per share)		—		(494)		—		—		—		—	(494)
Exercise of stock options, issuance of other stock awards, repurchase of common stock, and other		—		51		—		—		(43)		(11)	(3)
Balance at September 24, 2022	$	12	$	52,077	$	(208)	$	(3,004)	$	(729)	$	158	$ 48,306

See accompanying notes to the condensed consolidated financial statements.

The Kraft Heinz Company
Condensed Consolidated Statements of Cash Flows
(in millions)
(Unaudited)

	For the Nine Months Ended	
	September 30, 2023	September 24, 2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income/(loss)	$ 2,089	$ 1,481
Adjustments to reconcile net income/(loss) to operating cash flows:		
Depreciation and amortization	710	685
Amortization of postemployment benefit plans prior service costs/(credits)	(10)	(11)
Divestiture-related license income	(41)	(41)
Equity award compensation expense	110	107
Deferred income tax provision/(benefit)	(15)	(184)
Postemployment benefit plan contributions	(18)	(14)
Goodwill and intangible asset impairment losses	662	913
Nonmonetary currency devaluation	27	16
Loss/(gain) on sale of business	2	(1)
Loss/(gain) on extinguishment of debt	—	(12)
Other items, net	(44)	6
Changes in current assets and liabilities:		
Trade receivables	(16)	(208)
Inventories	(277)	(1,027)
Accounts payable	(221)	299
Other current assets	139	(136)
Other current liabilities	(477)	(356)
Net cash provided by/(used for) operating activities	2,620	1,517
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(779)	(632)
Payments to acquire business, net of cash acquired	—	(481)
Proceeds from sale of business, net of cash disposed and working capital adjustments	—	(20)
Other investing activities, net	41	95
Net cash provided by/(used for) investing activities	(738)	(1,038)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayments of long-term debt	(823)	(1,157)
Proceeds from issuance of long-term debt	657	—
Debt prepayment and extinguishment (benefit)/costs	—	(17)
Proceeds from issuance of commercial paper	—	228
Repayments of commercial paper	—	(228)
Dividends paid	(1,474)	(1,470)
Other financing activities, net	(176)	(167)
Net cash provided by/(used for) financing activities	(1,816)	(2,811)
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	(53)	(116)
Cash, cash equivalents, and restricted cash		
Net increase/(decrease)	13	(2,448)
Balance at beginning of period	1,041	3,446
Balance at end of period	$ 1,054	$ 998

See accompanying notes to the condensed consolidated financial statements.

Note 1. Basis of Presentation

Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") have been omitted, in accordance with the rules of the Securities and Exchange Commission (the "SEC"). In management's opinion, these interim financial statements include all adjustments (consisting only of normal recurring adjustments) and accruals necessary to fairly state our results for the periods presented.

We operate on a 52- or 53-week fiscal year ending on the last Saturday in December in each calendar year. Unless the context requires otherwise, references to years and quarters contained herein pertain to our fiscal years and fiscal quarters. Our 2023 fiscal year is scheduled to be a 52-week period ending on December 30, 2023, and our 2022 fiscal year was a 53-week period that ended on December 31, 2022.

The condensed consolidated balance sheet data at December 31, 2022 was derived from audited financial statements but does not include all disclosures required by U.S. GAAP. These statements should be read in conjunction with our audited consolidated financial statements and related notes in our Annual Report on Form 10-K for the year ended December 31, 2022. The results for interim periods are not necessarily indicative of future or annual results.

Principles of Consolidation

The condensed consolidated financial statements include The Kraft Heinz Company and all of our controlled subsidiaries. All intercompany transactions are eliminated.

Reportable Segments

We manage and report our operating results through two reportable segments defined by geographic region: North America and International.

Following certain organizational changes announced on November 1, 2023, we will be evaluating the potential impact on our reportable segments. We expect that any change to our reportable segments will be effective in early 2024.

Use of Estimates

We prepare our condensed consolidated financial statements in accordance with U.S. GAAP, which requires us to make accounting policy elections, estimates, and assumptions that affect the reported amount of assets, liabilities, reserves, and expenses. These accounting policy elections, estimates, and assumptions are based on our best estimates and judgments. We evaluate our policy elections, estimates, and assumptions on an ongoing basis using historical experience and other factors, including the current economic environment. We believe these estimates to be reasonable given the current facts available. We adjust our policy elections, estimates, and assumptions when facts and circumstances dictate. Market volatility, including foreign currency exchange rates, increases the uncertainty inherent in our estimates and assumptions. As future events and their effects cannot be determined with precision, actual results could differ significantly from estimates. If actual amounts differ from estimates, we include the revisions in our consolidated results of operations in the period the actual amounts become known. Historically, the aggregate differences, if any, between our estimates and actual amounts in any year have not had a material effect on our condensed consolidated financial statements.

Reclassifications

We made reclassifications and adjustments to certain previously reported financial information to conform to our current period presentation.

Held for Sale

At September 30, 2023 and December 31, 2022, we classified certain assets as held for sale in our condensed consolidated balance sheet, primarily relating to land use rights across the globe.

Cash, Cash Equivalents, and Restricted Cash

Cash equivalents include term deposits with banks, money market funds, and all highly liquid investments with original maturities of three months or less. The fair value of cash equivalents approximates the carrying amount. Cash and cash equivalents that are legally restricted as to withdrawal or usage are classified in other current assets or other non-current assets, as applicable, on the condensed consolidated balance sheets. At September 30, 2023, we had restricted cash recorded in other current assets of $1 million and in other non-current assets of $1 million. At December 31, 2022, we had restricted cash recorded in other non-current assets of $1 million. Total cash, cash equivalents, and restricted cash was $1,054 million at September 30, 2023 and $1,041 million at December 31, 2022.

Note 2. Significant Accounting Policies

There were no significant changes to our accounting policies from those disclosed in our Annual Report on Form 10-K for the year ended December 31, 2022.

Note 3. New Accounting Standards

Accounting Standards Adopted in the Current Year

Supplier Finance Programs (Topic 405-50) - Disclosure of Supplier Finance Program Obligations:
In September 2022, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") 2022-04 to add disclosure requirements relative to supplier financing programs under ASC 405, *Liabilities*. The guidance requires entities that maintain supplier financing programs to provide information in their financial statements about their use of supplier finance programs and their effect on the entity's working capital, liquidity, and cash flows. Specifically, the amendment requires entities to disclose the key terms of their programs, amounts outstanding, balance sheet presentation, and a rollforward of amounts outstanding during the annual period. Only the amount outstanding at the end of the period is required to be disclosed in interim periods. We adopted this ASU when it became effective in the first quarter of our fiscal year 2023, except for the rollforward requirement, which is effective in fiscal year 2024. The adoption of this ASU did not have a significant impact on our financial statements and related disclosures.

Note 4. Acquisitions and Divestitures

Acquisitions

Hemmer Acquisition:
On March 31, 2022 (the "Hemmer Acquisition Date"), we acquired a majority of the outstanding equity interests of Companhia Hemmer Indústria e Comércio ("Hemmer"), a Brazilian food and beverage manufacturing company focused on the condiments and sauces category, from certain third-party shareholders (the "Hemmer Acquisition").

The Hemmer Acquisition was accounted for under the acquisition method of accounting for business combinations. Total cash consideration related to the Hemmer Acquisition was approximately 1.3 billion Brazilian reais (approximately $279 million at the Hemmer Acquisition Date). A noncontrolling interest was recognized at fair value, which was determined to be the noncontrolling interest's proportionate share of the acquiree's identifiable net assets, as of the Hemmer Acquisition Date. As of the Hemmer Acquisition Date, we acquired 94% of the outstanding shares of Hemmer. In the third quarter of 2022, we completed the redemption of the remaining outstanding shares and own 100% of the controlling interest in Hemmer.

We entered into foreign exchange derivative contracts to economically hedge the foreign currency exposure related to the cash consideration for the Hemmer Acquisition. See Note 11, *Financial Instruments*, for additional information.

We utilized fair values at the Hemmer Acquisition Date to allocate the total consideration exchanged to the net tangible and intangible assets acquired and liabilities assumed. The purchase price allocation for the Hemmer Acquisition became final during the first quarter of 2023.

The final purchase price allocation to assets acquired and liabilities assumed in the Hemmer Acquisition was (in millions):

	Final Allocation
Cash	$ 1
Trade receivables	13
Inventories	17
Other current assets	2
Property, plant and equipment, net	14
Identifiable intangible assets	122
Other non-current assets	17
Short-term debt	(9)
Trade payables	(11)
Other current liabilities	(31)
Long-term debt	(11)
Other non-current liabilities	(44)
Net assets acquired	80
Noncontrolling interest	(16)
Goodwill on acquisition	215
Total consideration	$ 279

The Hemmer Acquisition preliminarily resulted in $219 million of non-tax deductible goodwill relating principally to Hemmer's long-term experience and large presence operating in emerging markets. In the fourth quarter of 2022, a portion of the goodwill became tax deductible following the merger of Hemmer into our existing legal entity structure. This goodwill was assigned to the Latin America ("LATAM") reporting unit within our International segment. In the fourth quarter of 2022, certain insignificant measurement period adjustments were made to the initial allocation, and the final amount of goodwill was adjusted to $215 million.

The purchase price allocation to identifiable intangible assets acquired in the Hemmer Acquisition was:

	Fair Value (in millions of dollars)	Weighted Average Life (in years)
Definite-lived trademarks	$ 101	13
Customer-related assets	21	15
Total	$ 122	

We valued trademarks using the relief from royalty method and customer-related assets using the distributor method. Some of the more significant assumptions inherent in developing the valuations included the estimated annual net cash flows for each definite-lived intangible asset (including net sales, cost of products sold, selling and marketing costs, and working capital/contributory asset charges), the discount rate that appropriately reflects the risk inherent in each future cash flow stream, the assessment of each asset's life cycle, and competitive trends, as well as other factors. We determined the assumptions used in the financial forecasts using historical data, supplemented by current and anticipated market conditions, estimated product category growth rates, management's plans, and market comparables.

We used carrying values as of the Hemmer Acquisition Date to value certain current and non-current assets and liabilities, as we determined that they represented the fair value of those items at such date.

Just Spices Acquisition:
On January 18, 2022 (the "Just Spices Acquisition Date"), we acquired 85% of the shares of Just Spices GmbH ("Just Spices"), a German-based company focused on direct-to-consumer sales of premium spice blends, from certain third-party shareholders (the "Just Spices Acquisition").

The Just Spices Acquisition was accounted for under the acquisition method of accounting for business combinations. Total cash consideration related to the Just Spices Acquisition was approximately 214 million euros (approximately $243 million at the Just Spices Acquisition Date). A noncontrolling interest was recognized at fair value, which was determined to be the noncontrolling interest's proportionate share of the acquiree's identifiable net assets, as of the Just Spices Acquisition Date. Under the terms of certain transaction agreements, Just Spices' other equity holders each have a put option to require us to purchase the remaining equity interests beginning three years after the Just Spices Acquisition Date. If the put option is not exercised, we have a call option to acquire the remaining equity interests of Just Spices. Considering the contractual terms related to the noncontrolling interest, it is classified as redeemable noncontrolling interest on our condensed consolidated balance sheet.

Subsequent to the Just Spices Acquisition, the redeemable noncontrolling interest is measured at the greater of the amount that would be paid if settlement occurred as of the balance sheet date based on the contractually defined redemption value and its carrying amount adjusted for the net income/(loss) attributable to the noncontrolling interest. In the third quarter of 2023, we completed the redemption of an additional 5% of the outstanding shares and own 90% of the controlling interest in Just Spices as of September 30, 2023.

We utilized fair values at the Just Spices Acquisition Date to allocate the total consideration exchanged to the net tangible and intangible assets acquired and liabilities assumed. The purchase price allocation for the Just Spices Acquisition was final as of December 31, 2022.

The final purchase price allocation to assets acquired and liabilities assumed in the Just Spices Acquisition was (in millions):

	Final Allocation
Cash	$ 2
Trade receivables	4
Inventories	7
Other current assets	9
Property, plant and equipment, net	1
Identifiable intangible assets	172
Other non-current assets	7
Trade payables	(10)
Other current liabilities	(12)
Other non-current liabilities	(54)
Net assets acquired	126
Redeemable noncontrolling interest	(39)
Goodwill on acquisition	156
Total consideration	$ 243

The Just Spices Acquisition preliminarily resulted in $167 million of non-tax deductible goodwill relating principally to Just Spices' social media presence. This goodwill was assigned to the Continental Europe reporting unit within our International segment. In 2022, certain insignificant measurement period adjustments were made to the initial allocation, and the final amount of goodwill was adjusted to $156 million.

The purchase price allocation to identifiable intangible assets acquired in the Just Spices Acquisition was:

	Fair Value (in millions of dollars)	Weighted Average Life (in years)
Definite-lived trademarks	$ 72	10
Customer-related assets	100	15
Total	$ 172	

We valued trademarks using the relief from royalty method and customer-related assets using the distributor method. Some of the more significant assumptions inherent in developing the valuations included the estimated annual net cash flows for each definite-lived intangible asset (including net sales, cost of products sold, selling and marketing costs, and working capital/contributory asset charges), the discount rate that appropriately reflects the risk inherent in each future cash flow stream, the assessment of each asset's life cycle, and competitive trends, as well as other factors. We determined the assumptions used in the financial forecasts using historical data, supplemented by current and anticipated market conditions, estimated product category growth rates, management's plans, and market comparables.

We used carrying values as of the Just Spices Acquisition Date to value certain current and non-current assets and liabilities, as we determined that they represented the fair value of those items at such date.

Deal Costs:
We incurred insignificant deal costs for the three and nine months ended September 30, 2023 and the three and nine months ended September 24, 2022 related to our acquisitions. We recognized these deal costs in selling, general and administrative expenses ("SG&A").

Divestitures

Potential Dispositions:
In the first half of 2023, we entered into agreements to sell two separate businesses within our International segment. For the nine months ended September 30, 2023, the two businesses collectively generated an insignificant amount of consolidated net sales and operating income/(loss) and approximately 1% of net sales and an insignificant amount of Segment Adjusted EBITDA for our International segment. As the expected timing for each of these transactions to close continues to be uncertain, the related assets and liabilities remain classified as held and used on the condensed consolidated balance sheet at September 30, 2023. We anticipate the collective pre-tax loss on sale of businesses to be approximately $100 million, of which approximately $60 million relates to the release of accumulated foreign currency translation losses.

Deal Costs:
We incurred insignificant deal costs for the three and nine months ended September 30, 2023 and the three and nine months ended September 24, 2022 related to our divestitures. We recognized these deal costs in SG&A.

Note 5. Restructuring Activities

See our consolidated financial statements and related notes in our Annual Report on Form 10-K for the year ended December 31, 2022 for additional information on our restructuring activities.

Restructuring Activities:
We have restructuring programs globally, which are focused primarily on reducing our overall cost structure and streamlining our organizational design. For the nine months ended September 30, 2023, we eliminated approximately 460 positions related to these programs. As of September 30, 2023, we expect to eliminate approximately 300 additional positions during the remainder of 2023, primarily in our International segment. For the three months ended September 30, 2023, restructuring activities resulted in expenses of $45 million and included $2 million of severance and employee benefit costs, $41 million of asset-related costs, $1 million of other implementation costs, and $1 million of other exit costs. For the nine months ended September 30, 2023, restructuring activities resulted in expenses of $27 million and included $2 million of severance and employee benefit costs, $31 million of asset-related costs, a benefit of $7 million in other implementation costs, and $1 million of other exit costs. Restructuring activities resulted in expenses of $7 million for the three months and $37 million for the nine months ended September 24, 2022.

Our net liability balance for restructuring project costs that qualify as exit and disposal costs under U.S. GAAP was (in millions):

	Severance and Employee Benefit Costs	Other Exit Costs	Total
Balance at December 31, 2022	$ 28	$ 11	$ 39
Charges/(credits)	2	1	3
Cash payments	(19)	(3)	(22)
Non-cash utilization	(2)	(1)	(3)
Balance at September 30, 2023	$ 9	$ 8	$ 17

We expect the majority of the liability for severance and employee benefit costs as of September 30, 2023 to be paid by the end of 2023. The liability for other exit costs primarily relates to lease obligations. The cash impact of these obligations will continue for the duration of the lease terms, which expire between 2024 and 2026.

Total Expenses/(Income):
Total expense/(income) related to restructuring activities, by income statement caption, were (in millions):

	For the Three Months Ended		For the Nine Months Ended	
	September 30, 2023	September 24, 2022	September 30, 2023	September 24, 2022
Severance and employee benefit costs - Cost of products sold	$ 2	$ —	$ 7	$ (3)
Severance and employee benefit costs - SG&A	—	—	(7)	12
Severance and employee benefit costs - Other expense/(income)	—	—	2	—
Asset-related costs - Cost of products sold	41	2	32	9
Asset-related costs - SG&A	—	—	(1)	—
Other costs - Cost of products sold	1	3	5	9
Other costs - SG&A	1	3	(11)	11
Other costs - Other expense/(income)	—	(1)	—	(1)
	$ 45	$ 7	$ 27	$ 37

We do not include our restructuring activities within Segment Adjusted EBITDA (as defined in Note 16, *Segment Reporting*). The pre-tax impact of allocating such expenses/(income) to our segments would have been (in millions):

	For the Three Months Ended		For the Nine Months Ended	
	September 30, 2023	September 24, 2022	September 30, 2023	September 24, 2022
North America	$ 9	$ 4	$ (1)	$ 30
International	36	3	41	4
General corporate expenses	—	—	(13)	3
	$ 45	$ 7	$ 27	$ 37

Note 6. Inventories

Inventories consisted of the following (in millions):

	September 30, 2023	December 31, 2022
Packaging and ingredients	$ 876	$ 1,032
Spare parts	221	208
Work in process	357	334
Finished products	2,325	2,077
Inventories	$ 3,779	$ 3,651

Note 7. Goodwill and Intangible Assets

Goodwill:
Changes in the carrying amount of goodwill, by segment, were (in millions):

	North America	International	Total
Balance at December 31, 2022	$ 27,685	$ 3,148	$ 30,833
Impairment losses	(452)	(58)	(510)
Translation adjustments and other	(2)	(11)	(13)
Balance at September 30, 2023	$ 27,231	$ 3,079	$ 30,310

2023 Year-to-Date Goodwill Impairment Testing

We performed our 2023 annual impairment test as of July 2, 2023, which was the first day of our third quarter of 2023. In performing this test, we incorporated information that was known through the date of filing this Quarterly Report on Form 10-Q. We utilized the discounted cash flow method under the income approach to estimate the fair value of our reporting units. As a result of our 2023 annual impairment test, we recognized a non-cash goodwill impairment loss of approximately $510 million in SG&A, which included a $452 million impairment loss in our Canada and North America Coffee ("CNAC") reporting unit within our North America segment and a $58 million impairment loss in our Continental Europe reporting unit within our International segment. These impairments were primarily driven by an increase in the discount rate, which was impacted by higher interest rates, a decline in market capitalization, and other market inputs. After these impairments, the goodwill carrying amount of our CNAC reporting unit is approximately $909 million and the goodwill carrying amount of our Continental Europe reporting unit is approximately $958 million.

As of the 2023 annual impairment test, our reporting units with 20% or less fair value over carrying amount had an aggregate goodwill carrying amount of $30.1 billion and included Taste, Meals, and Away From Home ("TMA"), Fresh, Beverages, and Desserts ("FBD"), Northern Europe, Continental Europe, CNAC, and LATAM. Our Asia reporting unit had between 20-50% fair value over carrying amount with an aggregate goodwill carrying amount of $309 million as of the 2023 annual impairment test date.

As of September 30, 2023, and following the goodwill impairments recorded during the third quarter, we maintain 11 reporting units, seven of which comprise our goodwill balance. These seven reporting units had an aggregate goodwill carrying amount of $30.3 billion at September 30, 2023. Accumulated impairment losses to goodwill were $11.8 billion as of September 30, 2023 and $11.3 billion as of December 31, 2022.

2022 Year-to-Date Goodwill Impairment Testing

As previously disclosed, we historically tested our reporting units and brands for impairment annually as of the first day of our second quarter, or more frequently if events or circumstances indicate it is more likely than not that the fair value of a reporting unit or brand is less than its carrying amount. As discussed in further detail below, we performed an annual test as of March 27, 2022, the first day of our second quarter (the "Q2 2022 Annual Impairment Test"). Beginning in the third quarter of 2022 and for subsequent annual periods, we voluntarily changed the annual impairment assessment date to the first day of our third quarter and performed an additional annual impairment test as of June 26, 2022 (the "Q3 2022 Annual Impairment Test"). See Note 8, *Goodwill and Intangible Assets*, to the consolidated financial statements in our Annual Report on Form 10-K for the year ended December 31, 2022 for additional information.

In the second quarter of 2022, following the changes to our internal reporting and reportable segments the composition of certain of our reporting units changed and we performed an interim impairment test (or transition test) on the affected reporting units on both a pre- and post-reorganization basis.

We performed our pre-reorganization impairment test as of March 27, 2022, which was the first day of our second quarter of 2022. There were six reporting units affected by the reassignment of assets and liabilities that maintained a goodwill balance as of our pre-reorganization impairment test date. These reporting units were Enhancers, Specialty, and Away From Home ("ESA"); Kids, Snacks, and Beverages ("KSB"); Meal Foundations and Coffee ("MFC"); Puerto Rico; Canada Retail; and Canada Foodservice. One other reporting unit did not have a goodwill balance as of our pre-reorganization impairment test date. As a result of our pre-reorganization impairment test, we recognized a non-cash impairment loss of approximately $235 million in SG&A in our North America segment in the second quarter of 2022. This included a $221 million impairment loss related to our Canada Retail reporting unit and a $14 million impairment loss related to our Puerto Rico reporting unit. The impairment of our Canada Retail reporting unit was primarily driven by an increase in the discount rate, which was impacted by higher interest rates and other market inputs, as well as a revised downward outlook for operating margin. The impairment of our Puerto Rico reporting unit was primarily driven by a revised downward outlook for operating margin. The remaining reporting units tested as part of our pre-reorganization impairment test each had excess fair value over carrying amount as of March 27, 2022.

We performed our post-reorganization impairment test in conjunction with our Q2 2022 Annual Impairment Test and tested the new North America reporting units (TMA, FBD, CNAC, and Other North America) along with the reporting units in our International segment. The new North America reporting units' goodwill carrying amounts for the post-reorganization and Q2 2022 Annual Impairment Test reflected the pre-reorganization test results, including impairments recorded. We tested our reporting units for impairment as of the first day of our second quarter, which was March 27, 2022 for our Q2 2022 Annual Impairment Test. In performing this test, we incorporated information that was known through the date of filing our Quarterly Report on Form 10-Q for the three months ended June 25, 2022. We utilized the discounted cash flow method under the income approach to estimate the fair value of our reporting units. As a result of our Q2 2022 Annual Impairment Test, we determined that the fair value of each of the reporting units tested was in excess of its carrying amount.

We performed our Q3 2022 Annual Impairment Test as of June 26, 2022, which was the first day of our third quarter of 2022. In performing this test, we incorporated information that was known through the date of filing of our Quarterly Report on Form 10-Q for the period ended September 24, 2022. We utilized the discounted cash flow method under the income approach to estimate the fair value of our reporting units. As a result of our Q3 2022 Annual Impairment Test, we recognized a non-cash impairment loss of approximately $220 million in SG&A in our North America segment related to our CNAC reporting unit. The impairment of our CNAC reporting unit was primarily driven by reduced revenue growth assumptions and negative macroeconomic factors, including increased interest rates and foreign currency exchange rates for the Canadian dollar relative to the U.S. dollar.

See Note 8, *Goodwill and Intangible Assets*, to the consolidated financial statements in our Annual Report on Form 10-K for the year ended December 31, 2022 for additional information on these impairment losses.

Additional Goodwill Considerations

Fair value determinations require considerable judgment and are sensitive to changes in underlying assumptions, estimates, and market factors. Estimating the fair value of individual reporting units requires us to make assumptions and estimates regarding our future plans, as well as industry, economic, and regulatory conditions. These assumptions and estimates include estimated future annual net cash flows, income tax rates, discount rates, growth rates, and other market factors. Our current expectations also include certain assumptions that could be negatively impacted if we are unable to meet our pricing expectations in relation to inflation. If current expectations of future growth rates and margins are not met, if market factors outside of our control, such as discount rates, market capitalization, income tax rates, foreign currency exchange rates, or inflation, change, or if management's expectations or plans otherwise change, including updates to our long-term operating plans, then one or more of our reporting units might become impaired in the future. Additionally, any decisions to divest certain non-strategic assets has led and could in the future lead to goodwill impairments.

Our reporting units that were impaired in 2023 and 2022 were written down to their respective fair values resulting in zero excess fair value over carrying amount as of the applicable impairment test dates. Accordingly, reporting units that have 20% or less excess fair value over carrying amount as of the 2023 annual impairment test have a heightened risk of future impairments if any assumptions, estimates, or market factors change in the future. Although the remaining reporting unit has more than 20% excess fair value over carrying amount as of the 2023 annual impairment test, this amount is also susceptible to impairments if any assumptions, estimates, or market factors significantly change in the future.

Indefinite-lived intangible assets:

Changes in the carrying amount of indefinite-lived intangible assets, which primarily consisted of trademarks, were (in millions):

Balance at December 31, 2022	$ 38,552
Impairment losses	(152)
Transfers to definite-lived intangible assets	(73)
Translation adjustments and other	13
Balance at September 30, 2023	$ 38,340

2023 Year-to-Date Indefinite-Lived Intangible Asset Impairment Testing

Our indefinite-lived intangible asset balance primarily consists of a number of individual brands, which had an aggregate carrying amount of $38.3 billion at September 30, 2023.

As a result of our 2023 annual impairment test as of July 2, 2023, we recognized non-cash intangible asset impairment losses of $152 million in SG&A in the third quarter of 2023 related to *Maxwell House*, *Cool Whip*, and two other brands. We utilized the relief from royalty method under the income approach to estimate the fair values and recorded non-cash impairment losses of $139 million in our North America segment and $13 million in our International segment, consistent with ownership of the trademarks. The impairment of these four brands was primarily due to an increase in the discount rate, which was impacted by higher interest rates, a decline in market capitalization, and other market inputs, as well as sustained expectations of declining revenue growth in future years, and decreased margin expectations. After these impairments, the aggregate carrying amount of these brands was $942 million.

As of the 2023 annual impairment test, brands with 20% or less fair value over carrying amount had an aggregate carrying amount after impairment of $18.7 billion, brands with between 20-50% fair value over carrying amount had an aggregate carrying amount of $4.2 billion, and brands that had over 50% fair value over carrying amount had an aggregate carrying amount of $15.7 billion.

As part of the 2023 annual impairment test, we reclassified two indefinite-lived intangible assets to definite-lived intangible assets related to trademarks in our International segment that had a history of impairment and limited capital investment. After the fair value assessment of these brands as part of the 2023 annual impairment test, we transferred $73 million from indefinite-lived intangible assets to definite-lived trademarks as of July 2, 2023 and recognized three months of amortization expense as of September 30, 2023.

2022 Year-to-Date Indefinite-Lived Intangible Asset Impairment Testing

As a result of our Q2 2022 Annual Impairment Test, we recognized a non-cash impairment loss of $395 million in SG&A in our North America segment in the second quarter of 2022 related to four brands, *Maxwell House*, *Miracle Whip*, *Jet Puffed*, and *Classico.* The impairments of the *Maxwell House*, *Jet Puffed*, and *Classico* brands were primarily due to downward revisions in expected future operating margins as well as an increase in the discount rate, which was impacted by higher interest rates and other market inputs. The impairment of the *Miracle Whip* brand was primarily due to an increase in the discount rate as well as downward revisions in expected future operating margins due to changes in expectations for commodity input costs, including soybean oil.

As a result of our Q3 2022 Annual Impairment Test we recognized a non-cash impairment loss of $67 million in SG&A in the third quarter of 2022 related to two brands, *Jet Puffed* and *Plasmon*. We utilized the relief from royalty method under the income approach to estimate the fair values and recorded non-cash impairment losses of $50 million in our North America segment and $17 million in our International segment, consistent with ownership of the trademarks. The impairment of these brands was primarily due to reduced revenue growth assumptions.

See Note 8, *Goodwill and Intangible Assets*, to the consolidated financial statements in our Annual Report on Form 10-K for the year ended December 31, 2022 for additional information on these impairment losses.

Additional Indefinite-Lived Intangible Asset Considerations

Fair value determinations require considerable judgment and are sensitive to changes in underlying assumptions, estimates, and market factors. Estimating the fair value of individual brands requires us to make assumptions and estimates regarding our future plans, as well as industry, economic, and regulatory conditions. These assumptions and estimates include estimated future annual net cash flows, income tax considerations, discount rates, growth rates, royalty rates, contributory asset charges, and other market factors. Our current expectations also include certain assumptions that could be negatively impacted if we are unable to meet our pricing expectations in relation to inflation. If current expectations of future growth rates and margins are not met, if market factors outside of our control, such as discount rates, market capitalization, income tax rates, foreign currency exchange rates, or inflation, change, or if management's expectations or plans otherwise change, including updates to our long-term operating plans, then one or more of our brands might become impaired in the future. Additionally, any decisions to divest certain non-strategic assets has led and could in the future lead to intangible asset impairments.

Our brands that were impaired in 2023 and 2022 were written down to their respective fair values resulting in zero excess fair value over carrying amount as of the applicable impairment test dates. Accordingly, these and other individual brands that have 20% or less excess fair value over carrying amount as of the 2023 annual impairment test have a heightened risk of future impairments if any assumptions, estimates, or market factors change in the future. Although the remaining brands have more than 20% excess fair value over carrying amount as of the 2023 annual impairment test, these amounts are also susceptible to impairments if any assumptions, estimates, or market factors significantly change in the future.

Definite-lived intangible assets:
Definite-lived intangible assets were (in millions):

	September 30, 2023			December 31, 2022		
	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
Trademarks	$ 2,285	$ (721)	$ 1,564	$ 2,223	$ (649)	$ 1,574
Customer-related assets	3,682	(1,281)	2,401	3,690	(1,177)	2,513
Other	12	(3)	9	13	(3)	10
	$ 5,979	$ (2,005)	$ 3,974	$ 5,926	$ (1,829)	$ 4,097

Amortization expense for definite-lived intangible assets was $61 million for the three months and $187 million for the nine months ended September 30, 2023 and $64 million for the three months and $193 million for the nine months ended September 24, 2022. Aside from amortization expense, the change in definite-lived intangible assets from December 31, 2022 to September 30, 2023 primarily reflects the transfer of $73 million from indefinite-lived intangible assets to definite-lived intangible assets related to trademarks in our International segment and the impacts of foreign currency.

In the third quarter of 2022, we recorded $7 million of non-cash intangible asset impairment losses to SG&A related to two trademarks in our International segment that had net carrying values that were deemed not to be recoverable.

We estimate that amortization expense related to definite-lived intangible assets will be approximately $250 million in 2023, $260 million in each of the following four years, and $250 million in 2028.

Note 8. Income Taxes

The provision for income taxes consists of provisions for federal, state, and non-U.S. income taxes. We operate in an international environment; accordingly, the consolidated effective tax rate is a composite rate reflecting the earnings in various locations and the applicable tax rates. Additionally, the calculation of the percentage point impact of goodwill impairment and other items on the effective tax rate are affected by income/(loss) before income taxes. Further, small movements in tax rates due to a change in tax law or a change in tax rates that causes us to revalue our deferred tax balances produces volatility in our effective tax rate. Our quarterly income tax provision is determined based on our estimated full year effective tax rate, adjusted for tax attributable to infrequent or unusual items, which are recognized on a discrete period basis in the income tax provision for the period in which they occur.

Our effective tax rate for the three months ended September 30, 2023 was an expense of 44.7% on pre-tax income. Our effective tax rate was unfavorably impacted by certain net discrete items, including non-deductible goodwill impairments (29.0%) and a net increase in uncertain tax position reserves. These impacts were partially offset by favorable changes in estimates of certain 2022 U.S. income and deductions and the geographic mix of pre-tax income in various non-U.S. jurisdictions.

Our effective tax rate for the three months ended September 24, 2022 was an expense of 20.2% on pre-tax income. Our effective tax rate was impacted by the favorable geographic mix of pre-tax income in various non-U.S. jurisdictions and certain favorable net discrete items, including the revaluation of deferred tax balances due to changes in state tax rates and favorable changes in estimates of certain 2021 U.S. income and deductions. These impacts were partially offset by the impact of certain unfavorable net discrete items, primarily non-deductible goodwill impairments (10.3%).

The year-over-year increase in the effective tax rate for the three month period was due primarily to the impact of higher non-deductible goodwill impairments in the current period.

Our effective tax rate for the nine months ended September 30, 2023 was an expense of 22.1% on pre-tax income. Our effective tax rate was favorably impacted by the geographic mix of pre-tax income in various non-U.S. jurisdictions and certain net discrete items, including the net decrease in uncertain tax position reserves primarily in the U.S. resulting from a conclusion of the IRS's income tax examination for the year 2017 and the lapsing of the statute of limitations for such year (2.1%), as well as favorable changes in estimates of certain 2022 U.S. income and deductions. These impacts were partially offset by the impact of certain unfavorable net discrete items, primarily non-deductible goodwill impairments (5.0%).

Our effective tax rate for the nine months ended September 24, 2022 was an expense of 22.7% on pre-tax income. Our effective tax rate was impacted by the favorable geographic mix of pre-tax income in various non-U.S. jurisdictions and certain favorable net discrete items, primarily the revaluation of deferred tax balances due to changes in state tax rates. This impact was partially offset by the impact of certain unfavorable net discrete items, primarily non-deductible goodwill impairments (6.1%).

The year-over-year decrease in the effective tax rate for the nine month period was due primarily to the impact of changes in uncertain tax position reserves in the current year period.

Other Income Tax Matters:
As previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2022, we are currently under examination for income taxes by the IRS for the years 2018 and 2019. In the third quarter of 2023, we received two Notices of Proposed Adjustment (the "NOPAs") relating to transfer pricing with our foreign subsidiaries. The NOPAs propose an increase to our U.S. taxable income that could result in additional U.S. federal income tax expense and liability of approximately $200 million for 2018 and approximately $210 million for 2019, excluding interest, and assert penalties of approximately $85 million for each of 2018 and 2019. We strongly disagree with the IRS's positions, believe that our tax positions are well documented and properly supported, and intend to vigorously contest the positions taken by the IRS and pursue all available administrative and judicial remedies. Therefore, we have not recorded any reserves related to this issue. While we are not currently under audit for years after 2019, we continue to maintain the same operating model and transfer pricing methodology with our foreign subsidiaries that was in place for the years 2018 and 2019. We believe our income tax reserves are appropriate for all open tax years and that final adjudication of this matter will not have a material impact on our results of operations and cash flows. However, the ultimate outcome of this matter is uncertain, and if we are required to pay the IRS additional U.S. taxes, interest, and/or potential penalties, our results of operations and cash flows could be materially affected.

In the second quarter of 2022, we paid cash taxes of approximately $620 million related to the sale of certain assets in our global cheese business and the licensing of certain trademarks (the “Cheese Transaction”).

Note 9. Employees’ Stock Incentive Plans

Stock Options:

Our stock option activity and related information was:

	Number of Stock Options	Weighted Average Exercise Price (per share)
Outstanding at December 31, 2022	9,559,063	$ 46.80
Granted	794,301	38.40
Forfeited	(725,706)	66.15
Exercised	(1,479,202)	33.48
Outstanding at September 30, 2023	8,148,456	46.68

The aggregate intrinsic value of stock options exercised during the period was $10 million for the nine months ended September 30, 2023.

Restricted Stock Units:

Our restricted stock unit (“RSU”) activity and related information was:

	Number of Units	Weighted Average Grant Date Fair Value (per share)
Outstanding at December 31, 2022	9,330,718	$ 34.36
Granted	2,578,646	38.29
Forfeited	(527,416)	36.36
Vested	(3,601,311)	31.60
Outstanding at September 30, 2023	7,780,637	36.80

The aggregate fair value of RSUs that vested during the period was $133 million for the nine months ended September 30, 2023.

Performance Share Units:

Our performance share unit (“PSU”) activity and related information was:

	Number of Units	Weighted Average Grant Date Fair Value (per share)
Outstanding at December 31, 2022	4,018,654	$ 32.15
Granted	2,234,387	33.33
Forfeited	(375,702)	33.33
Vested	(945,056)	26.72
Outstanding at September 30, 2023	4,932,283	33.65

The aggregate fair value of PSUs that vested during the period was $33 million for the nine months ended September 30, 2023.

Note 10. Postemployment Benefits

See our consolidated financial statements and related notes in our Annual Report on Form 10-K for the year ended December 31, 2022 for additional information on our postemployment-related accounting policies.

Pension Plans

Components of Net Pension Cost/(Benefit):
Net pension cost/(benefit) consisted of the following (in millions):

	For the Three Months Ended			
	U.S. Plans		Non-U.S. Plans	
	September 30, 2023	September 24, 2022	September 30, 2023	September 24, 2022
Service cost	$ —	$ 1	$ 2	$ 3
Interest cost	35	34	17	9
Expected return on plan assets	(48)	(48)	(23)	(17)
Amortization of prior service costs/(credits)	—	—	1	1
Amortization of unrecognized losses/(gains)	—	—	4	—
Settlements	—	1	—	—
Net pension cost/(benefit)	$ (13)	$ (12)	$ 1	$ (4)

	For the Nine Months Ended			
	U.S. Plans		Non-U.S. Plans	
	September 30, 2023	September 24, 2022	September 30, 2023	September 24, 2022
Service cost	$ 1	$ 3	$ 5	$ 10
Interest cost	106	82	50	28
Expected return on plan assets	(146)	(145)	(66)	(53)
Amortization of prior service costs/(credits)	—	—	1	1
Amortization of unrecognized losses/(gains)	—	—	10	1
Special/contractual termination benefits	—	—	2	—
Net pension cost/(benefit)	$ (39)	$ (60)	$ 2	$ (13)

We present all non-service cost components of net pension cost/(benefit) within other expense/(income) on our condensed consolidated statements of income.

Employer Contributions:
Related to our non-U.S. pension plans, we contributed $9 million during the nine months ended September 30, 2023 and plan to make further contributions of approximately $1 million during the remainder of 2023. We did not contribute to our U.S. pension plans during the nine months ended September 30, 2023 and do not plan to make contributions during the remainder of 2023. Estimated future contributions take into consideration current economic conditions, which at this time are expected to have minimal impact on expected contributions for the remainder of 2023. Our actual contributions and plans may change due to many factors, including changes in tax, employee benefit, or other laws and regulations, tax deductibility, significant differences between expected and actual pension asset performance or interest rates, or other factors.

Postretirement Plans

Components of Net Postretirement Cost/(Benefit):
Net postretirement cost/(benefit) consisted of the following (in millions):

	For the Three Months Ended		For the Nine Months Ended	
	September 30, 2023	September 24, 2022	September 30, 2023	September 24, 2022
Service cost	$ 1	$ 1	$ 2	$ 3
Interest cost	10	9	28	19
Expected return on plan assets	(14)	(13)	(41)	(40)
Amortization of prior service costs/(credits)	(4)	(5)	(11)	(12)
Amortization of unrecognized losses/(gains)	(3)	(3)	(11)	(12)
Net postretirement cost/(benefit)	$ (10)	$ (11)	$ (33)	$ (42)

We present all non-service cost components of net postretirement cost/(benefit) within other expense/(income) on our condensed consolidated statements of income.

Employer Contributions:
During the nine months ended September 30, 2023, we contributed $9 million to our postretirement benefit plans. We plan to make further contributions of approximately $3 million to our postretirement benefit plans during the remainder of 2023. Estimated future contributions take into consideration current economic conditions, which at this time are expected to have minimal impact on expected contributions for the remainder of 2023. Our actual contributions and plans may change due to many factors, including changes in tax, employee benefit, or other laws and regulations, tax deductibility, significant differences between expected and actual postretirement plan asset performance or interest rates, or other factors.

Note 11. Financial Instruments

See our consolidated financial statements and related notes in our Annual Report on Form 10-K for the year ended December 31, 2022 for additional information on our overall risk management strategies, our use of derivatives, and our related accounting policies.

Derivative Volume:
The notional values of our outstanding derivative instruments were (in millions):

	Notional Amount	
	September 30, 2023	December 31, 2022
Commodity contracts	$ 855	$ 1,166
Foreign exchange contracts	2,792	3,139
Cross-currency contracts	6,099	6,336

Fair Value of Derivative Instruments:
The fair values and the levels within the fair value hierarchy of derivative instruments recorded on the condensed consolidated balance sheets were (in millions):

	September 30, 2023					
	Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1)		Significant Other Observable Inputs (Level 2)		Total Fair Value	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Derivatives designated as hedging instruments:						
Foreign exchange contracts[(a)]	$ —	$ —	$ 25	$ 11	$ 25	$ 11
Cross-currency contracts[(b)]	—	—	209	102	209	102
Derivatives not designated as hedging instruments:						
Commodity contracts[(c)]	44	34	2	2	46	36
Foreign exchange contracts[(a)]	—	—	19	23	19	23
Total fair value	$ 44	$ 34	$ 255	$ 138	$ 299	$ 172

(a) At September 30, 2023, the fair value of our derivative assets was recorded in other current assets ($40 million) and other non-current assets ($4 million), and the fair value of our derivative liabilities was recorded in other current liabilities ($32 million) and other non-current liabilities ($2 million).

(b) At September 30, 2023, the fair value of our derivative assets was recorded in other current assets ($139 million) and other non-current assets ($70 million), and the fair value of our derivative liabilities was recorded in other current liabilities ($37 million) and other non-current liabilities ($65 million).

(c) At September 30, 2023, the fair value of our derivative assets was recorded in other current assets and the fair value of derivative liabilities was recorded in other current liabilities.

	December 31, 2022					
	Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1)		Significant Other Observable Inputs (Level 2)		Total Fair Value	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Derivatives designated as hedging instruments:						
Foreign exchange contracts[a]	$ —	$ —	$ 40	$ 10	$ 40	$ 10
Cross-currency contracts[b]	—	—	236	183	236	183
Derivatives not designated as hedging instruments:						
Commodity contracts[c]	33	61	—	15	33	76
Foreign exchange contracts[a]	—	—	33	25	33	25
Total fair value	$ 33	$ 61	$ 309	$ 233	$ 342	$ 294

(a) At December 31, 2022, the fair value of our derivative assets was recorded in other current assets ($70 million) and other non-current assets ($3 million), and the fair value of our derivative liabilities was recorded in other current liabilities ($33 million) and other non-current liabilities ($2 million).

(b) At December 31, 2022, the fair value of our derivative assets was recorded in other current assets ($132 million) and other non-current assets ($104 million), and the fair value of our derivative liabilities was recorded in other current liabilities ($59 million) and other non-current liabilities ($124 million).

(c) At December 31, 2022, the fair value of our derivative assets was recorded in other current assets and the fair value of derivative liabilities was recorded in other current liabilities.

Our derivative financial instruments are subject to master netting arrangements that allow for the offset of assets and liabilities in the event of default or early termination of the contract. We elect to record the gross assets and liabilities of our derivative financial instruments on the condensed consolidated balance sheets. If the derivative financial instruments had been netted on the condensed consolidated balance sheets, the asset and liability positions each would have been reduced by $132 million at September 30, 2023 and $222 million at December 31, 2022. At September 30, 2023, related to commodity derivative margin requirements, we had collected collateral of $20 million, which was included in other current liabilities on our condensed consolidated balance sheet, and we had posted an insignificant amount of collateral, which was included in prepaid expenses on our condensed consolidated balance sheet. At December 31, 2022, we had posted collateral of $43 million related to commodity derivative margin requirements, which were included in prepaid expenses on our condensed consolidated balance sheet.

Level 1 financial assets and liabilities consist of commodity future and options contracts and are valued using quoted prices in active markets for identical assets and liabilities.

Level 2 financial assets and liabilities consist of commodity swaps, foreign exchange forwards, options, and swaps, and cross-currency swaps. Commodity swaps are valued using an income approach based on the observable market commodity index prices less the contract rate multiplied by the notional amount. Foreign exchange forwards and swaps are valued using an income approach based on observable market forward rates less the contract rate multiplied by the notional amount. Foreign exchange options are valued using an income approach based on a Black-Scholes-Merton formula. This formula uses present value techniques and reflects the time value and intrinsic value based on observable market rates. Cross-currency swaps are valued based on observable market spot and swap rates.

We did not have any Level 3 financial assets or liabilities in any period presented.

Our calculation of the fair value of financial instruments takes into consideration the risk of nonperformance, including counterparty credit risk.

Net Investment Hedging:
At September 30, 2023, we had the following items designated as net investment hedges:

- Non-derivative foreign-denominated debt with principal amounts of €600 million and £400 million; and
- Cross-currency contracts with notional amounts of C$1.4 billion ($1.0 billion), €1.8 billion ($2.0 billion), JPY9.6 billion ($68 million), and CNH500 million ($68 million).

We periodically use non-derivative instruments such as non-U.S. dollar financing transactions or non-U.S. dollar assets or liabilities, including intercompany loans, to hedge the exposure of changes in underlying foreign currency denominated subsidiary net assets, and they are designated as net investment hedges. At September 30, 2023, we had euro intercompany loans with an aggregate notional amount of $106 million.

The component of the gains and losses on our net investment in these designated foreign operations, driven by changes in foreign exchange rates, are economically offset by fair value movements on the effective portion of our cross-currency contracts and foreign exchange contracts and remeasurements of our foreign-denominated debt.

Cash Flow Hedge Coverage:
At September 30, 2023, we had entered into foreign exchange contracts designated as cash flow hedges for periods not exceeding the next 28 months and cross-currency contracts designated as cash flow hedges for periods not exceeding the next 56 months.

Deferred Hedging Gains and Losses on Cash Flow Hedges:
Based on our valuation at September 30, 2023 and assuming market rates remain constant through contract maturities, we expect transfers to net income/(loss) of the existing gains reported in accumulated other comprehensive income/(losses) during the next 12 months on foreign currency cash flow hedges and cross-currency cash flow hedges to be insignificant. Additionally, we expect transfers to net income/(loss) of the existing losses reported in accumulated other comprehensive income/(losses) on interest rate cash flow hedges during the next 12 months to be insignificant.

Acquisition Hedging:
We entered into foreign exchange derivative contracts to economically hedge the foreign currency exposure related to the cash consideration for the Hemmer Acquisition. For the nine months ended September 24, 2022, the related derivative gains were $38 million, which were recorded within other expense/(income). These gains were classified as other losses/(gains) related to acquisitions and divestitures. These derivative contracts settled in our second quarter of 2022. See Note 4, *Acquisitions and Divestitures*, for additional information related to the Hemmer Acquisition.

Derivative Impact on the Statements of Comprehensive Income:
The following table presents the pre-tax amounts of derivative gains/(losses) deferred into accumulated other comprehensive income/(losses) and the income statement line item that will be affected when reclassified to net income/(loss) (in millions):

Accumulated Other Comprehensive Income/(Losses) Component	Gains/(Losses) Recognized in Other Comprehensive Income/(Losses) Related to Derivatives Designated as Hedging Instruments				Location of Gains/(Losses) When Reclassified to Net Income/(Loss)
	For the Three Months Ended		For the Nine Months Ended		
	September 30, 2023	September 24, 2022	September 30, 2023	September 24, 2022	
Cash flow hedges:					
Foreign exchange contracts	$ —	$ —	$ —	$ 1	Net sales
Foreign exchange contracts	29	38	11	44	Cost of products sold
Foreign exchange contracts (excluded component)	(3)	(8)	(6)	(13)	Cost of products sold
Foreign exchange contracts	—	2	—	3	SG&A
Cross-currency contracts	(14)	(99)	20	(208)	Other expense/(income)
Cross-currency contracts (excluded component)	7	8	20	22	Other expense/(income)
Cross-currency contracts	(7)	(9)	(20)	(23)	Interest expense
Interest rate contracts	—	—	(3)	—	Interest expense
Net investment hedges:					
Foreign exchange contracts	1	11	4	23	Other expense/(income)
Foreign exchange contracts (excluded component)	—	—	1	(1)	Interest expense
Cross-currency contracts	77	287	7	512	Other expense/(income)
Cross-currency contracts (excluded component)	10	11	27	35	Interest expense
Total gains/(losses) recognized in statements of comprehensive income	$ 100	$ 241	$ 61	$ 395	

Derivative Impact on the Statements of Income:

The following tables present the pre-tax amounts of derivative gains/(losses) reclassified from accumulated other comprehensive income/(losses) to net income/(loss) and the affected income statement line items (in millions):

	For the Three Months Ended						
	September 30, 2023			September 24, 2022			
	Cost of products sold	Interest expense	Other expense/(income)	Cost of products sold	SG&A	Interest expense	Other expense/(income)
Total amounts presented in the condensed consolidated statements of income in which the following effects were recorded	$ 4,335	$ 228	$ (35)	$ 4,662	$ 1,092	$ 228	$ (22)
Gains/(losses) related to derivatives designated as hedging instruments:							
Cash flow hedges:							
Foreign exchange contracts	$ 8	$ —	$ —	$ 1	$ 2	$ —	$ —
Foreign exchange contracts (excluded component)	(3)	—	—	(2)	—	—	—
Interest rate contracts	—	—	—	—	—	(1)	—
Cross-currency contracts	—	(8)	(31)	—	—	(8)	(90)
Cross-currency contracts (excluded component)	—	—	7	—	—	—	8
Net investment hedges:							
Foreign exchange contracts (excluded component)	—	1	—	—	—	—	—
Cross-currency contracts (excluded component)	—	9	—	—	—	11	—
Gains/(losses) related to derivatives not designated as hedging instruments:							
Commodity contracts	24	—	—	(56)	—	—	—
Foreign exchange contracts	—	—	(5)	—	—	—	(50)
Cross-currency contracts	—	—	(1)	—	—	—	(2)
Total gains/(losses) recognized in statements of income	$ 29	$ 2	$ (30)	$ (57)	$ 2	$ 2	$ (134)

	For the Nine Months Ended						
	September 30, 2023			September 24, 2022			
	Cost of products sold	Interest expense	Other expense/(income)	Cost of products sold	SG&A	Interest expense	Other expense/(income)
Total amounts presented in the condensed consolidated statements of income in which the following effects were recorded	$ 13,171	$ 683	$ (94)	$ 13,346	$ 3,350	$ 704	$ (211)
Gains/(losses) related to derivatives designated as hedging instruments:							
Cash flow hedges:							
Foreign exchange contracts	$ 27	$ —	$ —	$ (6)	$ 2	$ —	$ —
Foreign exchange contracts (excluded component)	(8)	—	—	(5)	—	—	—
Interest rate contracts	—	—	—	—	—	(1)	—
Cross-currency contracts	—	(21)	(2)	—	—	(23)	(170)
Cross-currency contracts (excluded component)	—	—	20	—	—	—	22
Net investment hedges:							
Foreign exchange contracts (excluded component)	—	1	—	—	—	(1)	—
Cross-currency contracts (excluded component)	—	26	—	—	—	31	—
Gains/(losses) related to derivatives not designated as hedging instruments:							
Commodity contracts	(50)	—	—	92	—	—	—
Foreign exchange contracts	—	—	(12)	—	—	—	(47)
Cross-currency contracts	—	—	2	—	—	—	—
Total gains/(losses) recognized in statements of income	$ (31)	$ 6	$ 8	$ 81	$ 2	$ 6	$ (195)

Non-Derivative Impact on Statements of Comprehensive Income:

Related to our non-derivative foreign-denominated debt instruments designated as net investment hedges, we recognized pre-tax gains of $44 million for the three months and $12 million for the nine months ended September 30, 2023 and $129 million for the three months and $230 million for the nine months ended September 24, 2022. These amounts were recognized in other comprehensive income/(loss).

Note 12. Accumulated Other Comprehensive Income/(Losses)

The components of, and changes in, accumulated other comprehensive income/(losses), net of tax, were as follows (in millions):

	Foreign Currency Translation Adjustments	Net Postemployment Benefit Plan Adjustments	Net Cash Flow Hedge Adjustments	Total
Balance as of December 31, 2022	$ (2,845)	$ (30)	$ 65	$ (2,810)
Foreign currency translation adjustments	(62)	—	—	(62)
Net deferred gains/(losses) on net investment hedges	17	—	—	17
Amounts excluded from the effectiveness assessment of net investment hedges	21	—	—	21
Net deferred losses/(gains) on net investment hedges reclassified to net income/(loss)	(21)	—	—	(21)
Net deferred gains/(losses) on cash flow hedges	—	—	5	5
Amounts excluded from the effectiveness assessment of cash flow hedges	—	—	13	13
Net deferred losses/(gains) on cash flow hedges reclassified to net income/(loss)	—	—	(18)	(18)
Net postemployment benefit losses/(gains) reclassified to net income/(loss)	—	(8)	—	(8)
Total other comprehensive income/(loss)	(45)	(8)	—	(53)
Balance as of September 30, 2023	$ (2,890)	$ (38)	$ 65	$ (2,863)

The gross amount and related tax benefit/(expense) recorded in, and associated with, each component of other comprehensive income/(loss) were as follows (in millions):

	For the Three Months Ended					
	September 30, 2023			September 24, 2022		
	Before Tax Amount	Tax	Net of Tax Amount	Before Tax Amount	Tax	Net of Tax Amount
Foreign currency translation adjustments	$ (352)	$ —	$ (352)	$ (815)	$ —	$ (815)
Net deferred gains/(losses) on net investment hedges	122	(30)	92	427	(103)	324
Amounts excluded from the effectiveness assessment of net investment hedges	10	(3)	7	11	(3)	8
Net deferred losses/(gains) on net investment hedges reclassified to net income/(loss)	(10)	2	(8)	(11)	1	(10)
Net deferred gains/(losses) on cash flow hedges	8	6	14	(68)	39	(29)
Amounts excluded from the effectiveness assessment of cash flow hedges	4	(1)	3	—	1	1
Net deferred losses/(gains) on cash flow hedges reclassified to net income/(loss)	27	(14)	13	90	(42)	48
Net actuarial gains/(losses) arising during the period	—	—	—	(154)	37	(117)
Net postemployment benefit losses/(gains) reclassified to net income/(loss)	(2)	1	(1)	(6)	2	(4)

	For the Nine Months Ended					
	September 30, 2023			September 24, 2022		
	Before Tax Amount	Tax	Net of Tax Amount	Before Tax Amount	Tax	Net of Tax Amount
Foreign currency translation adjustments	$ (62)	$ —	$ (62)	$ (1,494)	$ —	$ (1,494)
Net deferred gains/(losses) on net investment hedges	23	(6)	17	765	(184)	581
Amounts excluded from the effectiveness assessment of net investment hedges	28	(7)	21	34	(8)	26
Net deferred losses/(gains) on net investment hedges reclassified to net income/(loss)	(27)	6	(21)	(30)	7	(23)
Net deferred gains/(losses) on cash flow hedges	8	(3)	5	(183)	82	(101)
Amounts excluded from the effectiveness assessment of cash flow hedges	14	(1)	13	9	—	9
Net deferred losses/(gains) on cash flow hedges reclassified to net income/(loss)	(16)	(2)	(18)	181	(84)	97
Net actuarial gains/(losses) arising during the period	—	—	—	(345)	85	(260)
Net postemployment benefit losses/(gains) reclassified to net income/(loss)	(11)	3	(8)	(22)	7	(15)

The amounts reclassified from accumulated other comprehensive income/(losses) were as follows (in millions):

Accumulated Other Comprehensive Income/(Losses) Component	Reclassified from Accumulated Other Comprehensive Income/(Losses) to Net Income/(Loss)				Affected Line Item in the Statements of Income
	For the Three Months Ended		For the Nine Months Ended		
	September 30, 2023	September 24, 2022	September 30, 2023	September 24, 2022	
Losses/(gains) on net investment hedges:					
Foreign exchange contracts[(a)]	$ (1)	$ —	$ (1)	$ 1	Interest expense
Cross-currency contracts[(a)]	(9)	(11)	(26)	(31)	Interest expense
Losses/(gains) on cash flow hedges:					
Foreign exchange contracts[(b)]	(5)	1	(19)	11	Cost of products sold
Foreign exchange contracts[(b)]	—	(2)	—	(2)	SG&A
Cross-currency contracts[(b)]	24	82	(18)	148	Other expense/(income)
Cross-currency contracts[(b)]	8	8	21	23	Interest expense
Interest rate contracts[(c)]	—	1	—	1	Interest expense
Losses/(gains) on hedges before income taxes	17	79	(43)	151	
Losses/(gains) on hedges, income taxes	(12)	(41)	4	(77)	
Losses/(gains) on hedges	$ 5	$ 38	$ (39)	$ 74	
Losses/(gains) on postemployment benefits:					
Amortization of unrecognized losses/(gains)[(d)]	$ 1	$ (3)	$ (1)	$ (11)	
Amortization of prior service costs/(credits)[(d)]	(3)	(4)	(10)	(11)	
Settlement and curtailment losses/(gains)[(d)]	—	1	—	—	
Losses/(gains) on postemployment benefits before income taxes	(2)	(6)	(11)	(22)	
Losses/(gains) on postemployment benefits, income taxes	1	2	3	7	
Losses/(gains) on postemployment benefits	$ (1)	$ (4)	$ (8)	$ (15)	

(a) Represents recognition of the excluded component in net income/(loss).

(b) Includes amortization of the excluded component and the effective portion of the related hedges.

(c) Represents amortization of realized hedge losses that were deferred into accumulated other comprehensive income/(losses) through the maturity of the related long-term debt instruments.

(d) These components are included in the computation of net periodic postemployment benefit costs. See Note 10, *Postemployment Benefits*, for additional information.

In this note we have excluded activity and balances related to noncontrolling interest due to their insignificance. This activity was primarily related to foreign currency translation adjustments.

Note 13. Financing Arrangements

Product Financing Arrangements:
We enter into various product financing arrangements to facilitate supply from our vendors. Balance sheet classification is based on the nature of the arrangements. We have concluded that our obligations to our suppliers, including amounts due and scheduled payment terms, are impacted by their participation in the program and therefore we classify amounts outstanding within other current liabilities on our condensed consolidated balance sheets. We had approximately $40 million at September 30, 2023 and approximately $87 million at December 31, 2022 on our condensed consolidated balance sheets related to these arrangements.

Transfers of Financial Assets:
Since 2020, we have had a nonrecourse accounts receivable factoring program whereby certain eligible receivables are sold to third party financial institutions in exchange for cash. The program provides us with an additional means for managing liquidity. Under the terms of the arrangement, we act as the collecting agent on behalf of the financial institutions to collect amounts due from customers for the receivables sold. We account for the transfer of receivables as a true sale at the point control is transferred through derecognition of the receivable on our condensed consolidated balance sheet. Receivables sold under this accounts receivable factoring program were approximately $242 million during the three months and $863 million during the nine months ended September 30, 2023, with no amounts outstanding as of September 30, 2023. The incremental costs of factoring receivables under this arrangement were insignificant for the three and nine months ended September 30, 2023. No receivables were sold under this accounts receivable factoring program during the three or nine months ended September 24, 2022, and there was an insignificant amount outstanding as of December 31, 2022. The proceeds from the sales of receivables are included in cash flows from operating activities on the condensed consolidated statement of cash flows.

Trade Payables Programs:
In order to manage our cash flow and related liquidity, we work with our suppliers to optimize our terms and conditions, which include the extension of payment terms. Our current payment terms with our suppliers, which we deem to be commercially reasonable, generally range from zero to 200 days. We also maintain agreements with third party administrators that allow participating suppliers to track payment obligations from us, and, at the sole discretion of the supplier, sell one or more of those payment obligations to participating financial institutions. We have no economic interest in a supplier’s decision to enter into these agreements and no direct financial relationship with the financial institutions. We pledged no assets in connection with our trade payable programs. Our obligations to our suppliers, including amounts due and scheduled payment terms, are not impacted. All amounts due to participating suppliers are paid to the third party on the original invoice due dates, regardless of whether a particular invoice was sold. Supplier participation in these agreements is voluntary. We estimate that the amounts outstanding under these programs were $0.8 billion at September 30, 2023 and $1.1 billion at December 31, 2022. The amounts were included in trade payables on our condensed consolidated balance sheets.

Note 14. Commitments, Contingencies, and Debt

Legal Proceedings

We are involved in legal proceedings, claims, and governmental inquiries, inspections, or investigations (“Legal Matters”) arising in the ordinary course of our business. While we cannot predict with certainty the results of Legal Matters in which we are currently involved or may in the future be involved, we do not expect that the ultimate costs to resolve the Legal Matters that are currently pending will have a material adverse effect on our financial condition, results of operations, or cash flows.

Class Actions and Stockholder Derivative Actions:
The Kraft Heinz Company and certain of our current and former officers and directors were defendants in a consolidated securities class action lawsuit pending in the United States District Court for the Northern District of Illinois, *Union Asset Management Holding AG, et al. v. The Kraft Heinz Company, et al*. The consolidated amended class action complaint, which was filed on August 14, 2020 and also named 3G Capital, Inc. and several of its subsidiaries and affiliates (the "3G Entities") as defendants, asserted claims under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Rule 10b-5 promulgated thereunder, based on allegedly materially false or misleading statements and omissions in public statements, press releases, investor presentations, earnings calls, Company documents, and SEC filings regarding the Company's business, financial results, and internal controls, and further alleges the 3G Entities engaged in insider trading and misappropriated the Company's material, non-public information. In February 2023, the parties to the litigation reached a preliminary class settlement agreement. Related to that agreement, we recorded a net expense of $210 million within SG&A in our consolidated statements of income for the fourth quarter of 2022, representative of the Company's then-estimated liability after insurance recoveries and contributions from other defendants. The Company's liability and the insurance recoveries are reflected in current liabilities and current assets on the condensed consolidated balance sheets at December 31, 2022. In the third quarter of 2023, we paid our remaining liability after insurance recoveries. On September 12, 2023, the United States District Court for the Northern District of Illinois issued a Judgment Approving Class Action Settlement, wherein it granted final approval of the class settlement and dismissed the lawsuit with prejudice.

Certain of The Kraft Heinz Company's current and former officers and directors and the 3G Entities are named as defendants in two stockholder derivative actions pending in the Delaware Court of Chancery, *Datnoff, et al. v. Behring, et al.*, which was filed on May 6, 2022, and *Felicetti, et al. v. Behring, et al.*, which was filed on March 6, 2023. The complaints allege state law claims and contend that The Kraft Heinz Company's Board of Directors wrongfully refused plaintiffs' demands to pursue legal action against the named defendants. Specifically, the complaints allege that certain of the Company's current and former officers and directors breached their fiduciary duties to the Company by purportedly making materially misleading statements and omissions regarding the Company's financial performance and the impairment of its goodwill and intangible assets. The complaints further allege that the 3G Entities and certain of the Company's current and former officers and directors breached their fiduciary duties by engaging in insider trading and misappropriating the Company's material, non-public information, or aided and abetted such alleged breaches of fiduciary duty. The complaints seek relief against the defendants, principally in the form of damages, disgorgement of all profits obtained from the alleged insider trading, contribution and indemnification, and an award of attorneys' fees and costs. We intend to vigorously defend against these lawsuits; however, we cannot reasonably estimate the potential range of loss, if any, due to the early stage of the proceedings.

Debt

We may from time to time seek to retire or purchase our outstanding debt through redemptions, tender offers, cash purchases, prepayments, refinancing, exchange offers, open market or privately negotiated transactions, Rule 10b5-1 plans, or otherwise. Cash payments related to debt extinguishment are classified as cash outflows from financing activities on the condensed consolidated statements of cash flows. Any gains or losses on extinguishment of debt are recognized in interest expense on the condensed consolidated statements of income.

Borrowing Arrangements:
In July 2022, together with Kraft Heinz Foods Company ("KHFC"), our 100% owned operating subsidiary, we entered into a new credit agreement, which provides for a five-year senior unsecured revolving credit facility in an aggregate amount of $4.0 billion (the "Senior Credit Facility"). On July 21, 2023, we entered into an agreement to extend the maturity date of our Senior Credit Facility from July 8, 2027 to July 8, 2028. See Note 16, *Debt*, to our consolidated financial statements in our Annual Report on Form 10-K for the year ended December 31, 2022 for additional information on our borrowing arrangements.

Our long-term debt contains customary representations, covenants, and events of default. We were in compliance with all financial covenants as of September 30, 2023.

Debt Issuances:
In May 2023, KHFC issued 600 million euro aggregate principal amount of floating rate senior notes due May 2025 (the "2023 Notes"). The 2023 Notes are fully and unconditionally guaranteed by The Kraft Heinz Company as to payment of principal and interest on a senior unsecured basis. We used the proceeds from the 2023 Notes for general corporate purposes, including to partially fund the repayment of our 750 million euro senior notes that matured in June 2023.

Debt Issuance Costs:
Debt issuance costs related to the 2023 Notes were insignificant.

Open Market Debt Repurchases:
<u>*2022 Open Market Debt Repurchases*</u>

During the nine months ended September 24, 2022, we repurchased approximately $448 million of certain of our senior notes under Rule 10b5-1 plans, including $268 million in the second quarter of 2022 (the “Q2 2022 Repurchases”) and $180 million in the third quarter of 2022 (the “Q3 2022 Repurchases” and, together with the Q2 2022 Repurchases, the “2022 Repurchases”). The $448 million repurchased during the nine months ended September 24, 2022 included approximately $133 million aggregate principal amount of 6.500% senior notes due February 2040, approximately $70 million aggregate principal amount of 5.200% senior notes due July 2045, approximately $63 million aggregate principal amount of 7.125% senior notes due August 2039, approximately $61 million aggregate principal amount of 5.000% senior notes due June 2042, approximately $34 million aggregate principal amount of 4.875% senior notes due October 2049, approximately $29 million aggregate principal amount of 5.000% senior notes due July 2035, approximately $29 million aggregate principal amount of 6.875% senior notes due January 2039, approximately $14 million aggregate principal amount of 6.375% senior notes due July 2028, approximately $9 million aggregate principal amount of 5.500% senior notes due June 2050, approximately $4 million aggregate principal amount of 4.625% senior notes due October 2039, and approximately $2 million aggregate principal amount of 4.625% senior notes due January 2029.

In connection with the 2022 Repurchases, we recognized a net gain on extinguishment of debt of approximately $12 million within interest expense on the condensed consolidated statements of income for the nine months ended September 24, 2022, which included a net gain of $9 million in the second quarter of 2022 related to the Q2 2022 Repurchases and a net gain of $3 million in the third quarter of 2022 related to the Q3 2022 Repurchases. This gain primarily reflects the write-off of unamortized premiums partially offset by the payment of net premiums associated with the repurchases. Related to the 2022 Repurchases, we recognized debt prepayment and extinguishment costs of $17 million on the condensed consolidated statement of cash flows for the nine months ended September 24, 2022, which reflect the $12 million net gain on extinguishment of debt adjusted for the non-cash write-off of unamortized premiums of $30 million and unamortized debt issuance costs of $1 million.

Debt Repayments:
In June 2023, we repaid 750 million euro aggregate principal amount of senior notes that matured in the period.

In August 2022, we repaid $315 million aggregate principal amount of floating rate senior notes that matured in the period.

In June 2022, we repaid $381 million aggregate principal amount of senior notes that matured in the period.

In March 2022, we repaid $6 million aggregate principal amount of senior notes that matured in the period.

Fair Value of Debt:
At September 30, 2023, the aggregate fair value of our total debt was $18.0 billion as compared with a carrying value of $19.9 billion. At December 31, 2022, the aggregate fair value of our total debt was $18.7 billion as compared with a carrying value of $20.1 billion. Our short-term debt had a carrying value that approximated its fair value at September 30, 2023 and December 31, 2022. We determined the fair value of our long-term debt using Level 2 inputs. Fair values are generally estimated based on quoted market prices for identical or similar instruments.

Lease Arrangements

In June 2023, we entered into a non-cancellable synthetic lease for a distribution facility, for which we are the construction agent, with an estimated construction cost of approximately $400 million. The lease will commence upon completion of construction of the facility which is expected to be in the later part of 2025. The term of the lease is five years after commencement. At the end of the lease term, we will be required to either purchase the facility or, in the event that option is not elected, to remarket the facility. Upon lease commencement, the lease classification, right-of-use asset, and lease liability will be determined and recorded. The lease arrangement contains a residual value guarantee of approximately 85% of the total construction cost. The construction agreement and lease contain covenants that are consistent with our Senior Credit Facility as disclosed in our Annual Report on Form 10-K for the year ended December 31, 2022.

Note 15. Earnings Per Share

Our earnings per common share ("EPS") were:

	For the Three Months Ended		For the Nine Months Ended	
	September 30, 2023	September 24, 2022	September 30, 2023	September 24, 2022
	(in millions, except per share data)			
Basic Earnings Per Common Share:				
Net income/(loss) attributable to common shareholders	$ 262	$ 432	$ 2,098	$ 1,473
Weighted average shares of common stock outstanding	1,229	1,227	1,228	1,226
Net earnings/(loss)	$ 0.21	$ 0.35	$ 1.71	$ 1.20
Diluted Earnings Per Common Share:				
Net income/(loss) attributable to common shareholders	$ 262	$ 432	$ 2,098	$ 1,473
Weighted average shares of common stock outstanding	1,229	1,227	1,228	1,226
Effect of dilutive equity awards	6	8	7	9
Weighted average shares of common stock outstanding, including dilutive effect	1,235	1,235	1,235	1,235
Net earnings/(loss)	$ 0.21	$ 0.35	$ 1.70	$ 1.19

We use the treasury stock method to calculate the dilutive effect of outstanding equity awards in the denominator for diluted EPS. Anti-dilutive shares were 7 million for the three and nine months ended September 30, 2023 and 8 million for the three and 7 million for the nine months ended September 24, 2022.

Note 16. Segment Reporting

We manage and report our operating results through two reportable segments defined by geographic region: North America and International.

Management evaluates segment performance based on several factors, including net sales and Segment Adjusted EBITDA. Segment Adjusted EBITDA is defined as net income/(loss) from continuing operations before interest expense, other expense/(income), provision for/(benefit from) income taxes, and depreciation and amortization (excluding restructuring activities); in addition to these adjustments, we exclude, when they occur, the impacts of divestiture-related license income, restructuring activities, deal costs, unrealized gains/(losses) on commodity hedges (the unrealized gains and losses are recorded in general corporate expenses until realized; once realized, the gains and losses are recorded in the applicable segment's operating results), impairment losses, certain non-ordinary course legal and regulatory matters, and equity award compensation expense (excluding restructuring activities). Segment Adjusted EBITDA is a tool that can assist management and investors in comparing our performance on a consistent basis by removing the impact of certain items that management believes do not directly reflect our underlying operations. Management also uses Segment Adjusted EBITDA to allocate resources.

Management does not use assets by segment to evaluate performance or allocate resources. Therefore, we do not disclose assets by segment.

Net sales by segment were (in millions):

	For the Three Months Ended		For the Nine Months Ended	
	September 30, 2023	September 24, 2022	September 30, 2023	September 24, 2022
Net sales:				
North America	$ 4,995	$ 5,016	$ 14,959	$ 14,656
International	1,575	1,489	4,821	4,448
Total net sales	$ 6,570	$ 6,505	$ 19,780	$ 19,104

Segment Adjusted EBITDA was (in millions):

	For the Three Months Ended		For the Nine Months Ended	
	September 30, 2023	September 24, 2022	September 30, 2023	September 24, 2022
Segment Adjusted EBITDA:				
North America	$ 1,390	$ 1,213	$ 4,108	$ 3,734
International	259	243	804	733
General corporate expenses	(84)	(58)	(255)	(207)
Depreciation and amortization (excluding restructuring activities)	(234)	(227)	(680)	(676)
Divestiture-related license income	14	14	41	41
Restructuring activities	(45)	(8)	(25)	(38)
Deal costs	—	—	—	(8)
Unrealized gains/(losses) on commodity hedges	48	(84)	53	(65)
Impairment losses	(662)	(314)	(662)	(999)
Certain non-ordinary course legal and regulatory matters	—	—	(2)	—
Equity award compensation expense	(33)	(28)	(110)	(107)
Operating income/(loss)	653	751	3,272	2,408
Interest expense	228	228	683	704
Other expense/(income)	(35)	(22)	(94)	(211)
Income/(loss) before income taxes	$ 460	$ 545	$ 2,683	$ 1,915

Net sales by platform were (in millions):

	For the Three Months Ended		For the Nine Months Ended	
	September 30, 2023	September 24, 2022	September 30, 2023	September 24, 2022
Taste Elevation	$ 2,196	$ 2,040	$ 6,750	$ 6,020
Fast Fresh Meals	1,418	1,468	4,197	4,300
Easy Meals Made Better	1,300	1,261	3,859	3,726
Real Food Snacking	353	367	966	1,023
Flavorful Hydration	486	516	1,545	1,527
Easy Indulgent Desserts	265	248	755	719
Other	552	605	1,708	1,789
Total net sales	$ 6,570	$ 6,505	$ 19,780	$ 19,104

Net sales by product category were (in millions):

	For the Three Months Ended		For the Nine Months Ended	
	September 30, 2023	September 24, 2022	September 30, 2023	September 24, 2022
Condiments and sauces	$ 2,171	$ 2,048	$ 6,730	$ 6,012
Cheese and dairy	909	932	2,709	2,745
Ambient foods	759	730	2,197	2,136
Frozen and chilled foods	757	731	2,185	2,113
Meats and seafood	626	704	1,865	2,025
Refreshment beverages	485	516	1,542	1,530
Coffee	220	213	652	644
Infant and nutrition	85	94	274	305
Desserts, toppings, and baking	299	276	854	808
Other	259	261	772	786
Total net sales	$ 6,570	$ 6,505	$ 19,780	$ 19,104

Note 17. Other Financial Data

Condensed Consolidated Statements of Income Information

Other expense/(income) consists of the following (in millions):

	For the Three Months Ended		For the Nine Months Ended	
	September 30, 2023	September 24, 2022	September 30, 2023	September 24, 2022
Amortization of postemployment benefit plans prior service costs/(credits)	$ (3)	$ (4)	$ (10)	$ (11)
Net pension and postretirement non-service cost/(benefit)[(a)]	(22)	(28)	(68)	(120)
Loss/(gain) on sale of business	—	—	2	(1)
Interest income	(12)	(7)	(28)	(18)
Foreign exchange losses/(gains)	(25)	(117)	21	(254)
Derivative losses/(gains)	30	134	(8)	195
Other miscellaneous expense/(income)	(3)	—	(3)	(2)
Other expense/(income)	$ (35)	$ (22)	$ (94)	$ (211)

(a) Excludes amortization of postemployment benefit plans prior service costs/(credits).

We present all non-service cost components of net pension cost/(benefit) and net postretirement cost/(benefit) within other expense/(income) on our condensed consolidated statements of income. See Note 10, *Postemployment Benefits*, for additional information on these components, including any curtailments and settlements, as well as information on our prior service costs/(credits) amortization. See Note 11, *Financial Instruments*, for information related to our derivative impacts.

Other expense/(income) was $35 million of income for the three months ended September 30, 2023 compared to $22 million of income for the three months ended September 24, 2022. This change was primarily driven by a $30 million net loss on derivative activities in the third quarter of 2023 compared to a $134 million net loss on derivative activities in the third quarter of 2022, which more than offset a $25 million net foreign exchange gain in the third quarter of 2023 compared to a $117 million net foreign exchange gain in the third quarter of 2022.

Other expense/(income) was $94 million of income for the nine months ended September 30, 2023 compared to $211 million of income for the nine months ended September 24, 2022. This change was primarily driven by a $21 million net foreign exchange loss in 2023 compared to a $254 million net foreign exchange gain in 2022 and a $52 million decrease in non-cash net pension and postretirement non-service benefits compared to the prior year period. These impacts were partially offset by an $8 million net gain on derivative activities in 2023 compared to a $195 million net loss on derivative activities in 2022.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

Overview

Objective:
The following discussion provides an analysis of our financial condition and results of operations from management's perspective and should be read in conjunction with the condensed consolidated financial statements and related notes included in Item 1, *Financial Statements*, of this Quarterly Report on Form 10-Q. Our objective is to also provide discussion of material events and uncertainties known to management that are reasonably likely to cause reported financial information not to be indicative of future operating results or of future financial condition and to offer information that provides an understanding of our financial condition, results of operations, and cash flows.

Description of the Company:
We manufacture and market food and beverage products, including condiments and sauces, cheese and dairy, meals, meats, refreshment beverages, coffee, and other grocery products throughout the world.

We manage and report our operating results through two reportable segments defined by geographic region: North America and International.

Following certain organizational changes announced on November 1, 2023, we will be evaluating the potential impact on our reportable segments. We expect that any change to our reportable segments will be effective in early 2024.

See Note 16, *Segment Reporting*, in Item 1, *Financial Statements*, for our financial information by segment.

Acquisitions and Divestitures:
We completed the Hemmer Acquisition in the second quarter of 2022 and the Just Spices Acquisition in the first quarter of 2022, both in our International segment. See Note 4, *Acquisitions and Divestitures*, in Item 1, *Financial Statements*, for additional information on our acquisition and divestiture activities.

Conflict Between Russia and Ukraine:
For the nine months ended September 30, 2023 and the year ended December 31, 2022, approximately 1% of consolidated net sales, net income/(loss), and Adjusted EBITDA were generated from our business in Russia. As of September 30, 2023, less than 1% of consolidated total assets were located in Russia and we had approximately 1,100 employees in Russia. We have no operations or employees in Ukraine and insignificant net sales through distributors. We will continue to monitor the impact that this conflict has on our business; however, through the third quarter of 2023, the conflict between Russia and Ukraine did not have a material impact on our financial condition, results of operations, or cash flows.

Items Affecting Comparability of Financial Results

Inflation and Supply Chain Impacts:
During the nine months ended September 30, 2023, we experienced increased supply chain costs, including procurement and manufacturing costs, largely due to inflationary pressures, as compared to the prior year period. We expect inflation to moderate through the remainder of 2023 and to be lower than we experienced in 2022. While these costs have a negative impact on our results of operations, we have taken measures to mitigate the impact of this inflation through pricing actions, efficiency gains, and hedging strategies. However, there has been, and we expect that there could continue to be, a difference between the timing of when these mitigative actions impact our results of operations and when the cost inflation is incurred. Additionally, the pricing actions we take have, in some instances, negatively impacted, and could continue to negatively impact, our market share.

Results of Operations

We disclose in this report certain non-GAAP financial measures. These non-GAAP financial measures assist management in comparing our performance on a consistent basis for purposes of business decision-making by removing the impact of certain items that management believes do not directly reflect our underlying operations. For additional information and reconciliations to the most closely comparable financial measures presented in our condensed consolidated financial statements, which are calculated in accordance with U.S. GAAP see *Non-GAAP Financial Measures.*

Consolidated Results of Operations

Summary of Results:

	For the Three Months Ended			For the Nine Months Ended		
	September 30, 2023	September 24, 2022	% Change	September 30, 2023	September 24, 2022	% Change
	(in millions, except per share data)			(in millions, except per share data)		
Net sales	$ 6,570	$ 6,505	1.0 %	$ 19,780	$ 19,104	3.5 %
Operating income/(loss)	653	751	(13.1)%	3,272	2,408	35.9 %
Net income/(loss)	254	435	(41.7)%	2,089	1,481	41.0 %
Net income/(loss) attributable to common shareholders	262	432	(39.5)%	2,098	1,473	42.4 %
Diluted EPS	0.21	0.35	(40.0)%	1.70	1.19	42.9 %

Net Sales:

	For the Three Months Ended			For the Nine Months Ended		
	September 30, 2023	September 24, 2022	% Change	September 30, 2023	September 24, 2022	% Change
	(in millions)			(in millions)		
Net sales	$ 6,570	$ 6,505	1.0 %	$ 19,780	$ 19,104	3.5 %
Organic Net Sales[(a)]	6,582	6,472	1.7 %	19,926	18,994	4.9 %

(a) Organic Net Sales is a non-GAAP financial measure. See the *Non-GAAP Financial Measures* section at the end of this item.

Three Months Ended September 30, 2023 Compared to the Three Months Ended September 24, 2022:

Net sales increased 1.0% to $6.6 billion for the three months ended September 30, 2023 compared to $6.5 billion for the three months ended September 24, 2022, including the unfavorable impacts of foreign currency (0.5 pp) and acquisitions and divestitures (0.2 pp). Organic Net Sales increased 1.7% to $6.6 billion for the three months ended September 30, 2023 compared to $6.5 billion for the three months ended September 24, 2022, primarily driven by higher pricing (7.1 pp), which more than offset unfavorable volume/mix (5.4 pp). Pricing was higher in both segments, while volume/mix was unfavorable in both segments.

Nine Months Ended September 30, 2023 Compared to the Nine Months Ended September 24, 2022:

Net sales increased 3.5% to $19.8 billion for the nine months ended September 30, 2023 compared to $19.1 billion for the nine months ended September 24, 2022, including the unfavorable impacts of foreign currency (1.3 pp) and acquisitions and divestitures (0.1 pp). Organic Net Sales increased 4.9% to $19.9 billion for the nine months ended September 30, 2023 compared to $19.0 billion for the nine months ended September 24, 2022, primarily driven by higher pricing (10.8 pp), which more than offset unfavorable volume/mix (5.9 pp). Pricing was higher in both segments, while volume/mix was unfavorable in both segments.

Net Income/(Loss):

	For the Three Months Ended			For the Nine Months Ended		
	September 30, 2023	September 24, 2022	% Change	September 30, 2023	September 24, 2022	% Change
	(in millions)			(in millions)		
Operating income/(loss)	$ 653	$ 751	(13.1)%	3,272	2,408	35.9 %
Net income/(loss)	254	435	(41.7)%	2,089	1,481	41.0 %
Net income/(loss) attributable to common shareholders	262	432	(39.5)%	2,098	1,473	42.4 %
Adjusted EBITDA[(a)]	1,565	1,398	11.9 %	4,657	4,260	9.3 %

(a) Adjusted EBITDA is a non-GAAP financial measure. See the *Non-GAAP Financial Measures* section at the end of this item.

Three Months Ended September 30, 2023 Compared to the Three Months Ended September 24, 2022:

Operating income/(loss) decreased 13.1% to income of $653 million for the three months ended September 30, 2023 compared to income of $751 million for the three months ended September 24, 2022, primarily due to higher non-cash impairment losses, higher supply chain costs, reflecting inflationary pressure in manufacturing and procurement costs, unfavorable volume/mix, and increased SG&A due in part to investments in marketing, technology, and research and development. These decreases to operating income/(loss) were partially offset by higher pricing, efficiency gains, and reduced commodity costs, including the impact of realized and unrealized gains and losses on commodity hedges.

Net income/(loss) decreased 41.7% to income of $254 million for the three months ended September 30, 2023 compared to income of $435 million for the three months ended September 24, 2022. This decrease was due to the operating income/(loss) factors discussed above and higher tax expense, which more than offset favorable changes in other expense/(income). Interest expense was flat compared to the prior year period.

- Our effective tax rate for the three months ended September 30, 2023 was an expense of 44.7% on pre-tax income. Our effective tax rate was unfavorably impacted by certain net discrete items, including non-deductible goodwill impairments (29.0%) and a net increase in uncertain tax position reserves. These impacts were partially offset by favorable changes in estimates of certain 2022 U.S. income and deductions and the geographic mix of pre-tax income in various non-U.S. jurisdictions. Our effective tax rate for the three months ended September 24, 2022 was an expense of 20.2% on pre-tax income. Our effective tax rate was impacted by the favorable geographic mix of pre-tax income in various non-U.S. jurisdictions and certain favorable net discrete items, including the revaluation of deferred tax balances due to changes in state tax rates and favorable changes in estimates of certain 2021 U.S. income and deductions. These impacts were partially offset by the impact of certain unfavorable net discrete items, primarily non-deductible goodwill impairments (10.3%). The year-over-year increase in the effective tax rate for the three month period was due primarily to the impact of higher non-deductible goodwill impairments in the current period.
- Other expense/(income) was $35 million of income for the three months ended September 30, 2023 compared to $22 million of income for the three months ended September 24, 2022. This change was primarily driven by a $30 million net loss on derivative activities in the third quarter of 2023 compared to a $134 million net loss on derivative activities in the third quarter of 2022, which more than offset a $25 million net foreign exchange gain in the third quarter of 2023 compared to a $117 million net foreign exchange gain in the third quarter of 2022.

Adjusted EBITDA increased 11.9% to $1.6 billion for the three months ended September 30, 2023 compared to $1.4 billion for the three months ended September 24, 2022, primarily driven by higher pricing and efficiency gains, which more than offset higher supply chain costs, reflecting inflationary pressure in manufacturing and procurement costs, unfavorable volume/mix, increased SG&A due in part to investments in marketing, technology, and research and development, increased commodity costs, including the impact of realized gains and losses on commodity hedges, and the unfavorable impact of foreign currency (1.0 pp).

Nine Months Ended September 30, 2023 Compared to the Nine Months Ended September 24, 2022:

Operating income/(loss) increased 35.9% to income of $3.3 billion for the nine months ended September 30, 2023 compared to income of $2.4 billion for the nine months ended September 24, 2022, primarily driven by higher pricing, efficiency gains, and lower non-cash impairment losses, which more than offset higher commodity costs, including the impact of realized and unrealized gains and losses on commodity hedges, higher supply chain costs, reflecting inflationary pressure in manufacturing and procurement costs, unfavorable volume/mix, and increased SG&A due in part to investments in marketing, technology, and research and development.

Net income/(loss) increased 41.0% to income of $2.1 billion for the nine months ended September 30, 2023 compared to income of $1.5 billion for the nine months ended September 24, 2022. This increase was driven by the operating income/(loss) factors discussed above, and lower interest expense, which more than offset higher tax expense and unfavorable changes in other expense/(income).

- Interest expense was $683 million for the nine months ended September 30, 2023 compared to $704 million for the nine months ended September 24, 2022.

- Our effective tax rate for the nine months ended September 30, 2023 was an expense of 22.1% on pre-tax income. Our effective tax rate was favorably impacted by the geographic mix of pre-tax income in various non-U.S. jurisdictions and certain net discrete items, including the net decrease in uncertain tax position reserves primarily in the U.S. resulting from a conclusion of the IRS's income tax examination for the year 2017 and the lapsing of the statute of limitations for such year (2.1%), as well as favorable changes in estimates of certain 2022 U.S. income and deductions. These impacts were partially offset by the impact of certain unfavorable net discrete items, primarily non-deductible goodwill impairments (5.0%). Our effective tax rate for the nine months ended September 24, 2022 was an expense of 22.7% on pre-tax income. Our effective tax rate was impacted by the favorable geographic mix of pre-tax income in various non-U.S. jurisdictions and certain favorable net discrete items, primarily the revaluation of deferred tax balances due to changes in state tax rates. This impact was partially offset by the impact of certain unfavorable net discrete items, primarily non-deductible goodwill impairments (6.1%). The year-over-year decrease in the effective tax rate for the nine month period was due primarily to the impact of changes in uncertain tax position reserves in the current year period.
- Other expense/(income) was $94 million of income for the nine months ended September 30, 2023 compared to $211 million of income for the nine months ended September 24, 2022. This change was primarily driven by a $21 million net foreign exchange loss in 2023 compared to a $254 million net foreign exchange gain in 2022 and a $52 million decrease in non-cash net pension and postretirement non-service benefits compared to the prior year period. These impacts were partially offset by an $8 million net gain on derivative activities in 2023 compared to a $195 million net loss on derivative activities in 2022.

Adjusted EBITDA increased 9.3% to $4.7 billion for the nine months ended September 30, 2023 compared to $4.3 billion for the nine months ended September 24, 2022, primarily driven by higher pricing and efficiency gains, which more than offset higher commodity costs, including the impact of realized gains and losses on commodity hedges, higher supply chain costs, reflecting inflationary pressure in manufacturing and procurement costs, unfavorable volume/mix, increased SG&A due in part to investments in marketing, technology, and research and development, and the unfavorable impact of foreign currency (1.3 pp).

Diluted EPS:

	For the Three Months Ended			For the Nine Months Ended		
	September 30, 2023	**September 24, 2022**	**% Change**	**September 30, 2023**	**September 24, 2022**	**% Change**
Diluted EPS	$ 0.21	$ 0.35	(40.0)%	$ 1.70	$ 1.19	42.9 %
Adjusted EPS[(a)]	0.72	0.63	14.3 %	2.20	1.93	14.0 %

(a) Adjusted EPS is a non-GAAP financial measure. See the *Non-GAAP Financial Measures* section at the end of this item.

Three Months Ended September 30, 2023 Compared to the Three Months Ended September 24, 2022:

Diluted EPS decreased 40.0% to $0.21 for the three months ended September 30, 2023 compared to $0.35 for the three months ended September 24, 2022, primarily due to the net income/(loss) factors discussed above.

	For the Three Months Ended			
	September 30, 2023	September 24, 2022	$ Change	% Change
Diluted EPS	$ 0.21	$ 0.35	$ (0.14)	(40.0)%
Restructuring activities	0.03	0.01	0.02	
Unrealized losses/(gains) on commodity hedges	(0.03)	0.05	(0.08)	
Impairment losses	0.50	0.23	0.27	
Losses/(gains) on sale of business	—	(0.01)	0.01	
Nonmonetary currency devaluation	0.01	0.01	—	
Debt prepayment and extinguishment (benefit)/costs	—	(0.01)	0.01	
Adjusted EPS[(a)]	$ 0.72	$ 0.63	$ 0.09	14.3 %
Key drivers of change in Adjusted EPS[(a)]:				
Results of operations			$ 0.11	
Other expense/(income)			0.01	
Effective tax rate			(0.03)	
			$ 0.09	

(a) Adjusted EPS is a non-GAAP financial measure. See the *Non-GAAP Financial Measures* section at the end of this item.

Adjusted EPS increased 14.3% to $0.72 for the three months ended September 30, 2023 compared to $0.63 for the three months ended September 24, 2022. This increase was primarily driven by higher Adjusted EBITDA and favorable changes in other expense/(income), which more than offset higher taxes on adjusted earnings.

Nine Months Ended September 30, 2023 Compared to the Nine Months Ended September 24, 2022:

Diluted EPS increased 42.9% to $1.70 for the nine months ended September 30, 2023 compared to $1.19 for the nine months ended September 24, 2022, primarily driven by the net income/(loss) factors discussed above.

	For the Nine Months Ended			
	September 30, 2023	September 24, 2022	$ Change	% Change
Diluted EPS	$ 1.70	$ 1.19	$ 0.51	42.9 %
Restructuring activities	0.02	0.02	—	
Deal costs	—	0.01	(0.01)	
Unrealized losses/(gains) on commodity hedges	(0.03)	0.04	(0.07)	
Impairment losses	0.50	0.70	(0.20)	
Losses/(gains) on sale of business	—	(0.01)	0.01	
Other losses/(gains) related to acquisitions and divestitures	—	(0.02)	0.02	
Nonmonetary currency devaluation	0.02	0.01	0.01	
Debt prepayment and extinguishment (benefit)/costs	—	(0.01)	0.01	
Certain significant discrete income tax items	(0.01)	—	(0.01)	
Adjusted EPS[(a)]	$ 2.20	$ 1.93	$ 0.27	14.0 %

Key drivers of change in Adjusted EPS[(a)]:	
Results of operations	$ 0.28
Results of divested operations	(0.01)
Interest expense	0.02
Other expense/(income)	(0.04)
Effective tax rate	0.02
	$ 0.27

(a) Adjusted EPS is a non-GAAP financial measure. See the *Non-GAAP Financial Measures* section at the end of this item.

Adjusted EPS increased 14.0% to $2.20 for the nine months ended September 30, 2023 compared to $1.93 for the nine months ended September 24, 2022. This increase was primarily driven by higher Adjusted EBITDA, lower taxes on adjusted earnings, and lower interest expense, which more than offset unfavorable changes in other expense/(income).

Results of Operations by Segment

Management evaluates segment performance based on several factors, including net sales, Organic Net Sales, and Segment Adjusted EBITDA. Segment Adjusted EBITDA is defined as net income/(loss) from continuing operations before interest expense, other expense/(income), provision for/(benefit from) income taxes, and depreciation and amortization (excluding restructuring activities); in addition to these adjustments, we exclude, when they occur, the impacts of divestiture-related license income, restructuring activities, deal costs, unrealized gains/(losses) on commodity hedges (the unrealized gains and losses are recorded in general corporate expenses until realized; once realized, the gains and losses are recorded in the applicable segment's operating results), impairment losses, certain non-ordinary course legal and regulatory matters, and equity award compensation expense (excluding restructuring activities). Segment Adjusted EBITDA is a tool that can assist management and investors in comparing our performance on a consistent basis by removing the impact of certain items that management believes do not directly reflect our underlying operations. Management also uses Segment Adjusted EBITDA to allocate resources.

Under highly inflationary accounting, the financial statements of a subsidiary are remeasured into our reporting currency (U.S. dollars) based on the legally available exchange rate at which we expect to settle the underlying transactions. Exchange gains and losses from the remeasurement of monetary assets and liabilities are reflected in other expense/(income) on our condensed consolidated statement of income, as nonmonetary currency devaluation, rather than accumulated other comprehensive income/(losses) on our condensed consolidated balance sheet, until such time as the economy is no longer considered highly inflationary. See Note 2, *Significant Accounting Policies*, to the consolidated financial statements in our Annual Report on Form 10-K for the year ended December 31, 2022, for additional information. We apply highly inflationary accounting to the results of our subsidiaries in Venezuela, Argentina, and Turkey, which are all in our International segment.

Net Sales:

	For the Three Months Ended		For the Nine Months Ended	
	September 30, 2023	September 24, 2022	September 30, 2023	September 24, 2022
	(in millions)			
Net sales:				
North America	$ 4,995	$ 5,016	$ 14,959	$ 14,656
International	1,575	1,489	4,821	4,448
Total net sales	$ 6,570	$ 6,505	$ 19,780	$ 19,104

Organic Net Sales:

	For the Three Months Ended		For the Nine Months Ended	
	September 30, 2023	September 24, 2022	September 30, 2023	September 24, 2022
	(in millions)			
Organic Net Sales[(a)]:				
North America	$ 5,009	$ 5,016	$ 15,023	$ 14,656
International	1,573	1,456	4,903	4,338
Total Organic Net Sales	$ 6,582	$ 6,472	$ 19,926	$ 18,994

(a) Organic Net Sales is a non-GAAP financial measure. See the *Non-GAAP Financial Measures* section at the end of this item.

Drivers of the changes in net sales and Organic Net Sales for the three and nine months ended September 30, 2023 compared to the three months nine months ended September 24, 2022 were:

	Net Sales	Currency	Acquisitions and Divestitures	Organic Net Sales	Price	Volume/Mix
For the Three Months Ended						
North America	(0.4)%	(0.3) pp	0.0 pp	(0.1)%	5.8 pp	(5.9) pp
International	5.7 %	(1.5) pp	(0.8) pp	8.0 %	11.6 pp	(3.6) pp
Kraft Heinz	1.0 %	(0.5) pp	(0.2) pp	1.7 %	7.1 pp	(5.4) pp

	Net Sales	Currency	Acquisitions and Divestitures	Organic Net Sales	Price	Volume/Mix
For the Nine Months Ended						
North America	2.1 %	(0.4) pp	0.0 pp	2.5 %	9.4 pp	(6.9) pp
International	8.4 %	(4.1) pp	(0.5) pp	13.0 %	15.7 pp	(2.7) pp
Kraft Heinz	3.5 %	(1.3) pp	(0.1) pp	4.9 %	10.8 pp	(5.9) pp

Adjusted EBITDA:

	For the Three Months Ended		For the Nine Months Ended	
	September 30, 2023	September 24, 2022	September 30, 2023	September 24, 2022
	(in millions)			
Segment Adjusted EBITDA:				
North America	$ 1,390	$ 1,213	$ 4,108	$ 3,734
International	259	243	804	733
General corporate expenses	(84)	(58)	(255)	(207)
Depreciation and amortization (excluding restructuring activities)	(234)	(227)	(680)	(676)
Divestiture-related license income	14	14	41	41
Restructuring activities	(45)	(8)	(25)	(38)
Deal costs	—	—	—	(8)
Unrealized gains/(losses) on commodity hedges	48	(84)	53	(65)
Impairment losses	(662)	(314)	(662)	(999)
Certain non-ordinary course legal and regulatory matters	—	—	(2)	—
Equity award compensation expense	(33)	(28)	(110)	(107)
Operating income/(loss)	653	751	3,272	2,408
Interest expense	228	228	683	704
Other expense/(income)	(35)	(22)	(94)	(211)
Income/(loss) before income taxes	$ 460	$ 545	$ 2,683	$ 1,915

North America:

	For the Three Months Ended			For the Nine Months Ended		
	September 30, 2023	September 24, 2022	% Change	September 30, 2023	September 24, 2022	% Change
	(in millions)			(in millions)		
Net sales	$ 4,995	$ 5,016	(0.4)%	$ 14,959	$ 14,656	2.1 %
Organic Net Sales[(a)]	5,009	5,016	(0.1)%	15,023	14,656	2.5 %
Segment Adjusted EBITDA	1,390	1,213	14.6 %	4,108	3,734	10.0 %

(a) Organic Net Sales is a non-GAAP financial measure. See the *Non-GAAP Financial Measures* section at the end of this item.

Three Months Ended September 30, 2023 Compared to the Three Months Ended September 24, 2022:

Net sales decreased 0.4% to $5.0 billion for the three months ended September 30, 2023 compared to $5.0 billion for the three months ended September 24, 2022, including the unfavorable impact of foreign currency (0.3 pp). Organic Net Sales decreased 0.1% to $5.0 billion for the three months ended September 30, 2023 compared to $5.0 billion for the three months ended September 24, 2022, due to unfavorable volume/mix (5.9 pp), which more than offset higher pricing (5.8 pp). Higher pricing was primarily driven by increases taken to mitigate higher input costs. Unfavorable volume/mix was primarily due to elasticity impacts from pricing actions.

Segment Adjusted EBITDA increased 14.6% to $1.4 billion for the three months ended September 30, 2023 compared to $1.2 billion for the three months ended September 24, 2022, primarily driven by higher pricing and efficiency gains, which more than offset unfavorable volume/mix, increased SG&A due in part to investments in marketing, technology, and research and development, and higher supply chain costs, reflecting inflationary pressure in manufacturing and procurement costs.

Nine Months Ended September 30, 2023 Compared to the Nine Months Ended September 24, 2022:

Net sales increased 2.1% to $15.0 billion for the nine months ended September 30, 2023 compared to $14.7 billion for the nine months ended September 24, 2022, including the unfavorable impact of foreign currency (0.4 pp). Organic Net Sales increased 2.5% to $15.0 billion for the nine months ended September 30, 2023 compared to $14.7 billion for the nine months ended September 24, 2022, driven by higher pricing (9.4 pp), which more than offset unfavorable volume/mix (6.9 pp). Higher pricing was primarily driven by increases taken to mitigate higher input costs. Unfavorable volume/mix was primarily due to elasticity impacts from pricing actions and due in part to the reduction of SNAP benefits.

Segment Adjusted EBITDA increased 10.0% to $4.1 billion for the nine months ended September 30, 2023 compared to $3.7 billion for the nine months ended September 24, 2022, primarily driven by higher pricing and efficiency gains, which more than offset higher commodity costs, including the impact of realized gains and losses on commodity hedges, unfavorable volume/mix, higher supply chain costs, reflecting inflationary pressure in manufacturing and procurement costs, and increased SG&A due in part to investments in marketing, technology, and research and development.

International:

	For the Three Months Ended			For the Nine Months Ended		
	September 30, 2023	September 24, 2022	% Change	September 30, 2023	September 24, 2022	% Change
	(in millions)			(in millions)		
Net sales	$ 1,575	$ 1,489	5.7 %	$ 4,821	$ 4,448	8.4 %
Organic Net Sales[(a)]	1,573	1,456	8.0 %	4,903	4,338	13.0 %
Segment Adjusted EBITDA	259	243	6.8 %	804	733	9.7 %

(a) Organic Net Sales is a non-GAAP financial measure. See the *Non-GAAP Financial Measures* section at the end of this item.

Three Months Ended September 30, 2023 Compared to the Three Months Ended September 24, 2022:

Net sales increased 5.7% to $1.6 billion for the three months ended September 30, 2023 compared to $1.5 billion for the three months ended September 24, 2022, including the unfavorable impacts of foreign currency (1.5 pp) and acquisitions and divestitures (0.8 pp). Organic Net Sales increased 8.0% to $1.6 billion for the three months ended September 30, 2023 compared to $1.5 billion for the three months ended September 24, 2022, driven by higher pricing (11.6 pp), which more than offset unfavorable volume/mix (3.6 pp). Higher pricing included increases across markets primarily taken to mitigate higher input costs. Unfavorable volume/mix was primarily due to the elasticity impacts from pricing actions, particularly in our Asia and Continental Europe regions, which more than offset favorable volume/mix growth in emerging markets within our Eastern Europe and LATAM regions.

Segment Adjusted EBITDA increased 6.8% to $259 million for the three months ended September 30, 2023 compared to $243 million for the three months ended September 24, 2022, primarily driven by higher pricing and efficiency gains, which more than offset higher supply chain costs, reflecting inflationary pressure in manufacturing and procurement costs, higher commodity costs, increased SG&A due in part to investments in marketing and technology, unfavorable volume/mix, and the unfavorable impact of foreign currency (3.4 pp).

Nine Months Ended September 30, 2023 Compared to the Nine Months Ended September 24, 2022:

Net sales increased 8.4% to $4.8 billion for the nine months ended September 30, 2023 compared to $4.4 billion for the nine months ended September 24, 2022, including the unfavorable impacts of foreign currency (4.1 pp) and acquisitions and divestitures (0.5 pp). Organic Net Sales increased 13.0% to $4.9 billion for the nine months ended September 30, 2023 compared to $4.3 billion for the nine months ended September 24, 2022, driven by higher pricing (15.7 pp), which more than offset unfavorable volume/mix (2.7 pp). Higher pricing included increases across markets primarily taken to mitigate higher input costs. Unfavorable volume/mix was primarily due to the elasticity impacts from pricing actions, particularly in our Northern Europe and Asia regions, which more than offset favorable volume/mix growth in emerging markets within our Eastern Europe and LATAM regions.

Segment Adjusted EBITDA increased 9.7% to $804 million for the nine months ended September 30, 2023 compared to $733 million for the nine months ended September 24, 2022, primarily driven by higher pricing and efficiency gains, which more than offset higher commodity costs, higher supply chain costs, reflecting inflationary pressure in manufacturing and procurement costs, increased SG&A due in part to investments in marketing, technology, and research and development, unfavorable volume/mix, the unfavorable impact of foreign currency (5.5 pp).

Liquidity and Capital Resources

We believe that cash generated from our operating activities, commercial paper programs, and Senior Credit Facility will provide sufficient liquidity to meet our working capital needs, repayments of long-term debt, future contractual obligations, payment of our anticipated quarterly dividends, planned capital expenditures, restructuring expenditures, and contributions to our postemployment benefit plans for the next 12 months. An additional potential source of liquidity is access to capital markets. We intend to use our cash on hand and commercial paper programs for daily funding requirements.

Acquisitions and Divestitures:
In the first quarter of 2022, we closed the Just Spices Acquisition for cash consideration of approximately $243 million. In the second quarter of 2022, we closed the Hemmer Acquisition for cash consideration of approximately $279 million.

In connection with the Cheese Transaction, which closed in the fourth quarter of 2021, we paid cash taxes of approximately $620 million in the second quarter of 2022, primarily to U.S. federal and state tax authorities.

See Note 4, *Acquisitions and Divestitures*, in Item 1, *Financial Statements*, for additional information on our acquisitions and divestitures.

Cash Flow Activity for the Nine Months Ended September 30, 2023 Compared to the Nine Months Ended September 24, 2022:

Net Cash Provided by/Used for Operating Activities:

Net cash provided by operating activities was $2.6 billion for the nine months ended September 30, 2023 compared to $1.5 billion for the nine months ended September 24, 2022. This increase was primarily driven by lower cash outflows for inventories, primarily related to stock rebuilding in the prior year, higher Adjusted EBITDA in the current period, and lower cash outflows for cash tax payments driven by cash taxes paid in 2022 related to the Cheese Transaction. These impacts were partially offset by unfavorable changes in accounts payable, due in part to lower inventory purchase volume in the current period compared to the prior period and cash payments associated with the settlement of the consolidated securities class action lawsuit. See Note 14, *Commitments, Contingencies, and Debt*, for additional information on our legal proceedings.

Net Cash Provided by/Used for Investing Activities:

Net cash used for investing activities was $738 million for the nine months ended September 30, 2023 compared to $1.0 billion for the nine months ended September 24, 2022. This change was primarily driven by payments for the Just Spices Acquisition and the Hemmer Acquisition in 2022, which more than exceeded higher capital expenditures in the current year period. We expect 2023 capital expenditures to be approximately $1.1 billion as compared to 2022 capital expenditures of $916 million. Our 2023 capital expenditures are expected to be primarily driven by capital investments for maintenance, capacity expansion, technology, and cost improvement and innovation projects.

Net Cash Provided by/Used for Financing Activities:

Net cash used for financing activities was $1.8 billion for the nine months ended September 30, 2023 compared to $2.8 billion for the nine months ended September 24, 2022. This change was primarily driven by proceeds from the issuance of the 2023 Notes and lower repayments of long-term debt in the current year period. See Note 14, *Commitments, Contingencies, and Debt*, for additional information on our long-term debt activity.

Cash Held by International Subsidiaries:

Of the $1.1 billion cash and cash equivalents on our condensed consolidated balance sheet at September 30, 2023, $813 million was held by international subsidiaries.

Subsequent to January 1, 2018, we consider the unremitted earnings of certain international subsidiaries that impose local country taxes on dividends to be indefinitely reinvested. For those undistributed earnings considered to be indefinitely reinvested, our intent is to reinvest these funds in our international operations, and our current plans do not demonstrate a need to repatriate the accumulated earnings to fund our U.S. cash requirements. The amount of unrecognized deferred tax liabilities for local country withholding taxes that would be owed, if repatriated, related to our 2018 through 2023 accumulated earnings of certain international subsidiaries is approximately $60 million.

Our undistributed historic earnings in foreign subsidiaries through December 31, 2017 are currently not considered to be indefinitely reinvested. Related to these undistributed historic earnings, we had recorded a deferred tax liability of approximately $10 million on approximately $90 million of historic earnings at September 30, 2023 and December 31, 2022. The deferred tax liability relates to local withholding taxes that will be owed when this cash is distributed.

Trade Payables Programs:

In order to manage our cash flow and related liquidity, we work with our suppliers to optimize our terms and conditions, which include the extension of payment terms. We estimate that the amounts outstanding under these programs were $0.8 billion at September 30, 2023 and $1.1 billion at December 31, 2022. See Note 13, *Financing Arrangements*, in Item 1, *Financial Statement*, for additional information on our trade payables programs.

Borrowing Arrangements:

As of the date of this filing, our long-term debt is rated BBB by S&P Global Ratings ("S&P") and Fitch Ratings ("Fitch") and Baa2 by Moody's Investor Services, Inc. ("Moody's"), with a stable outlook from all three ratings agencies. Our long-term credit rating was upgraded from BBB- to BBB by Fitch in November 2022 and by S&P in February 2023. Moody's upgraded our long-term debt credit rating from Baa3 to Baa2 in February 2023.

From time to time, we obtain funding through our commercial paper programs. We had no commercial paper outstanding at September 30, 2023, at December 31, 2022, or during the nine months ended September 30, 2023.

Our Senior Credit Facility provides for a revolving commitment of $4.0 billion through July 8, 2028. Subject to certain conditions, we may increase the amount of revolving commitments and/or add tranches of term loans in a combined aggregate amount of up to $1.0 billion.

No amounts were drawn on our Senior Credit Facility at September 30, 2023 or December 31, 2022, or on either the Senior Credit Facility or our previous credit facility during the nine months ended September 30, 2023 or September 24, 2022.

Our credit agreement contains customary representations, warranties, and covenants that are typical for these types of facilities and could, upon the occurrence of certain events of default, restrict our ability to access our Senior Credit Facility. We were in compliance with all financial covenants as of September 30, 2023.

Long-Term Debt:
Our long-term debt, including the current portion, was $19.9 billion at September 30, 2023 and $20.1 billion at December 31, 2022. This decrease was primarily due to approximately 750 million euro aggregate principal amount of senior notes that were repaid at maturity in June 2023, which more than offset the issuance of the 2023 Notes.

We have aggregate principal amounts of senior notes of approximately 550 million euros maturing in May 2024.

We may from time to time seek to retire or purchase our outstanding debt through redemptions, tender offers, cash purchases, prepayments, refinancing, exchange offers, open market or privately negotiated transactions, Rule 10b5-1 plans, or otherwise.

Our long-term debt contains customary representations, covenants, and events of default. We were in compliance with all financial covenants as of September 30, 2023.

See Note 14, *Commitments, Contingencies, and Debt*, in Item 1, *Financial Statements*, for additional information on our long-term debt activity and Note 16, *Debt*, to the consolidated financial statements in our Annual Report on Form 10-K for the year ended December 31, 2022 for additional information on our borrowing arrangements and long-term debt.

Equity and Dividends:
We paid dividends on our common stock of $1.5 billion for the nine months ended September 30, 2023 and $1.5 billion for the nine months ended September 24, 2022. Additionally, in the fourth quarter of 2023, our Board of Directors declared a cash dividend of $0.40 per share of common stock, which is payable on December 29, 2023 to stockholders of record on December 1, 2023.

The declaration of dividends is subject to the discretion of our Board of Directors and depends on various factors, including our net income, financial condition, cash requirements, future prospects, and other factors that our Board of Directors deems relevant to its analysis and decision making.

Aggregate Contractual Obligations:
In the second quarter of 2023, we issued the 2023 Notes, which mature in 2025. See Note 14, *Commitments, Contingencies and Debt*, in Item 1, *Financial Statements*, for additional information. There were no other material changes to our aggregate contractual obligations from those disclosed in our Annual Report on Form 10-K for the year ended December 31, 2022.

Supplemental Guarantor Information:
The Kraft Heinz Company (as the “Parent Guarantor”) fully and unconditionally guarantees all the senior unsecured registered notes (collectively, the “KHFC Senior Notes”) issued by KHFC, our 100% owned operating subsidiary (the “Guarantee”). See Note 14, *Commitments, Contingencies, and Debt*, in Item 1, *Financial Statements*, and Note 16, *Debt*, to the consolidated financial statements in our Annual Report on Form 10-K for the year ended December 31, 2022 for additional descriptions of these guarantees.

The payment of the principal, interest and premium, when applicable, on the KHFC Senior Notes is fully and unconditionally guaranteed on a senior unsecured basis by the Parent Guarantor, pursuant to the terms and conditions of the applicable indenture. None of the Parent Guarantor’s subsidiaries guarantee the KHFC Senior Notes.

The Guarantee is the Parent Guarantor’s senior unsecured obligation and is: (i) *pari passu* in right of payment with all of the Parent Guarantor’s existing and future senior indebtedness; (ii) senior in right of payment to all of the Parent Guarantor’s future subordinated indebtedness; (iii) effectively subordinated to all of the Parent Guarantor’s existing and future secured indebtedness to the extent of the value of the assets secured by that indebtedness; and (iv) effectively subordinated to all existing and future indebtedness and other liabilities of the Parent Guarantor’s subsidiaries.

The KHFC Senior Notes are obligations exclusively of KHFC and the Parent Guarantor and not of any of the Parent Guarantor's other subsidiaries. Substantially all of the Parent Guarantor's operations are conducted through its subsidiaries. The Parent Guarantor's other subsidiaries are separate legal entities that have no obligation to pay any amounts due under the KHFC Senior Notes or to make any funds available therefor, whether by dividends, loans, or other payments. Except to the extent the Parent Guarantor is a creditor with recognized claims against its subsidiaries, all claims of creditors (including trade creditors) and holders of preferred stock, if any, of its subsidiaries will have priority with respect to the assets of such subsidiaries over its claims (and therefore the claims of its creditors, including holders of the KHFC Senior Notes). Consequently, the KHFC Senior Notes are structurally subordinated to all liabilities of the Parent Guarantor's subsidiaries and any subsidiaries that it may in the future acquire or establish. The obligations of the Parent Guarantor will terminate and be of no further force or effect in the following circumstances: (i) (a) KHFC's exercise of its legal defeasance option or, except in the case of a guarantee of any direct or indirect parent of KHFC, covenant defeasance option in accordance with the applicable indenture, or KHFC's obligations under the applicable indenture have been discharged in accordance with the terms of the applicable indenture or (b) as specified in a supplemental indenture to the applicable indenture; and (ii) the Parent Guarantor has delivered to the trustee an officer's certificate and an opinion of counsel, each stating that all conditions precedent provided for in the applicable indenture have been complied with. The Guarantee is limited by its terms to an amount not to exceed the maximum amount that can be guaranteed by the Parent Guarantor without rendering the Guarantee voidable under applicable law relating to fraudulent conveyance or fraudulent transfer or similar laws affecting the rights of creditors generally.

The following tables present summarized financial information for the Parent Guarantor and KHFC (as subsidiary issuer of the KHFC Senior Notes) (together, the "Obligor Group"), on a combined basis after the elimination of all intercompany balances and transactions between the Parent Guarantor and subsidiary issuer and investments in any subsidiary that is a non-guarantor.

Certain amounts in the supplemental guarantor summarized balance sheets as of December 31, 2022 have been adjusted to correct a presentation error related to intercompany balances. The adjustments decreased current assets due from affiliates, non-current assets due from affiliates, and current liabilities due to affiliates. There was no change to the supplemental guarantor summarized statement of income, and these disclosure corrections had no effect on our condensed consolidated financial statements. We concluded that these items were not material.

Summarized Statement of Income

	For the Nine Months Ended September 30, 2023
Net sales	$ 12,870
Gross profit[(a)]	4,794
Intercompany service fees and other recharges	3,361
Operating income/(loss)	827
Equity in earnings/(losses) of subsidiaries	1,938
Net income/(loss)	2,098
Net income/(loss) attributable to common shareholders	2,098

(a) For the nine months ended September 30, 2023, the Obligor Group recorded $323 million of net sales to the non-guarantor subsidiaries and $31 million of purchases from the non-guarantor subsidiaries.

Summarized Balance Sheets

	September 30, 2023	December 31, 2022
ASSETS		
Current assets	$ 4,554	$ 4,218
Current assets due from affiliates(a)	444	645
Non-current assets	5,506	5,445
Goodwill	8,823	8,823
Intangible assets, net	2,021	2,102
Non-current assets due from affiliates(b)	—	—
LIABILITIES		
Current liabilities	$ 4,453	$ 4,926
Current liabilities due to affiliates(a)	927	920
Non-current liabilities	21,271	21,372
Non-current liabilities due to affiliates(b)	591	591

(a) Represents receivables and short-term lending due from and payables and short-term lending due to non-guarantor subsidiaries.

(b) Represents long-term lending due from and long-term borrowings due to non-guarantor subsidiaries.

Commodity Trends

We purchase and use large quantities of commodities, including dairy products, meat products, soybean and vegetable oils, tomatoes, coffee beans, sugar and other sweeteners, other fruits and vegetables, corn products, wheat products, and potatoes, to manufacture our products. In addition, we purchase and use significant quantities of resins, fiberboard, metals, and cardboard to package our products, and we use electricity, diesel fuel, and natural gas in the manufacturing and distribution of our products. We continuously monitor worldwide supply and cost trends of these commodities.

During the nine months ended September 30, 2023, we experienced higher commodity costs for vegetables, sugar, and grains, while costs for dairy and meat decreased. We manage commodity cost volatility primarily through pricing and risk management strategies including utilizing a range of commodity hedging techniques in an effort to limit the impact of price fluctuations on many of our principal raw materials. However, we do not fully hedge against changes in commodity prices, and our hedging strategies may not protect us from increases in specific raw material costs. As a result of these risk management strategies, our commodity costs may not immediately correlate with market price trends.

See our Annual Report on Form 10-K for the year ended December 31, 2022 for additional information on how we manage commodity costs.

Critical Accounting Estimates

Our significant accounting policies are described in Note 2, *Significant Accounting Policies*, to the consolidated financial statements in our Annual Report on Form 10-K for the year ended December 31, 2022.

We prepare our condensed consolidated financial statements in conformity with U.S. GAAP. The preparation of these financial statements requires the use of estimates, judgments, and assumptions. Our critical accounting estimates and assumptions related to goodwill and intangible assets are described below. See Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations*, in our Annual Report on Form 10-K for the year ended December 31, 2022 for a discussion of our other critical accounting estimates and assumptions.

As of September 30, 2023, we maintain 11 reporting units, seven of which comprise our goodwill balance. These seven reporting units had an aggregate goodwill carrying amount of $30.3 billion at September 30, 2023. Our indefinite-lived intangible asset balance primarily consists of a number of individual brands, which had an aggregate carrying amount of $38.3 billion as of September 30, 2023.

We test our reporting units and brands for impairment annually, or more frequently if events or circumstances indicate it is more likely than not that the fair value of a reporting unit or brand is less than its carrying amount. Such events and circumstances could include a sustained decrease in our market capitalization, increased competition or unexpected loss of market share, increased input costs beyond projections, disposals of significant brands or components of our business, unexpected business disruptions (for example due to a natural disaster, pandemic, or loss of a customer, supplier, or other significant business relationship), unexpected significant declines in operating results, significant adverse changes in the markets in which we operate, changes in income tax rates, changes in interest rates, or changes in management strategy. We test reporting units for impairment by comparing the estimated fair value of each reporting unit with its carrying amount. We test brands for impairment by comparing the estimated fair value of each brand with its carrying amount. If the carrying amount of a reporting unit or brand exceeds its estimated fair value, we record an impairment loss based on the difference between fair value and carrying amount, in the case of reporting units, not to exceed the associated carrying amount of goodwill. See Note 7, *Goodwill and Intangible Assets*, in Item 1, *Financial Statements*, for a discussion of the timing of the annual impairment test.

Fair value determinations require considerable judgment and are sensitive to changes in underlying assumptions, estimates, and market factors. Estimating the fair value of individual reporting units and brands requires us to make assumptions and estimates regarding our future plans, as well as industry, economic, and regulatory conditions. These assumptions and estimates include estimated future annual net cash flows, income tax considerations, discount rates, growth rates, royalty rates, contributory asset charges, and other market factors. Our current expectations also include certain assumptions that could be negatively impacted if we are unable to meet our pricing expectations in relation to inflation. If current expectations of future growth rates and margins are not met, if market factors outside of our control, such as discount rates, market capitalization, income tax rates, foreign currency exchange rates, or inflation, change, or if management's expectations or plans otherwise change, including updates to our long-term operating plans, then one or more of our reporting units or brands might become impaired in the future. Additionally, any decisions to divest certain non-strategic assets has led and could in the future lead to goodwill or intangible asset impairments.

As detailed in Note 7, *Goodwill and Intangible Assets*, in Item 1, *Financial Statements*, we recorded impairment losses related to goodwill and indefinite-lived intangible assets. Our brands that were impaired in 2023 and 2022 were written down to their respective fair values resulting in zero excess fair value over carrying amount as of the applicable impairment test dates. Our reporting units and brands that have 20% or less excess fair value over carrying amount as of the 2023 annual impairment test have a heightened risk of future impairments if any assumptions, estimates, or market factors change in the future.

Reporting units with 10% or less fair value over carrying amount had an aggregate goodwill carrying amount after impairment of $17.6 billion as of the 2023 annual impairment test and included Taste, Meals, and Away from Home (TMA), Northern Europe, Continental Europe, and Canada and North America Coffee (CNAC). Reporting units with 10-20% fair value over carrying amount had an aggregate goodwill carrying amount of $12.5 billion as of the 2023 annual impairment test and included Fresh, Beverages, and Desserts (FBD) and Latin America (LATAM). Our Asia reporting unit had between 20-50% fair value over carrying amount with an aggregate goodwill carrying amount of $309 million as of the 2023 annual impairment test. Our reporting units that have less than 5% excess fair value over carrying amount as of the 2023 annual impairment test are considered at a heightened risk of future impairments and include our TMA, Continental Europe, and CNAC reporting units, which had an aggregate goodwill carrying amount of $15.9 billion. Our four remaining reporting units had no goodwill carrying amount at the time of the 2023 annual impairment test.

After impairment and after reclassifying two indefinite-lived intangible asset brands to definite-lived trademarks, our brands with 10% or less fair value over carrying amount had an aggregate carrying amount of $16.2 billion as of the annual 2023 impairment test and included *Kraft*, *Oscar Mayer*, *Velveeta*, *Maxwell House*, *Cool Whip*, and *Jet Puffed.* Brands with 10-20% fair value over carrying amount had an aggregate carrying amount of $2.4 billion as of the 2023 annual impairment test and included *Miracle Whip and Ore-Ida*. The aggregate carrying amount of brands with fair value over carrying amount between 20-50% was $4.2 billion as of the 2023 annual impairment test. Although the remaining brands, with a carrying amount of $15.7 billion, have more than 50% excess fair value over carrying amount as of the 2023 annual impairment test, these amounts are also susceptible to impairments if any assumptions, estimates, or market factors significantly change in the future. Our brands that have less than 5% excess fair value over carrying amount as of the 2023 annual impairment test are considered at a heightened risk of future impairments and include our *Kraft*, *Velveeta*, *Maxwell House*, *Cool Whip*, and *Jet Puffed* brands, which had an aggregate carrying amount of $13.5 billion.

We generally utilize the discounted cash flow method under the income approach to estimate the fair value of our reporting units. Some of the more significant assumptions inherent in estimating the fair values include the estimated future annual net cash flows for each reporting unit (including net sales, cost of products sold, SG&A, depreciation and amortization, working capital, and capital expenditures), income tax rates, long-term growth rates, and a discount rate that appropriately reflects the risks inherent in each future cash flow stream. We selected the assumptions used in the financial forecasts using historical data, supplemented by current and anticipated market conditions, estimated product category growth rates, management's plans, and guideline companies.

We utilize the excess earnings method under the income approach to estimate the fair value of certain of our largest brands. Some of the more significant assumptions inherent in estimating the fair values include the estimated future annual net cash flows for each brand (including net sales, cost of products sold, and SG&A), contributory asset charges, income tax considerations, long-term growth rates, a discount rate that reflects the level of risk associated with the future earnings attributable to the brand, and management's intent to invest in the brand indefinitely. We selected the assumptions used in the financial forecasts using historical data, supplemented by current and anticipated market conditions, estimated product category growth rates, management's plans, and guideline companies.

We utilize the relief from royalty method under the income approach to estimate the fair value of our remaining brands. Some of the more significant assumptions inherent in estimating the fair values include the estimated future annual net sales for each brand, royalty rates (as a percentage of net sales that would hypothetically be charged by a licensor of the brand to an unrelated licensee), income tax considerations, long-term growth rates, a discount rate that reflects the level of risk associated with the future cost savings attributable to the brand, and management's intent to invest in the brand indefinitely. We selected the assumptions used in the financial forecasts using historical data, supplemented by current and anticipated market conditions, estimated product category growth rates, management's plans, and guideline companies.

The discount rates, long-term growth rates, and royalty rates used to estimate the fair values of our reporting units and our brands with 20% or less excess fair value over carrying amount, as well as the goodwill or brand carrying amounts, as of the 2023 annual impairment test for each reporting unit or brand, were as follows:

	Goodwill or Brand Carrying Amount (in billions)	Discount Rate		Long-Term Growth Rate		Royalty Rate	
		Minimum	Maximum	Minimum	Maximum	Minimum	Maximum
Reporting units	$ 30.1	7.8 %	10.8 %	1.5 %	2.5 %		
Brands (excess earnings method)	14.9	8.3 %	8.6 %	1.0 %	1.9 %		
Brands (relief from royalty method)	3.7	8.3 %	8.6 %	0.5 %	2.0 %	6.0 %	20.0 %

Assumptions used in impairment testing are made at a point in time and require significant judgment; therefore, they are subject to change based on the facts and circumstances present at each annual and interim impairment test date. Additionally, these assumptions are generally interdependent and do not change in isolation. However, as it is reasonably possible that changes in assumptions could occur, as a sensitivity measure, we have presented the estimated effects of isolated changes in discount rates, long-term growth rates, and royalty rates on the fair values of our reporting units and brands with 20% or less excess fair value over carrying amount. These estimated changes in fair value are not necessarily representative of the actual impairment that would be recorded in the event of a fair value decline.

If we had changed the assumptions used to estimate the fair value of our reporting units and brands with 20% or less excess fair value over carrying amount, as of the 2023 annual impairment test for each of these reporting units and brands, these isolated changes, which are reasonably possible to occur, would have led to the following increase/(decrease) in the aggregate fair value of these reporting units and brands (in billions):

	Discount Rate		Long-Term Growth Rate		Royalty Rate	
	50-Basis-Point		25-Basis-Point		100-Basis-Point	
	Increase	Decrease	Increase	Decrease	Increase	Decrease
Reporting units	$ (4.9)	$ 5.7	$ 2.4	$ (2.2)		
Brands (excess earnings method)	(1.1)	1.3	0.5	(0.4)		
Brands (relief from royalty method)	(0.2)	0.3	0.1	(0.1)	$ 0.3	$ (0.3)

Definite-lived intangible assets are amortized on a straight-line basis over the estimated periods benefited. We review definite-lived intangible assets for impairment when conditions exist that indicate the carrying amount of the assets may not be recoverable. Such conditions could include significant adverse changes in the business climate, current-period operating or cash flow losses, significant declines in forecasted operations, or a current expectation that an asset group will be disposed of before the end of its useful life. We perform undiscounted operating cash flow analyses to determine if an impairment exists. When testing for impairment of definite-lived intangible assets held for use, we group assets at the lowest level for which cash flows are separately identifiable. If an impairment is determined to exist, the loss is calculated based on estimated fair value. Impairment losses on definite-lived intangible assets to be disposed of, if any, are based on the estimated proceeds to be received, less costs of disposal.

See Note 7, *Goodwill and Intangible Assets*, in Item 1, *Financial Statements*, for our impairment testing results.

New Accounting Pronouncements

See Note 3, *New Accounting Standards*, in Item 1, *Financial Statements*, for a discussion of new accounting pronouncements.

Contingencies

See Note 14, *Commitments, Contingencies, and Debt*, in Item 1, *Financial Statements*, for a discussion of our contingencies.

Non-GAAP Financial Measures

The non-GAAP financial measures we provide in this report should be viewed in addition to, and not as an alternative for, results prepared in accordance with U.S. GAAP.

To supplement the condensed consolidated financial statements prepared in accordance with U.S. GAAP, we have presented Organic Net Sales, Adjusted EBITDA, and Adjusted EPS, which are considered non-GAAP financial measures. The non-GAAP financial measures presented may differ from similarly titled non-GAAP financial measures presented by other companies, and other companies may not define these non-GAAP financial measures in the same way. These measures are not substitutes for their comparable U.S. GAAP financial measures, such as net sales, net income/(loss), diluted EPS, or other measures prescribed by U.S. GAAP, and there are limitations to using non-GAAP financial measures.

Management uses these non-GAAP financial measures to assist in comparing our performance on a consistent basis for purposes of business decision making by removing the impact of certain items that management believes do not directly reflect our underlying operations. We believe that Organic Net Sales, Adjusted EBITDA, and Adjusted EPS provide important comparability of underlying operating results, allowing investors and management to assess the Company's operating performance on a consistent basis.

Management believes that presenting our non-GAAP financial measures is useful to investors because it (i) provides investors with meaningful supplemental information regarding financial performance by excluding certain items, (ii) permits investors to view performance using the same tools that management uses to budget, make operating and strategic decisions, and evaluate historical performance, and (iii) otherwise provides supplemental information that may be useful to investors in evaluating our results. We believe that the presentation of these non-GAAP financial measures, when considered together with the corresponding U.S. GAAP financial measures and the reconciliations to those measures, provides investors with additional understanding of the factors and trends affecting our business than could be obtained absent these disclosures.

Organic Net Sales is defined as net sales excluding, when they occur, the impact of currency, acquisitions and divestitures, and a 53rd week of shipments. We calculate the impact of currency on net sales by holding exchange rates constant at the previous year's exchange rate, with the exception of highly inflationary subsidiaries, for which we calculate the previous year's results using the current year's exchange rate.

Adjusted EBITDA is defined as net income/(loss) from continuing operations before interest expense, other expense/(income), provision for/(benefit from) income taxes, and depreciation and amortization (excluding restructuring activities); in addition to these adjustments, we exclude, when they occur, the impacts of divestiture-related license income, restructuring activities, deal costs, unrealized losses/(gains) on commodity hedges, impairment losses, certain non-ordinary course legal and regulatory matters, and equity award compensation expense (excluding restructuring activities).

Adjusted EPS is defined as diluted EPS excluding, when they occur, the impacts of restructuring activities, deal costs, unrealized losses/(gains) on commodity hedges, impairment losses, certain non-ordinary course legal and regulatory matters, losses/(gains) on the sale of a business, other losses/(gains) related to acquisitions and divestitures (e.g., tax and hedging impacts), nonmonetary currency devaluation (e.g., remeasurement gains and losses), debt prepayment and extinguishment (benefit)/costs, and certain significant discrete income tax items (e.g., U.S. and non-U.S. tax reform), and including, when they occur, adjustments to reflect preferred stock dividend payments on an accrual basis.

The Kraft Heinz Company
Reconciliation of Net Sales to Organic Net Sales
(dollars in millions)
(Unaudited)

	Net Sales	Currency	Acquisitions and Divestitures	Organic Net Sales	Price	Volume/Mix
Three Months Ended September 30, 2023						
North America	$ 4,995	$ (14)	$ —	$ 5,009		
International	1,575	2	—	1,573		
Kraft Heinz	$ 6,570	$ (12)	$ —	$ 6,582		
Three Months Ended September 24, 2022						
North America	$ 5,016	$ —	$ —	$ 5,016		
International	1,489	21	12	1,456		
Kraft Heinz	$ 6,505	$ 21	$ 12	$ 6,472		
Year-over-year growth rates						
North America	(0.4)%	(0.3) pp	0.0 pp	(0.1)%	5.8 pp	(5.9) pp
International	5.7 %	(1.5) pp	(0.8) pp	8.0 %	11.6 pp	(3.6) pp
Kraft Heinz	1.0 %	(0.5) pp	(0.2) pp	1.7 %	7.1 pp	(5.4) pp

The Kraft Heinz Company
Reconciliation of Net Sales to Organic Net Sales
(dollars in millions)
(Unaudited)

	Net Sales	Currency	Acquisitions and Divestitures	Organic Net Sales	Price	Volume/Mix
Nine Months Ended September 30, 2023						
North America	$ 14,959	$ (64)	$ —	$ 15,023		
International	4,821	(116)	34	4,903		
Kraft Heinz	$ 19,780	$ (180)	$ 34	$ 19,926		
Nine Months Ended September 24, 2022						
North America	$ 14,656	$ —	$ —	$ 14,656		
International	4,448	57	53	4,338		
Kraft Heinz	$ 19,104	$ 57	$ 53	$ 18,994		
Year-over-year growth rates						
North America	2.1 %	(0.4) pp	0.0 pp	2.5 %	9.4 pp	(6.9) pp
International	8.4 %	(4.1) pp	(0.5) pp	13.0 %	15.7 pp	(2.7) pp
Kraft Heinz	3.5 %	(1.3) pp	(0.1) pp	4.9 %	10.8 pp	(5.9) pp

The Kraft Heinz Company
Reconciliation of Net Income/(Loss) to Adjusted EBITDA
(dollars in millions)
(Unaudited)

	For the Three Months Ended		For the Nine Months Ended	
	September 30, 2023	September 24, 2022	September 30, 2023	September 24, 2022
Net income/(loss)	$ 254	$ 435	$ 2,089	$ 1,481
Interest expense	228	228	683	704
Other expense/(income)	(35)	(22)	(94)	(211)
Provision for/(benefit from) income taxes	206	110	594	434
Operating income/(loss)	653	751	3,272	2,408
Depreciation and amortization (excluding restructuring activities)	234	227	680	676
Divestiture-related license income	(14)	(14)	(41)	(41)
Restructuring activities	45	8	25	38
Deal costs	—	—	—	8
Unrealized losses/(gains) on commodity hedges	(48)	84	(53)	65
Impairment losses	662	314	662	999
Certain non-ordinary course legal and regulatory matters	—	—	2	—
Equity award compensation expense	33	28	110	107
Adjusted EBITDA	$ 1,565	$ 1,398	$ 4,657	$ 4,260

The Kraft Heinz Company
Reconciliation of Diluted EPS to Adjusted EPS
(Unaudited)

	For the Three Months Ended		For the Nine Months Ended	
	September 30, 2023	September 24, 2022	September 30, 2023	September 24, 2022
Diluted EPS	$ 0.21	$ 0.35	$ 1.70	$ 1.19
Restructuring activities[a]	0.03	0.01	0.02	0.02
Deal costs[b]	—	—	—	0.01
Unrealized losses/(gains) on commodity hedges[c]	(0.03)	0.05	(0.03)	0.04
Impairment losses[d]	0.50	0.23	0.50	0.70
Losses/(gains) on sale of business[e]	—	(0.01)	—	(0.01)
Other losses/(gains) related to acquisitions and divestitures[f]	—	—	—	(0.02)
Nonmonetary currency devaluation[g]	0.01	0.01	0.02	0.01
Debt prepayment and extinguishment (benefit)/costs[h]	—	(0.01)	—	(0.01)
Certain significant discrete income tax items[i]	—	—	(0.01)	—
Adjusted EPS	$ 0.72	$ 0.63	$ 2.20	$ 1.93

(a) Gross expenses/(income) included in restructuring activities were expenses of $45 million ($37 million after-tax) for the three months and $27 million ($22 million after-tax) for the nine months ended September 30, 2023 and $7 million ($6 million after tax) for the three months and $37 million ($28 million after-tax) for the nine months ended September 24, 2022 and were recorded in the following income statement line items:

- Cost of products sold included expenses of $44 million for the three and nine months ended September 30, 2023 and $5 million for the three months and $15 million for the nine months ended September 24, 2022; and
- SG&A included expenses of $1 million for the three months and income of $19 million for the nine months ended September 30, 2023 and expenses of $3 million for the three months and $23 million for the nine months ended September 24, 2022.
- Other expense/(income) included expenses of $2 million for the nine months ended September 30, 2023 and income of $1 million for the three and nine months ended September 24, 2022.

(b) Gross expenses included in deal costs were $8 million ($5 million after-tax) for the nine months ended September 24, 2022 and were recorded in SG&A.

(c) Gross expenses/(income) included in unrealized losses/(gains) on commodity hedges were income of $48 million ($36 million after-tax) for the three months and $53 million ($40 million after-tax) for the nine months ended September 30, 2023 and expenses of $84 million ($63 million after-tax) for the three months and $65 million ($49 million after-tax) for the nine months ended September 24, 2022 and were recorded in cost of products sold.

(d) Gross impairment losses included the following:

- Goodwill impairment losses of $510 million ($510 million after-tax) for the three and nine months ended September 30, 2023 and $220 million ($220 million after-tax) for the three months and $444 million ($444 million after-tax) for the nine months ended September 24, 2022, which were recorded in SG&A;
- Intangible asset impairment losses of $152 million ($116 million after-tax) for the three and nine months ended September 30, 2023 and $74 million ($55 million after-tax) for the three months and $469 million ($358 million after-tax) for the nine months ended September 24, 2022, which were recorded in SG&A; and
- Property, plant and equipment, net asset impairment losses of $20 million ($15 million after-tax) for the three months and $86 million ($65 million after-tax) for the nine months ended September 24, 2022, which were recorded in cost of products sold.

(e) Gross expenses/(income) included in losses/(gains) on sale of business were expenses of $2 million ($2 million after-tax) for the nine months ended September 30, 2023 and a tax benefit of $7 million for the three months and income of $1 million ($8 million after-tax) for the nine months ended September 24, 2022 and were recorded in other expense/(income).

(f) Gross expenses/(income) included in other losses/(gains) related to acquisitions and divestitures were income of $38 million ($29 million after-tax) for the nine months ended September 24, 2022 and were recorded in other expense/(income).

(g) Gross expenses included in nonmonetary currency devaluation were $9 million ($9 million after-tax) for the three months and $27 million ($27 million after-tax) for the nine months ended September 30, 2023 and $6 million ($6 million after-tax) for the three months and $16 million ($16 million after-tax) for the nine months ended September 24, 2022 and were recorded in other expense/(income).

(h) Gross expenses/(income) included in debt prepayment and extinguishment costs were income of $3 million ($9 million after-tax) for the three months and $12 million ($16 million after-tax) for the nine months ended September 24, 2022 and were recorded in interest expense.

(i) Certain significant discrete income tax items were a benefit of $17 million for the nine months ended September 30, 2023. The benefit represents the reversal of uncertain tax position reserves related to the U.S. Tax Cuts and Jobs Act resulting from a conclusion of the Internal Revenue Service's income tax examination for the year 2017 and the lapsing of the statute of limitations for such year.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

There have been no material changes to our market risk during the nine months ended September 30, 2023. For additional information, refer to Item 7A, *Quantitative and Qualitative Disclosures about Market Risk*, in our Annual Report on Form 10-K for the year ended December 31, 2022.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of September 30, 2023. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures, as of September 30, 2023, were effective and provided reasonable assurance that the information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to management as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting during the three months ended September 30, 2023 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

See Note 14, *Commitments, Contingencies, and Debt*, in Item 1, *Financial Statements*.

Item 1A. Risk Factors.

There have been no material changes to the risk factors disclosed in our Annual Report on Form 10-K for the year ended December 31, 2022.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

Our share repurchase activity in the three months ended September 30, 2023 was:

	Total Number of Shares Purchased[(a)]	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs[(b)]	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
7/2/2023 - 8/5/2023	965	$ 35.85	—	$ —
8/6/2023 - 9/2/2023	626,676	33.57	—	—
9/3/2023 - 9/30/2023	2,692,247	33.53	—	—
Total	3,319,888		—	

(a) Includes, when applicable, (1) shares repurchased to offset the dilutive effect of the exercise of stock options using option exercise proceeds and the vesting of RSUs and PSUs and (2) shares withheld for tax liabilities associated with the vesting of RSUs and PSUs.

(b) We do not have any publicly-announced share repurchase plans or programs.

Item 5. Other Information.

(c) Insider Stock Trading Arrangements:

None.

Item 6. Exhibits.

Exhibit No.	Descriptions
10.1	First Amendment, dated as of July 21, 2023, to the Credit Agreement dated as of July 8, 2022, among The Kraft Heinz Company, Kraft Heinz Foods Company, the lenders party thereto, and JPMorgan Chase Bank, N.A., as administrative agent (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K, filed on July 21, 2023).
22.1	List of Guarantor Subsidiaries.*
31.1	Certification of Chief Executive Officer pursuant to Rule 13a 14(a)/15d 14(a) of the Securities Exchange Act of 1934.*
31.2	Certification of Chief Financial Officer pursuant to Rule 13a 14(a)/15d 14(a) of the Securities Exchange Act of 1934.*
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.**
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.**
101.1	The following materials from The Kraft Heinz Company's Quarterly Report on Form 10-Q for the period ended September 30, 2023 formatted in iXBRL (Inline eXtensible Business Reporting Language): (i) the Condensed Consolidated Statements of Income, (ii) the Condensed Consolidated Statements of Comprehensive Income, (iii) the Condensed Consolidated Balance Sheets, (iv) the Condensed Consolidated Statements of Equity, (v) the Condensed Consolidated Statements of Cash Flows, (vi) Notes to Condensed Consolidated Financial Statements, and (vii) document and entity information.*
104.1	The cover page from The Kraft Heinz Company's Quarterly Report on Form 10-Q for the three months ended September 30, 2023, formatted in inline XBRL.*

+	Indicates a management contract or compensatory plan or arrangement.
*	Filed herewith.
**	Furnished herewith.

SIGNATURES

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

	The Kraft Heinz Company
Date: November 1, 2023	
	By: /s/ Andre Maciel
	Andre Maciel Executive Vice President and Global Chief Financial Officer (Duly Authorized Officer and Principal Financial Officer)
	The Kraft Heinz Company
Date: November 1, 2023	
	By: /s/ Vince Garlati
	Vince Garlati Vice President and Global Controller (Principal Accounting Officer)

Exhibit 22.1

The Kraft Heinz Company
List of Subsidiary Guarantors and Issuers of Guaranteed Securities

As of September 30, 2023, The Kraft Heinz Company was the sole guarantor of all the unsecured registered notes issued by Kraft Heinz Foods Company, a Pennsylvania Limited Liability Company, its 100% owned operating subsidiary.

Description of KHFC Senior Notes
1.500% Euro senior notes due 2024
Floating Rate senior notes due 2025
3.000% senior notes due 2026
3.875% senior notes due 2027
4.125% British Pound senior notes due 2027
2.250% Euro senior notes due 2028
6.375% senior notes due 2028
4.625% senior notes due 2029
3.750% senior notes due 2030
4.250% senior notes due 2031
6.750% senior notes due 2032
5.000% senior notes due 2035
6.875% senior notes due 2039
7.125% senior notes due 2039
4.625% senior notes due 2039
6.500% senior notes due 2040
5.000% senior notes due 2042
5.200% senior notes due 2045
4.375% senior notes due 2046
4.875% senior notes due 2049
5.500% senior notes due 2050

Exhibit 31.1

I, Miguel Patricio, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended September 30, 2023 of The Kraft Heinz Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ Miguel Patricio
Miguel Patricio
Chief Executive Officer

Date: November 1, 2023

Exhibit 31.2

I, Andre Maciel, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended September 30, 2023 of The Kraft Heinz Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ Andre Maciel
Andre Maciel
Executive Vice President and Global Chief Financial Officer

Date: November 1, 2023

Exhibit 32.1

18 U.S.C. SECTION 1350 CERTIFICATION

I, Miguel Patricio, Chief Executive Officer of The Kraft Heinz Company (the “Company”), hereby certify that, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, to my knowledge:

1. The Company’s Quarterly Report on Form 10-Q for the period ended September 30, 2023 (the “Form 10-Q”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

By:	/s/ Miguel Patricio
Name:	Miguel Patricio
Title:	Chief Executive Officer

Date: November 1, 2023

The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Form 10-Q or as a separate disclosure document.

Exhibit 32.2

18 U.S.C. SECTION 1350 CERTIFICATION

I, Andre Maciel, Executive Vice President and Global Chief Financial Officer of The Kraft Heinz Company (the "Company"), hereby certify that, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, to my knowledge:

1. The Company's Quarterly Report on Form 10-Q for the period ended September 30, 2023 (the "Form 10-Q") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

By:	/s/ Andre Maciel
Name:	Andre Maciel
Title:	Executive Vice President and Global Chief Financial Officer

Date: November 1, 2023

The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Form 10-Q or as a separate disclosure document.