

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 June 29, 2019

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

KraftHeinz

The Kraft Heinz Company

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

One PPG Place, Pittsburgh, Pennsylvania

(Address of Principal Executive Offices)

46-2078182

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

15222

(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:

<u>Title of each class</u>	<u>Trading Symbol</u>	<u>Name of exchange on which registered</u>
Common stock, \$0.01 par value	KHC	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	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>	
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>	Emerging growth company <input type="checkbox"/>

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 August 3, 2019, there were 1,219,991,425 shares of the registrant's common stock outstanding.

Table of Contents

PART I - FINANCIAL INFORMATION	1
<u>Item 1. Financial Statements.</u>	<u>1</u>
<u>Condensed Consolidated Statements of Income</u>	<u>1</u>
<u>Condensed Consolidated Statements of Comprehensive Income</u>	<u>2</u>
<u>Condensed Consolidated Balance Sheets</u>	<u>3</u>
<u>Condensed Consolidated Statements of Equity</u>	<u>4</u>
<u>Condensed Consolidated Statements of Cash Flows</u>	<u>5</u>
<u>Notes to Condensed Consolidated Financial Statements</u>	<u>6</u>
<u>Note 1. Basis of Presentation</u>	<u>6</u>
<u>Note 2. Restatement of Previously Issued Condensed Consolidated Financial Statements</u>	<u>7</u>
<u>Note 3. Significant Accounting Policies</u>	<u>19</u>
<u>Note 4. New Accounting Standards</u>	<u>20</u>
<u>Note 5. Acquisitions and Divestitures</u>	<u>21</u>
<u>Note 6. Restructuring Activities</u>	<u>24</u>
<u>Note 7. Restricted Cash</u>	<u>26</u>
<u>Note 8. Inventories</u>	<u>26</u>
<u>Note 9. Goodwill and Intangible Assets</u>	<u>26</u>
<u>Note 10. Income Taxes</u>	<u>29</u>
<u>Note 11. Employees' Stock Incentive Plans</u>	<u>30</u>
<u>Note 12. Postemployment Benefits</u>	<u>30</u>
<u>Note 13. Financial Instruments</u>	<u>32</u>
<u>Note 14. Accumulated Other Comprehensive Income/(Loss)</u>	<u>37</u>
<u>Note 15. Venezuela - Foreign Currency and Inflation</u>	<u>39</u>
<u>Note 16. Financing Arrangements</u>	<u>40</u>
<u>Note 17. Commitments, Contingencies and Debt</u>	<u>40</u>
<u>Note 18. Leases</u>	<u>43</u>
<u>Note 19. Earnings Per Share</u>	<u>45</u>
<u>Note 20. Segment Reporting</u>	<u>45</u>
<u>Note 21. Supplemental Guarantor Information</u>	<u>47</u>
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.</u>	<u>60</u>
<u>Overview</u>	<u>60</u>
<u>Consolidated Results of Operations</u>	<u>60</u>
<u>Results of Operations by Segment</u>	<u>64</u>
<u>Liquidity and Capital Resources</u>	<u>69</u>
<u>Commodity Trends</u>	<u>71</u>
<u>Off-Balance Sheet Arrangements and Aggregate Contractual Obligations</u>	<u>71</u>
<u>Equity and Dividends</u>	<u>71</u>
<u>Critical Accounting Estimates</u>	<u>71</u>
<u>New Accounting Pronouncements</u>	<u>74</u>
<u>Contingencies</u>	<u>74</u>
<u>Non-GAAP Financial Measures</u>	<u>74</u>
<u>Forward-Looking Statements</u>	<u>80</u>
<u>Item 3. Quantitative and Qualitative Disclosures about Market Risk.</u>	<u>81</u>
<u>Item 4. Controls and Procedures.</u>	<u>81</u>
PART II - OTHER INFORMATION	82
<u>Item 1. Legal Proceedings.</u>	<u>82</u>
<u>Item 1A. Risk Factors.</u>	<u>83</u>
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.</u>	<u>84</u>
<u>Item 6. Exhibits.</u>	<u>84</u>
<u>Signatures</u>	<u>85</u>

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.

Explanatory Note

As previously disclosed, we restated our audited consolidated financial statements at December 30, 2017 and for the years ended December 30, 2017 and December 31, 2016. The restatement of these periods was effective with the filing of our Annual Report on Form 10-K for the year ended December 29, 2018. See Note 2, *Restatement of Previously Issued Consolidated Financial Statements*, to the consolidated financial statements in our Annual Report on Form 10-K for additional information related to the restatement.

Additionally, as previously disclosed, we restated the relevant unaudited interim financial information for the quarterly periods ended September 29, 2018, June 30, 2018, March 31, 2018, December 30, 2017, September 30, 2017, July 1, 2017, and April 1, 2017. The 2018 quarterly restatements are or will become effective with the filing of our 2019 unaudited interim condensed consolidated financial statement filings in Quarterly Reports on Form 10-Q, including the quarterly period ended June 30, 2018, which is effective with the filing of this Quarterly Report on Form 10-Q. See Note 2, *Restatement of Previously Issued Condensed Consolidated Financial Statements*, in Item 1, *Financial Statements*, for additional information related to the restatement of our condensed consolidated financial statements for the period ended June 30, 2018.

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 Six Months Ended	
	June 29, 2019	June 30, 2018 (As Restated)	June 29, 2019	June 30, 2018 (As Restated)
Net sales	\$ 6,406	\$ 6,690	\$ 12,365	\$ 12,994
Cost of products sold	4,324	4,343	8,272	8,383
Gross profit	2,082	2,347	4,093	4,611
Selling, general and administrative expenses, excluding impairment losses	750	756	1,579	1,520
Goodwill impairment losses	124	133	744	133
Intangible asset impairment losses	474	101	474	101
Selling, general and administrative expenses	1,348	990	2,797	1,754
Operating income/(loss)	734	1,357	1,296	2,857
Interest expense	316	316	637	633
Other expense/(income)	(133)	(20)	(513)	(110)
Income/(loss) before income taxes	551	1,061	1,172	2,334
Provision for/(benefit from) income taxes	103	308	320	578
Net income/(loss)	448	753	852	1,756
Net income/(loss) attributable to noncontrolling interest	(1)	(1)	(2)	(1)
Net income/(loss) attributable to common shareholders	\$ 449	\$ 754	\$ 854	\$ 1,757
Per share data applicable to common shareholders:				
Basic earnings/(loss)	\$ 0.37	\$ 0.62	\$ 0.70	\$ 1.44
Diluted earnings/(loss)	0.37	0.62	0.70	1.43

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 Six Months Ended	
	June 29, 2019	June 30, 2018 (As Restated)	June 29, 2019	June 30, 2018 (As Restated)
Net income/(loss)	\$ 448	\$ 753	\$ 852	\$ 1,756
Other comprehensive income/(loss), net of tax:				
Foreign currency translation adjustments	(69)	(862)	150	(665)
Net deferred gains/(losses) on net investment hedges	10	219	(4)	145
Amounts excluded from the effectiveness assessment of net investment hedges	6	—	10	—
Net deferred losses/(gains) on net investment hedges reclassified to net income/(loss)	(6)	—	(4)	—
Net deferred gains/(losses) on cash flow hedges	(10)	34	(26)	56
Amounts excluded from the effectiveness assessment of cash flow hedges	7	—	13	—
Net deferred losses/(gains) on cash flow hedges reclassified to net income/(loss)	3	(9)	(5)	(22)
Net actuarial gains/(losses) arising during the period	(5)	53	(5)	53
Net postemployment benefit losses/(gains) reclassified to net income/(loss)	(59)	(17)	(117)	(75)
Total other comprehensive income/(loss)	(123)	(582)	12	(508)
Total comprehensive income/(loss)	325	171	864	1,248
Comprehensive income/(loss) attributable to noncontrolling interest	(1)	(7)	10	(12)
Comprehensive income/(loss) attributable to common shareholders	\$ 326	\$ 178	\$ 854	\$ 1,260

See accompanying notes to the condensed consolidated financial statements.

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

	June 29, 2019	December 29, 2018
ASSETS		
Cash and cash equivalents	\$ 1,452	\$ 1,130
Trade receivables (net of allowances of \$32 at June 29, 2019 and \$24 at December 29, 2018)	2,049	2,129
Income taxes receivable	105	152
Inventories	3,074	2,667
Prepaid expenses	395	400
Other current assets	1,058	1,221
Assets held for sale	1,035	1,376
Total current assets	9,168	9,075
Property, plant and equipment, net	7,023	7,078
Goodwill	35,989	36,503
Intangible assets, net	48,943	49,468
Other non-current assets	2,078	1,337
TOTAL ASSETS	\$ 103,201	\$ 103,461
LIABILITIES AND EQUITY		
Commercial paper and other short-term debt	\$ 1	\$ 21
Current portion of long-term debt	1,298	377
Trade payables	4,153	4,153
Accrued marketing	508	722
Interest payable	384	408
Other current liabilities	1,446	1,767
Liabilities held for sale	7	55
Total current liabilities	7,797	7,503
Long-term debt	29,832	30,770
Deferred income taxes	12,128	12,202
Accrued postemployment costs	308	306
Other non-current liabilities	1,459	902
TOTAL LIABILITIES	51,524	51,683
Commitments and Contingencies (Note 17)		
Redeemable noncontrolling interest	2	3
Equity:		
Common stock, \$0.01 par value (5,000 shares authorized; 1,224 shares issued and 1,220 shares outstanding at June 29, 2019; 1,224 shares issued and 1,220 shares outstanding at December 29, 2018)	12	12
Additional paid-in capital	57,769	58,723
Retained earnings/(deficit)	(4,140)	(4,853)
Accumulated other comprehensive income/(losses)	(1,807)	(1,943)
Treasury stock, at cost (4 shares at June 29, 2019 and December 29, 2018)	(291)	(282)
Total shareholders' equity	51,543	51,657
Noncontrolling interest	132	118
TOTAL EQUITY	51,675	51,775
TOTAL LIABILITIES AND EQUITY	\$ 103,201	\$ 103,461

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 29, 2018	\$ 12	\$ 58,723	\$ (4,853)	\$ (1,943)	\$ (282)	\$ 118	\$ 51,775
Net income/(loss) excluding redeemable noncontrolling interest	—	—	405	—	—	—	405
Other comprehensive income/(loss)	—	—	—	123	—	12	135
Dividends declared-common stock (\$0.40 per share)	—	(488)	—	—	—	—	(488)
Cumulative effect of accounting standards adopted in the period	—	—	(136)	136	—	—	—
Exercise of stock options, issuance of other stock awards, and other	—	17	(2)	—	(9)	—	6
Balance at March 30, 2019	\$ 12	\$ 58,252	\$ (4,586)	\$ (1,684)	\$ (291)	\$ 130	\$ 51,833
Net income/(loss) excluding redeemable noncontrolling interest	—	—	449	—	—	—	449
Other comprehensive income/(loss)	—	—	—	(123)	—	—	(123)
Dividends declared-common stock (\$0.40 per share)	—	(488)	—	—	—	—	(488)
Exercise of stock options, issuance of other stock awards, and other	—	5	(3)	—	—	2	4
Balance at June 29, 2019	12	57,769	(4,140)	(1,807)	(291)	132	51,675
	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 30, 2017	\$ 12	\$ 58,634	\$ 8,495	\$ (1,054)	\$ (224)	\$ 207	\$ 66,070
Net income/(loss) excluding redeemable noncontrolling interest	—	—	1,003	—	—	5	1,008
Other comprehensive income/(loss)	—	—	—	79	—	(5)	74
Dividends declared-common stock (\$0.625 per share)	—	—	(762)	—	—	—	(762)
Cumulative effect of accounting standards adopted in the period	—	—	(95)	—	—	—	(95)
Exercise of stock options, issuance of other stock awards, and other	—	22	(7)	—	(16)	—	(1)
Balance at March 31, 2018 (As Restated)	\$ 12	\$ 58,656	\$ 8,634	\$ (975)	\$ (240)	\$ 207	\$ 66,294
Net income/(loss) excluding redeemable noncontrolling interest	—	—	754	—	—	—	754
Other comprehensive income/(loss)	—	—	—	(576)	—	(6)	(582)
Dividends declared-common stock (\$0.625 per share)	—	—	(762)	—	—	—	(762)
Exercise of stock options, issuance of other stock awards, and other	—	33	(2)	—	(14)	(13)	4
Balance at June 30, 2018 (As Restated)	12	58,689	8,624	(1,551)	(254)	188	65,708

See accompanying notes to the condensed consolidated financial statements.

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

	For the Six Months Ended	
	June 29, 2019	June 30, 2018 (As Restated)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income/(loss)	\$ 852	\$ 1,756
Adjustments to reconcile net income/(loss) to operating cash flows:		
Depreciation and amortization	494	462
Amortization of postretirement benefit plans prior service costs/(credits)	(153)	(183)
Equity award compensation expense	15	27
Deferred income tax provision/(benefit)	(40)	79
Postemployment benefit plan contributions	(13)	(60)
Goodwill and intangible asset impairment losses	1,218	234
Nonmonetary currency devaluation	6	67
Loss/(gain) on sale of business	(246)	15
Other items, net	(131)	12
Changes in current assets and liabilities:		
Trade receivables	75	(2,001)
Inventories	(484)	(428)
Accounts payable	63	127
Other current assets	5	(44)
Other current liabilities	(336)	153
Net cash provided by/(used for) operating activities	1,325	216
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash receipts on sold receivables	—	1,221
Capital expenditures	(448)	(438)
Payments to acquire business, net of cash acquired	(200)	(215)
Proceeds from sale of business, net of cash disposed	640	18
Other investing activities, net	(10)	(7)
Net cash provided by/(used for) investing activities	(18)	579
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayments of long-term debt	(4)	(12)
Proceeds from issuance of long-term debt	18	2,990
Proceeds from issuance of commercial paper	377	1,525
Repayments of commercial paper	(377)	(1,950)
Dividends paid	(976)	(1,659)
Other financing activities, net	(15)	(3)
Net cash provided by/(used for) financing activities	(977)	891
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	(8)	(80)
Cash, cash equivalents, and restricted cash		
Net increase/(decrease)	322	1,606
Balance at beginning of period	1,136	1,769
Balance at end of period	\$ 1,458	\$ 3,375
NON-CASH INVESTING ACTIVITIES:		
Beneficial interest obtained in exchange for securitized trade receivables	\$ —	\$ 899

See accompanying notes to the condensed consolidated financial statements.

The Kraft Heinz Company
Notes to 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.

The condensed consolidated balance sheet data at December 29, 2018 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 29, 2018. The results for interim periods are not necessarily indicative of future or annual results.

Principles of Consolidation

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

Reportable Segments

We manage and report our operating results through four segments. We have three reportable segments defined by geographic region: United States, Canada, and Europe, Middle East, and Africa (“EMEA”). Our remaining businesses are combined and disclosed as “Rest of World.” Rest of World comprises two operating segments: Latin America and Asia Pacific (“APAC”).

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 to certain previously reported financial information to conform to our current period presentation.

Held for Sale

We previously announced our plans to divest certain assets and operations in Canada. At June 29, 2019 and December 29, 2018, we have classified the assets and liabilities related to this disposal group as held for sale in our condensed consolidated balance sheet. Additionally, at December 29, 2018, the assets and liabilities related to the Heinz India divestiture were classified as held for sale in our condensed consolidated balance sheet. The Heinz India Transaction closed on January 30, 2019. Our assets held for sale are included within current assets and our liabilities held for sale are included within current liabilities. See Note 5, *Acquisitions and Divestitures*, for additional information.

Note 2. Restatement of Previously Issued Condensed Consolidated Financial Statements

We have restated herein our condensed consolidated financial statements at June 30, 2018 and for the three and six months ended June 30, 2018. We have also restated impacted amounts within the accompanying footnotes to the condensed consolidated financial statements.

Restatement Background

As previously disclosed on February 21, 2019, we received a subpoena from the SEC in October 2018 related to our procurement area, specifically the accounting policies, procedures, and internal controls related to our procurement function, including, but not limited to, agreements, side agreements, and changes or modifications to agreements with our suppliers. Following the receipt of this subpoena, we, together with external counsel and forensic accountants, and subsequently, under the oversight of the Audit Committee of our Board of Directors (the "Audit Committee"), conducted an internal investigation into the procurement area and related matters. As a result of the findings from this internal investigation, which was completed prior to the filing of our Annual Report on Form 10-K for the year ended December 29, 2018 on June 7, 2019 and which identified that multiple employees in the procurement area engaged in misconduct, we corrected prior period misstatements that generally increased the total cost of products sold in prior financial periods. These misstatements principally related to the incorrect timing of when certain cost and rebate elements associated with supplier contracts and related arrangements were initially recognized.

In connection with the internal investigation, we also conducted a comprehensive review of supplier contracts and related arrangements to identify other potential misstatements in the timing of the recognition of supplier rebates, incentive payments, and pricing arrangements. The review identified further misstatements, which we also investigated and have been unable to conclude if they resulted from the misconduct described above. These misstatements are described in more detail in restatement reference (a) below.

Our internal investigation and review identified adjustments that resulted in an understatement of cost of products sold totaling \$208 million, including misstatements of \$175 million relating to the periods up through September 29, 2018 that were restated in our Annual Report on Form 10-K for the year ended December 29, 2018. The misstatements of cost of products sold related to our internal investigation and review were \$22 million for the nine months ended September 29, 2018, including a \$4 million overstatement for the first quarter and understatements of \$13 million for the second quarter and \$13 million for the third quarter. We do not believe that the misstatements are quantitatively material to any period presented in our prior financial statements. However, due to the qualitative nature of the matters identified in our internal investigation, including the number of years over which the misconduct occurred and the number of transactions, suppliers, and procurement employees involved, we determined that it would be appropriate to correct the misstatements in our previously issued annual and interim consolidated financial statements by restating such financial statements. The restatement also included corrections for additional identified out-of-period and uncorrected misstatements in the impacted periods.

Accordingly, we have restated herein our unaudited condensed consolidated financial statements at June 30, 2018 and for the three and six months ended June 30, 2018, in accordance with Accounting Standards Codification ("ASC") Topic 250, *Accounting Changes and Error Corrections*. In addition to the misstatements related to the supplier contracts and related arrangements, including the misstatements related to lease classification described in restatement reference (b) below, we corrected additional identified out-of-period and uncorrected misstatements that were not material, individually or in the aggregate, to our condensed consolidated financial statements. These misstatements were related to balance sheet misclassifications, income taxes, impairments, and other misstatements, all of which are described in more detail in restatement references (c) through (f) below.

Description of Misstatements

Misstatements Associated with Supplier Contracts and Related Arrangements

(a) Supplier Rebates

We recorded adjustments to correct the misstatements found as a result of the internal investigation related to procurement described above. In connection with the internal investigation, we also conducted a comprehensive review of supplier contracts and related arrangements to identify other potential misstatements in the timing of the recognition of supplier rebates, incentive payments, and pricing arrangements. The review identified further misstatements, which we also investigated and have been unable to conclude if they resulted from the misconduct described above. These misstatements were primarily related to certain supplier contracts and related arrangements where the allocation of value of all or a portion of rebates and up-front payments to contractual elements in the current period should have been deferred and recognized over an applicable contractual period. We corrected these misstatements to defer the up-front consideration from suppliers when the retention or receipt of that consideration was contingent upon future events and to correctly recognize the consideration as a reduction of cost of products sold over the terms of the arrangements with the suppliers. The impacts of the supplier rebate misstatements are discussed in restatement reference (a) throughout this note.

(b) Capital Leases

As part of our review of supplier contracts and related arrangements in connection with the internal investigation, we evaluated additional elements of such arrangements, including the classification of embedded lease provisions as capital or operating. We had initially classified certain embedded lease provisions as capital leases and allocated their fixed consideration to the lease components. As a result of our analysis, and also taking into consideration, among other elements, the total value of supplier contracts and related arrangements, we determined that the classification of the embedded lease element for certain contracts should have been classified as an operating lease instead of a capital lease. In addition, we identified certain arrangements that were improperly accounted for as embedded capital leases. The impacts of the capital lease misstatements are discussed in restatement reference (b) throughout this note.

Additional Misstatements

(c) Balance Sheet Misclassifications

We recorded adjustments to recognize certain balance sheet misclassifications in the correct period. These adjustments primarily related to the classification of state income taxes and the classification of products held at co-packer locations. The impacts of the balance sheet misclassifications are discussed in restatement reference (c) throughout this note.

(d) Income Taxes

We recorded adjustments to recognize certain income tax items in the correct period, primarily deferred tax adjustments related to a Brazilian subsidiary, as well as return-to-provision adjustments and various other misclassifications. The income tax impacts of all misstatements outside of this category are included in their respective misstatement categories. The impacts of income tax misstatements are discussed in restatement reference (d) throughout this note.

(e) Impairments

We recorded adjustments to recognize certain non-cash impairment losses in the correct period. In 2018, we had determined that a definite-lived intangible asset had been impaired in the fourth quarter of 2016 due to a license termination in that period and recorded an out-of-period correction to recognize the non-cash impairment loss. In addition, we recorded an adjustment to correct goodwill impairment losses related to our Australia and New Zealand reporting unit, which had been overstated in the second quarter of 2018. The impacts of the impairment misstatements are discussed in restatement reference (e) throughout this note.

(f) Other

We recorded adjustments to correct other identified out-of-period and uncorrected misstatements that were not material, individually or in the aggregate, to our condensed consolidated financial statements. These other misstatements were primarily related to structured payable and product financing arrangements, inventory write-offs, certain accrued liabilities, and other misstatements within net sales and certain income tax and balance sheet accounts. The impacts of the other misstatements are discussed in restatement reference (f) throughout this note.

Description of Restatement Tables

Below, we have presented a reconciliation from the as previously reported to the restated values for each of our condensed consolidated financial statements at June 30, 2018 and for the three and six months ended June 30, 2018. The values as previously reported were derived from our Quarterly Report on Form 10-Q for the quarter ended June 30, 2018 filed on August 3, 2018.

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

	For the Three Months Ended June 30, 2018			
	As Previously Reported	Restatement Impacts ⁽¹⁾	Restatement Reference	As Restated
Net sales	\$ 6,686	\$ 4	(f)	\$ 6,690
Cost of products sold	4,321	22	(a)(b)(f)	4,343
Gross profit	2,365	(18)		2,347
Selling, general and administrative expenses, excluding impairment losses	771	(15)		756
Goodwill impairment losses	164	(31)	(e)	133
Intangible asset impairment losses	101	—		101
Selling, general and administrative expenses	1,036	(46)		990
Operating income/(loss)	1,329	28		1,357
Interest expense	318	(2)	(b)(f)	316
Other expense/(income)	(35)	15		(20)
Income/(loss) before income taxes	1,046	15		1,061
Provision for/(benefit from) income taxes	291	17	(a)(b)(d)(e)(f)	308
Net income/(loss)	755	(2)		753
Net income/(loss) attributable to noncontrolling interest	(1)	—		(1)
Net income/(loss) attributable to common shareholders	\$ 756	\$ (2)		\$ 754
Per share data applicable to common shareholders:				
Basic earnings/(loss)	\$ 0.62	\$ —		\$ 0.62
Diluted earnings/(loss)	0.62	—		0.62

(1) We have reclassified our \$15 million pre-tax loss on the sale of our South African business from SG&A to other expense/(income) in order to conform with current period presentation. This reclassification has been included in the restatement impacts column above.

(a) Supplier Rebates—The correction of these misstatements resulted in an increase to cost of products sold of \$13 million and a decrease to provision for income taxes of \$2 million for the three months ended June 30, 2018.

(b) Capital Leases—The correction of these misstatements resulted in an increase to cost of products sold of \$1 million, a decrease to interest expense of \$2 million, and an increase to provision for income taxes of less than \$1 million for the three months ended June 30, 2018.

(c) Balance Sheet Misclassifications—None.

(d) Income Taxes—The correction of these misstatements resulted in an increase to provision for income taxes of \$21 million for the three months ended June 30, 2018.

(e) Impairments—The correction of these misstatements resulted in a decrease to SG&A of \$31 million and an increase to provision for income taxes of less than \$1 million for the three months ended June 30, 2018.

(f) Other—The correction of these misstatements resulted in an increase to net sales of \$4 million, an increase to cost of products sold of \$8 million, a decrease to interest expense of less than \$1 million, and a decrease to provision for income taxes of \$2 million for the three months ended June 30, 2018.

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

	For the Six Months Ended June 30, 2018			
	As Previously Reported	Restatement Impacts ⁽¹⁾	Restatement Reference	As Restated
Net sales	\$ 12,990	\$ 4	(f)	\$ 12,994
Cost of products sold	8,380	3	(a)(b)(f)	8,383
Gross profit	4,610	1		4,611
Selling, general and administrative expenses, excluding impairment losses	1,535	(15)		1,520
Goodwill impairment losses	164	(31)	(e)	133
Intangible asset impairment losses	101	—		101
Selling, general and administrative expenses	1,800	(46)		1,754
Operating income/(loss)	2,810	47		2,857
Interest expense	635	(2)	(b)(f)	633
Other expense/(income)	(125)	15		(110)
Income/(loss) before income taxes	2,300	34		2,334
Provision for/(benefit from) income taxes	552	26	(a)(b)(d)(e)(f)	578
Net income/(loss)	1,748	8		1,756
Net income/(loss) attributable to noncontrolling interest	(1)	—		(1)
Net income/(loss) attributable to common shareholders	\$ 1,749	\$ 8		\$ 1,757
Per share data applicable to common shareholders:				
Basic earnings/(loss)	\$ 1.43	\$ 0.01		\$ 1.44
Diluted earnings/(loss)	1.43	—		1.43

(1) We have reclassified our \$15 million pre-tax loss on the sale of our South African business from SG&A to other expense/(income) in order to conform with current period presentation. This reclassification has been included in the restatement impacts column above.

(a) Supplier Rebates—The correction of these misstatements resulted in an increase to cost of products sold of \$9 million and a decrease to provision for income taxes of \$1 million for the six months ended June 30, 2018.

(b) Capital Leases—The correction of these misstatements resulted in an increase to cost of products sold of \$1 million, a decrease to interest expense of \$2 million, and an increase to provision for income taxes of less than \$1 million for the six months ended June 30, 2018.

(c) Balance Sheet Misclassifications—None.

(d) Income Taxes—The correction of these misstatements resulted in an increase to provision for income taxes of \$26 million for the six months ended June 30, 2018.

(e) Impairments—The correction of these misstatements resulted in a decrease to SG&A of \$31 million and an increase to provision for income taxes of less than \$1 million for the six months ended June 30, 2018.

(f) Other—The correction of these misstatements resulted in an increase to net sales of \$4 million, a decrease to cost of products sold of \$7 million, a decrease to interest expense of less than \$1 million, and an increase to provision for income taxes of \$1 million for the six months ended June 30, 2018.

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

	For the Three Months Ended June 30, 2018			
	As Previously Reported	Restatement Impacts	Restatement Reference	As Restated
Net income/(loss)	\$ 755	\$ (2)	(a)(b)(d)(e)(f)	\$ 753
Other comprehensive income/(loss), net of tax:				
Foreign currency translation adjustments	(868)	6	(b)(d)(e)	(862)
Net deferred gains/(losses) on net investment hedges	219	—		219
Net deferred gains/(losses) on cash flow hedges	34	—		34
Net deferred losses/(gains) on cash flow hedges reclassified to net income/(loss)	(9)	—		(9)
Net actuarial gains/(losses) arising during the period	53	—		53
Net postemployment benefit losses/(gains) reclassified to net income/(loss)	(17)	—		(17)
Total other comprehensive income/(loss)	(588)	6		(582)
Total comprehensive income/(loss)	167	4		171
Comprehensive income/(loss) attributable to noncontrolling interest	(7)	—		(7)
Comprehensive income/(loss) attributable to Kraft Heinz	\$ 174	\$ 4		\$ 178

The \$2 million decrease to net income was primarily driven by misstatements in the income taxes, supplier rebates, and other categories, partially offset by misstatements in the impairments and capital leases categories. See additional descriptions of the net income impacts in the consolidated statement of income for the three months ended June 30, 2018 section above.

The \$6 million increase to foreign currency translation adjustments is the result of misstatements in the income taxes, capital leases, and impairments categories.

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

	For the Six Months Ended June 30, 2018			
	As Previously Reported	Restatement Impacts	Restatement Reference	As Restated
Net income/(loss)	\$ 1,748	\$ 8	(a)(b)(d)(e)(f)	\$ 1,756
Other comprehensive income/(loss), net of tax:				
Foreign currency translation adjustments	(671)	6	(b)(d)(e)	(665)
Net deferred gains/(losses) on net investment hedges	145	—		145
Net deferred gains/(losses) on cash flow hedges	56	—		56
Net deferred losses/(gains) on cash flow hedges reclassified to net income/(loss)	(22)	—		(22)
Net actuarial gains/(losses) arising during the period	53	—		53
Net postemployment benefit losses/(gains) reclassified to net income/(loss)	(75)	—		(75)
Total other comprehensive income/(loss)	(514)	6		(508)
Total comprehensive income/(loss)	1,234	14		1,248
Comprehensive income/(loss) attributable to noncontrolling interest	(12)	—		(12)
Comprehensive income/(loss) attributable to Kraft Heinz	\$ 1,246	\$ 14		\$ 1,260

The \$8 million increase to net income was primarily driven by misstatements in the impairments, other, and capital leases categories, partially offset by misstatements in the income taxes and supplier rebates categories. See additional descriptions of the net income impacts in the consolidated statement of income for the six months ended June 30, 2018 section above.

The \$6 million increase to foreign currency translation adjustments is the result of misstatements in the income taxes, capital leases, and impairments categories.

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

	June 30, 2018			
	As Previously Reported	Restatement Impacts	Restatement Reference	As Restated
ASSETS				
Cash and cash equivalents	\$ 3,369	\$ —		\$ 3,369
Trade receivables (net of allowances of \$24 at June 30, 2018)	1,950	—		1,950
Sold receivables	37	—		37
Income taxes receivable	177	34	(a)(b)(d)(f)	211
Inventories	3,161	(67)	(c)(f)	3,094
Prepaid expenses	388	—		388
Other current assets	419	12	(a)(c)(f)	431
Total current assets	9,501	(21)		9,480
Property, plant and equipment, net	7,258	(141)	(b)(f)	7,117
Goodwill	44,270	32	(e)(f)	44,302
Intangible assets, net	59,101	(17)	(e)	59,084
Other non-current assets	1,766	—		1,766
TOTAL ASSETS	\$ 121,896	\$ (147)		\$ 121,749
LIABILITIES AND EQUITY				
Commercial paper and other short-term debt	\$ 34	\$ —		\$ 34
Current portion of long-term debt	2,754	(31)	(b)(f)	2,723
Trade payables	4,326	(90)	(f)	4,236
Accrued marketing	474	6	(f)	480
Interest payable	404	—		404
Other current liabilities	1,099	137	(a)(f)	1,236
Total current liabilities	9,091	22		9,113
Long-term debt	31,380	(111)	(b)(f)	31,269
Deferred income taxes	14,230	30	(a)(d)(e)(f)	14,260
Accrued postemployment costs	394	—		394
Other non-current liabilities	929	69	(a)	998
TOTAL LIABILITIES	56,024	10		56,034
Commitments and Contingencies				
Redeemable noncontrolling interest	7	—		7
Equity:				
Common stock, \$0.01 par value (5,000 shares authorized; 1,222 shares issued and 1,219 shares outstanding at June 30, 2018)	12	—		12
Additional paid-in capital	58,766	(77)	(c)	58,689
Retained earnings/(deficit)	8,710	(86)	(a)(b)(c)(d)(e)(f)	8,624
Accumulated other comprehensive income/(losses)	(1,557)	6	(b)(d)(e)	(1,551)
Treasury stock, at cost (3 shares at June 30, 2018)	(254)	—		(254)
Total shareholders' equity	65,677	(157)		65,520
Noncontrolling interest	188	—		188
TOTAL EQUITY	65,865	(157)		65,708
TOTAL LIABILITIES AND EQUITY	\$ 121,896	\$ (147)		\$ 121,749

(a) Supplier Rebates—The correction of these misstatements resulted in an increase to income taxes receivable of \$1 million, a decrease to other current assets of \$25 million, an increase to other current liabilities of \$67 million, a decrease to deferred income taxes of \$38 million, an increase to other non-current liabilities of \$69 million, and a decrease to retained earnings of \$122 million at June 30, 2018.

(b) Capital Leases—The correction of these misstatements resulted in a decrease to income taxes receivable of less than \$1 million, a decrease to property, plant and equipment, net, of \$139 million, a decrease to current portion of long-term debt of \$29 million, a decrease to long-term debt of \$111 million, an increase to retained earnings of \$1 million, and an increase to accumulated other comprehensive losses of less than \$1 million at June 30, 2018.

(c) Balance Sheet Misclassifications—The correction of these misstatements resulted in a decrease to inventories of \$65 million, an increase to other current assets of \$65 million, a decrease to additional paid-in capital of \$77 million, and an increase to retained earnings of \$77 million at June 30, 2018.

(d) Income Taxes—The correction of these misstatements resulted in an increase to income taxes receivable of \$29 million, an increase to deferred income taxes of \$73 million, a decrease to retained earnings of \$51 million, and a decrease to accumulated other comprehensive losses of \$7 million at June 30, 2018.

(e) Impairments—The correction of these misstatements resulted in an increase to goodwill of \$31 million, a decrease to intangible assets, net of \$17 million, a decrease to deferred income taxes of \$4 million, an increase to retained earnings of \$19 million, and an increase to accumulated other comprehensive losses of \$1 million at June 30, 2018.

(f) Other—The correction of these misstatements resulted in an increase to income taxes receivable of \$4 million, a decrease to inventories of \$2 million, a decrease to other current assets of \$28 million, a decrease to property, plant and equipment, net of \$2 million, an increase to goodwill of \$1 million, a decrease to current portion of long-term debt of \$2 million, a decrease to trade payables of \$90 million, an increase to accrued marketing of \$6 million, an increase to other current liabilities of \$70 million, an increase to long-term debt of less than \$1 million, a decrease to deferred income taxes of \$1 million, and a decrease to retained earnings of \$10 million at June 30, 2018.

The cumulative effect of misstatements corrected in periods prior to December 31, 2017 resulted in a reduction to retained earnings of \$94 million. The correction of misstatements in the six months ended June 30, 2018 resulted in an increase to retained earnings of \$8 million. See Note 2, *Restatement of Previously Issued Consolidated Financial Statements*, in our Annual Report on Form 10-K for the year ended December 29, 2018 for additional information.

The Kraft Heinz Company
Condensed Consolidated Statement of Equity
For the Three Months Ended March 31, 2018 and June 30, 2018
(in millions, except per share data)

	As Previously Reported							
	Restatement Reference	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 30, 2017		\$ 12	\$ 58,711	\$ 8,589	\$ (1,054)	\$ (224)	\$ 207	\$ 66,241
Net income/(loss) excluding redeemable noncontrolling interest		—	—	993	—	—	5	998
Other comprehensive income/(loss) excluding redeemable noncontrolling interest		—	—	—	79	—	(5)	74
Dividends declared-common stock (\$0.625 per share)		—	—	(762)	—	—	—	(762)
Cumulative effect of accounting standards adopted in the period		—	—	(95)	—	—	—	(95)
Exercise of stock options, issuance of other stock awards, and other		—	22	(7)	—	(16)	—	(1)
Balance at March 31, 2018		12	58,733	8,718	(975)	(240)	207	66,455
Net income/(loss) excluding redeemable noncontrolling interest		—	—	756	—	—	—	756
Other comprehensive income/(loss) excluding redeemable noncontrolling interest		—	—	—	(582)	—	(6)	(588)
Dividends declared-common stock (\$0.625 per share)		—	—	(762)	—	—	—	(762)
Exercise of stock options, issuance of other stock awards, and other		—	33	(2)	—	(14)	(13)	4
Balance at June 30, 2018		\$ 12	\$ 58,766	\$ 8,710	\$ (1,557)	\$ (254)	\$ 188	\$ 65,865

	Restatement Impacts							
	Restatement Reference	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 30, 2017		\$ —	\$ (77)	\$ (94)	\$ —	\$ —	\$ —	\$ (171)
Net income/(loss) excluding redeemable noncontrolling interest	(a)(b)(d)(e)(f)	—	—	10	—	—	—	10
Other comprehensive income/(loss) excluding redeemable noncontrolling interest	(b)(d)	—	—	—	—	—	—	—
Dividends declared-common stock (\$0.625 per share)		—	—	—	—	—	—	—
Cumulative effect of accounting standards adopted in the period		—	—	—	—	—	—	—
Exercise of stock options, issuance of other stock awards, and other		—	—	—	—	—	—	—
Balance at March 31, 2018		—	(77)	(84)	—	—	—	(161)
Net income/(loss) excluding redeemable noncontrolling interest	(a)(b)(d)(e)(f)	—	—	(2)	—	—	—	(2)
Other comprehensive income/(loss) excluding redeemable noncontrolling interest	(b)(d)(e)	—	—	—	6	—	—	6
Dividends declared-common stock (\$0.625 per share)		—	—	—	—	—	—	—
Exercise of stock options, issuance of other stock awards, and other		—	—	—	—	—	—	—
Balance at June 30, 2018		<u>\$ —</u>	<u>\$ (77)</u>	<u>\$ (86)</u>	<u>\$ 6</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (157)</u>

	As Restated							
	Restatement Reference	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 30, 2017		\$ 12	\$ 58,634	\$ 8,495	\$ (1,054)	\$ (224)	\$ 207	\$ 66,070
Net income/(loss) excluding redeemable noncontrolling interest		—	—	1,003	—	—	5	1,008
Other comprehensive income/(loss) excluding redeemable noncontrolling interest		—	—	—	79	—	(5)	74
Dividends declared-common stock (\$0.625 per share)		—	—	(762)	—	—	—	(762)
Cumulative effect of accounting standards adopted in the period		—	—	(95)	—	—	—	(95)
Exercise of stock options, issuance of other stock awards, and other		—	22	(7)	—	(16)	—	(1)
Balance at March 31, 2018		12	58,656	8,634	(975)	(240)	207	66,294
Net income/(loss) excluding redeemable noncontrolling interest		—	—	754	—	—	—	754
Other comprehensive income/(loss) excluding redeemable noncontrolling interest		—	—	—	(576)	—	(6)	(582)
Dividends declared-common stock (\$0.625 per share)		—	—	(762)	—	—	—	(762)
Exercise of stock options, issuance of other stock awards, and other		—	33	(2)	—	(14)	(13)	4
Balance at June 30, 2018		<u>\$ 12</u>	<u>\$ 58,689</u>	<u>\$ 8,624</u>	<u>\$ (1,551)</u>	<u>\$ (254)</u>	<u>\$ 188</u>	<u>\$ 65,708</u>

See descriptions of the net income and other comprehensive income impacts in the consolidated statement of income and consolidated statement of comprehensive income for the three and six months ended June 30, 2018 sections above.

The Kraft Heinz Company
Consolidated Statement of Cash Flows
(in millions)

	For the Six Months Ended June 30, 2018			
	As Previously Reported	Restatement Impacts	Restatement Reference	As Restated
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net income/(loss)	\$ 1,748	\$ 8	(a)(b)(d)(e)(f)	\$ 1,756
Adjustments to reconcile net income/(loss) to operating cash flows:				
Depreciation and amortization	476	(14)	(b)(f)	462
Amortization of postretirement benefit plans prior service costs/(credits)	(183)	—		(183)
Equity award compensation expense	27	—		27
Deferred income tax provision/(benefit)	58	21	(a)(d)(e)(f)	79
Postemployment benefit plan contributions	(60)	—		(60)
Goodwill and intangible asset impairment losses	265	(31)	(e)	234
Nonmonetary currency devaluation	67	—		67
Loss/(gain) on sale of business	15	—		15
Other items, net	44	(32)	(a)(f)	12
Changes in current assets and liabilities:				
Trade receivables	(2,001)	—		(2,001)
Inventories	(440)	12	(c)(f)	(428)
Accounts payable	143	(16)	(f)	127
Other current assets	(66)	22	(a)(c)(f)	(44)
Other current liabilities	136	17	(a)(b)(d)(f)	153
Net cash provided by/(used for) operating activities	229	(13)		216
CASH FLOWS FROM INVESTING ACTIVITIES:				
Cash receipts on sold receivables	1,221	—		1,221
Capital expenditures	(438)	—		(438)
Payments to acquire business, net of cash acquired	(215)	—		(215)
Proceeds from sale of business	18	—		18
Other investing activities, net	(7)	—		(7)
Net cash provided by/(used for) investing activities	579	—		579
CASH FLOWS FROM FINANCING ACTIVITIES:				
Repayments of long-term debt	(25)	13	(b)(f)	(12)
Proceeds from issuance of long-term debt	2,990	—		2,990
Proceeds from issuance of commercial paper	1,525	—		1,525
Repayments of commercial paper	(1,950)	—		(1,950)
Dividends paid - common stock	(1,659)	—		(1,659)
Other financing activities, net	(3)	—		(3)
Net cash provided by/(used for) financing activities	878	13		891
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	(80)	—		(80)
Cash, cash equivalents, and restricted cash				
Net increase/(decrease)	1,606	—		1,606
Balance at beginning of period	1,769	—		1,769
Balance at end of period	\$ 3,375	\$ —		\$ 3,375
NON-CASH INVESTING ACTIVITIES:				
Beneficial interest obtained in exchange for securitized trade receivables	\$ 899	\$ —		\$ 899

See descriptions of the net income impacts in the condensed consolidated statement of income for the six months ended June 30, 2018 section above.

The misstatements in the capital leases misclassifications category resulted in a decrease to net cash flows provided by operating activities of \$13 million and an increase to net cash flows provided by financing activities of \$13 million for the six months ended June 30, 2018.

The misstatements in the other misclassifications category resulted in a decrease to net cash flows provided by operating activities of less than \$1 million and an increase to net cash flows provided by financing activities of less than \$1 million for the six months ended June 30, 2018.

No other misstatements impacted the classifications between net operating, net investing, or net financing cash flow activities for the six months ended June 30, 2018.

Note 3. Significant Accounting Policies

The following significant accounting policy was updated in the first quarter of 2019 to reflect changes upon adoption of ASU 2016-02. There were no other changes to our accounting policies from those disclosed in our Annual Report on Form 10-K for the year ended December 29, 2018.

Leases:

We determine whether a contract is or contains a lease at contract inception based on the presence of identified assets and our right to obtain substantially all of the economic benefit from or to direct the use of such assets. When we determine a lease exists, we record a right-of-use (“ROU”) asset and corresponding lease liability on our consolidated balance sheets. ROU assets represent our right to use an underlying asset for the lease term. Lease liabilities represent our obligation to make lease payments arising from the lease. ROU assets are recognized at commencement date at the value of the lease liability and are adjusted for any prepayments, lease incentives received, and initial direct costs incurred. Lease liabilities are recognized at lease commencement date based on the present value of remaining lease payments over the lease term. As the discount rate implicit in the lease is not readily determinable in most of our leases, we use our incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. Our lease terms include options to extend or terminate the lease when it is reasonably certain that we will exercise that option.

We do not record lease contracts with a term of 12 months or less on our consolidated balance sheets.

We recognize fixed lease expense for operating leases on a straight-line basis over the lease term. For finance leases, we recognize amortization expense on the ROU asset and interest expense on the lease liability over the lease term.

We have lease agreements with non-lease components that relate to the lease components (e.g., common area maintenance such as cleaning or landscaping, insurance, etc.). We account for each lease and any non-lease components associated with that lease as a single lease component for all underlying asset classes. Accordingly, all costs associated with a lease contract are accounted for as lease costs.

Some leasing arrangements require variable payments that are dependent on usage or output or may vary for other reasons, such as insurance and tax payments. Variable lease payments that do not depend on an index or rate are excluded from lease payments in the measurement of the ROU asset and lease liability and are recognized as expense in the period in which the payment occurs.

Our lease agreements do not include significant restrictions or covenants, and residual value guarantees are generally not included within our operating leases.

Note 4. New Accounting Standards

Accounting Standards Adopted in the Current Year

Leases:

In February 2016, the Financial Accounting Standards Board (the “FASB”) issued accounting standards update (“ASU”) 2016-02 to establish the principles that lessees and lessors shall apply to report useful information to users of financial statements about the amount, timing, and uncertainty of cash flows arising from a lease. The updated guidance requires lessees to reflect the majority of leases on their balance sheets as assets and obligations. This ASU became effective beginning in the first quarter of our fiscal year 2019. We adopted this ASU in the first quarter of 2019 using a modified retrospective transition method and elected the following practical expedients: (i) the optional transition method that allows us to apply the guidance at the adoption date and recognize any adjustments that result from applying Accounting Standards Codification (“ASC”) Topic 842, *Leases*, to existing leases as a cumulative-effect adjustment to the opening balance of retained earnings/(deficit) in the period of adoption (i.e., the effective date); (ii) the package of practical expedients that allows us to carry forward our determination of whether a lease exists, the classification of a lease, and whether initial direct lease costs exist for purposes of transition to the new standard; (iii) the land easement option, which allows us to continue to use prior accounting conclusions reached in our accounting for land easements; and (iv) the short-term lease exemption whereby we will not record an asset or liability for short-term leases. The most significant impact of adoption on our condensed consolidated financial statements was the recognition of ROU assets and lease liabilities for operating leases. Our accounting for finance leases remained substantially unchanged. Upon adoption, we had total lease assets of \$821 million and total lease liabilities of \$887 million. The adoption of this ASU did not result in a cumulative-effect adjustment to the opening balance of retained earnings/(deficit) and did not impact our condensed consolidated statements of income or our cash flows. See Note 3, *Significant Accounting Policies*, for our lease accounting policy and Note 18, *Leases*, for additional information related to our lease arrangements.

Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income:

In February 2018, the FASB issued ASU 2018-02 related to reclassifying tax effects stranded in accumulated other comprehensive income/(losses) because of the Tax Cuts and Jobs Act (“U.S. Tax Reform”) enacted on December 22, 2017. U.S. Tax Reform reduced the U.S. federal corporate tax rate from 35.0% to 21.0%. ASC Topic 740, *Income Taxes*, requires the remeasurement of deferred tax assets and liabilities as a result of such changes in tax laws or rates to be presented in net income/(loss) from continuing operations. However, the related tax effects of such deferred tax assets and liabilities may have been originally recorded in other comprehensive income/(loss). This ASU allows companies to reclassify such stranded tax effects from accumulated other comprehensive income/(losses) to retained earnings/(deficit). This reclassification adjustment is optional, and if elected, may be applied either to the period of adoption or retrospectively to the period(s) impacted by U.S. Tax Reform. Additionally, this ASU requires companies to disclose the policy election for stranded tax effects as well as the general accounting policy for releasing income tax effects from accumulated other comprehensive income/(losses). This ASU became effective beginning in the first quarter of our fiscal year 2019. We adopted this ASU on the first day of our fiscal year 2019 and made the policy election to reclassify stranded tax effects from accumulated other comprehensive income/(losses) to retained earnings/(deficit) in the period of adoption. The impact of this policy election was an increase to retained earnings/(deficit) and a corresponding decrease to accumulated other comprehensive income/(losses) of \$136 million. We generally release income tax effects from accumulated other comprehensive income/(losses) when the entire portfolio of the item giving rise to the tax effect is disposed of, liquidated, or terminated.

Accounting Standards Not Yet Adopted

Measurement of Current Expected Credit Losses:

In June 2016, the FASB issued ASU 2016-13 to update the methodology used to measure current expected credit losses (“CECL”). This ASU applies to financial assets measured at amortized cost, including loans, held-to-maturity debt securities, net investments in leases, and trade accounts receivable as well as certain off-balance sheet credit exposures, such as loan commitments. This ASU replaces the current incurred loss impairment methodology with a methodology to reflect CECL and requires consideration of a broader range of reasonable and supportable information to explain credit loss estimates. The guidance must be adopted using a modified retrospective transition method through a cumulative-effect adjustment to retained earnings/(deficit) in the period of adoption. This ASU will be effective beginning in the first quarter of our fiscal year 2020. Early adoption is permitted. We are currently evaluating the impact this ASU will have on our financial statements and related disclosures as well as the timing of adoption.

Fair Value Measurement Disclosures:

In August 2018, the FASB issued ASU 2018-13 related to fair value measurement disclosures. This ASU removes the requirement to disclose the amount of and reasons for transfers between Levels 1 and 2 of the fair value hierarchy, the policy for determining that a transfer has occurred, and valuation processes for Level 3 fair value measurements. Additionally, this ASU modifies the disclosures related to the measurement uncertainty for recurring Level 3 fair value measurements (by removing the requirement to disclose sensitivity to future changes) and the timing of liquidation of investee assets (by removing the timing requirement in certain instances). The guidance also requires new disclosures for Level 3 financial assets and liabilities, including the amount and location of unrealized gains and losses recognized in other comprehensive income/(loss) and additional information related to significant unobservable inputs used in determining Level 3 fair value measurements. This ASU will be effective beginning in the first quarter of our fiscal year 2020. Early adoption of the guidance in whole is permitted. Alternatively, companies may early adopt removed or modified disclosures and delay adoption of the additional disclosures until their effective date. Certain of the amendments in this ASU must be applied prospectively upon adoption, while other amendments must be applied retrospectively upon adoption. We elected to early adopt the provisions related to removing disclosures in the fourth quarter of our fiscal year 2018 on a retrospective basis. Accordingly, we removed certain disclosures from Note 12, *Postemployment Benefits* and Note 13, *Financial Instruments*, in our Annual Report on Form 10-K for the year ended December 29, 2018. There was no other impact to our financial statement disclosures as a result of early adopting the provisions related to removing disclosures. We are currently evaluating the disclosure impact of the provisions related to modifying and adding disclosures as well as the timing of adoption.

Disclosure Requirements for Certain Employer-Sponsored Benefit Plans:

In August 2018, the FASB issued ASU 2018-14 related to the disclosure requirements for employers that sponsor defined benefit pension and other postretirement benefit plans. The guidance requires sponsors of these plans to provide additional disclosures, including weighted-average interest rates used in the company's cash balance plans and a narrative description of reasons for any significant gains or losses impacting the benefit obligation for the period. Additionally, this guidance eliminates certain previous disclosure requirements. This ASU will be effective beginning in the first quarter of our fiscal year 2020. Early adoption is permitted. This guidance must be applied on a retrospective basis to all periods presented. We are currently evaluating the impact this ASU will have on our financial statements and related disclosures as well as the timing of adoption.

Implementation Costs Incurred in Hosted Cloud Computing Service Arrangements:

In August 2018, the FASB issued ASU 2018-15 related to accounting for implementation costs incurred in hosted cloud computing service arrangements. Under the new guidance, implementation costs incurred in a hosting arrangement that is a service contract should be expensed or capitalized based on the nature of the costs and the project stage during which such costs are incurred. If the implementation costs qualify for capitalization, they must be amortized over the term of the hosting arrangement and assessed for impairment. Companies must disclose the nature of any hosted cloud computing service arrangements. This ASU also provides guidance for balance sheet and income statement presentation of capitalized implementation costs and statement of cash flows presentation for the related payments. This ASU will be effective beginning in the first quarter of our fiscal year 2020. Early adoption is permitted, including in an interim period. This guidance may be adopted either retrospectively or prospectively to all implementation costs incurred after the date of adoption. We are currently evaluating the impact this ASU will have on our financial statements and related disclosures as well as the timing of adoption and the application method.

Note 5. Acquisitions and Divestitures**Acquisitions*****Primal Acquisition:***

On January 3, 2019 (the "Primal Acquisition Date"), we acquired 100% of the outstanding equity interests in Primal Nutrition, LLC ("Primal Nutrition") (the "Primal Acquisition"), a better-for-you brand primarily focused on condiments, sauces, and dressings, with growing product lines in healthy snacks and other categories. The *Primal Kitchen* brand holds leading positions in the e-commerce and natural channels. The results of Primal Nutrition have been included in our condensed consolidated financial statements for the three and six months ended June 29, 2019. We have not included unaudited pro forma results, prepared in accordance with ASC 805, as if Primal Nutrition had been acquired as of December 31, 2017 (the first day of the first fiscal period presented), as it would not yield significantly different results.

The Primal Acquisition was accounted for under the acquisition method of accounting for business combinations. The total cash consideration paid for Primal Nutrition was \$202 million. We utilized estimated fair values at the Primal 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 Primal Acquisition is preliminary and subject to adjustment.

The fair value estimates of the assets acquired are subject to adjustment during the measurement period (up to one year from the Primal Acquisition Date). The primary areas of accounting for the Primal Acquisition that are not yet finalized relate to the fair value of certain tangible and intangible assets acquired, residual goodwill, and any related tax impact. The fair values of these net assets acquired are based on management's estimates and assumptions, as well as other information compiled by management, including valuations that utilize customary valuation procedures and techniques. While we believe that such preliminary estimates provide a reasonable basis for estimating the fair value of assets acquired and liabilities assumed, we will evaluate any additional information prior to finalization of the fair value. During the measurement period, we will adjust preliminary valuations assigned to assets and liabilities if new information is obtained about facts and circumstances that existed as of the Primal Acquisition Date that, if known, would have resulted in revised values for these items as of that date. The impact of all changes, if any, that do not qualify as measurement period adjustments will be included in current period earnings.

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

Cash	\$	2
Other current assets		15
Identifiable intangible assets		66
Current liabilities		(6)
Net assets acquired		77
Goodwill on acquisition		125
Total consideration	\$	202

The Primal Acquisition preliminarily resulted in \$125 million of non tax deductible goodwill relating principally to planned expansion of the *Primal Kitchen* brand into new channels and categories. This goodwill was preliminarily allocated to the United States segment as shown in Note 9, *Goodwill and Intangible Assets*.

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

	Fair Value (in millions of dollars)	Weighted Average Life (in years)
Definite-lived trademarks	\$ 52.5	15
Customer-related assets	13.5	20
Total	\$ 66.0	

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 plans, and market comparables.

We used carrying values as of the Primal 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 the Primal Acquisition Date.

Cerebos Acquisition:

On March 9, 2018 (the "Cerebos Acquisition Date"), we acquired 100% of the outstanding equity interests in Cerebos Pacific Limited ("Cerebos") (the "Cerebos Acquisition"), an Australian food and beverage company.

The Cerebos Acquisition was accounted for under the acquisition method of accounting for business combinations. The total cash consideration paid for Cerebos was \$244 million. We utilized estimated fair values at the Cerebos Acquisition Date to allocate the total consideration exchanged to the net tangible and intangible assets acquired and liabilities assumed. Such allocation was final as of December 29, 2018.

See Note 5, *Acquisitions and Divestitures*, to the consolidated financial statements in our Annual Report on Form 10-K for the year ended December 29, 2018 for the final purchase price allocation, valuation methodology, and other information related to the Cerebos Acquisition.

Related to these acquisitions, we incurred aggregate deal costs of \$2 million for the six months ended June 29, 2019 and \$7 million for the three months and \$16 million for the six months ended June 30, 2018. There were no deal costs related to acquisitions for the three months ended June 29, 2019. We recognized these deal costs in SG&A.

Divestitures

Heinz India Transaction:

In October 2018, we entered into a definitive agreement with two third-parties, Zydus Wellness Limited and Cadila Healthcare Limited (collectively, the “Buyers”), to sell 100% of our equity interests in Heinz India Private Limited (“Heinz India”) for approximately 46 billion Indian rupees (approximately \$655 million at January 30, 2019) (the “Heinz India Transaction”). In connection with the Heinz India Transaction, we transferred to the Buyers, among other assets and operations, our global intellectual property rights to several brands, including *Complan*, *Glucon-D*, *Nycil*, and *Sampriti*. Our core brands (i.e., *Heinz* and *Kraft*) were not transferred. The Heinz India Transaction closed on January 30, 2019 (the “Heinz India Closing Date”). We recognized a pre-tax gain of \$246 million, which was included in other expense/(income) for the six months ended June 29, 2019.

The components of the pre-tax gain were as follows (in millions):

Proceeds	\$	655
Less investment in Heinz India		(355)
Recognition of tax indemnification		(48)
Other		(6)
Pre-tax gain on sale of Heinz India	\$	246

In connection with the Heinz India Transaction we agreed to indemnify the Buyers from and against any tax losses for any taxable period prior to the Heinz India Closing Date, including taxes for which we are liable as a result of any transaction that occurred on or before such date. To determine the fair value of our tax indemnity we made various assumptions, including the range of potential dates the tax matters will be resolved, the range of potential future cash flows, the probabilities associated with potential resolution dates and potential future cash flows, and the discount rate. We recorded tax indemnity liabilities related to the Heinz India Transaction totaling approximately \$48 million, including \$18 million in other current liabilities and \$30 million in other non-current liabilities on our condensed consolidated balance sheet at June 29, 2019. We also recorded a corresponding \$48 million reduction of the gain on the Heinz India Transaction within other expense/(income) in our condensed consolidated statement of income for the six months ended June 29, 2019. Future changes to the fair value of these tax indemnity liabilities will continue to impact other expense/(income) throughout the life of the exposures as a component of the gain on sale for the Heinz India Transaction.

The other component of the pre-tax gain on the sale of Heinz India in the table above primarily related to losses on net investment hedges of our investment in Heinz India, which were settled in the current period. These losses were recorded in other expense/(income) for the six months ended June 29, 2019.

Canada Natural Cheese Transaction:

In November 2018, we entered into a definitive agreement with Parmalat SpA (“Parmalat”) to sell certain assets in our natural cheese portfolio in Canada for approximately 1.6 billion Canadian dollars (approximately \$1.2 billion at June 29, 2019) (the “Canada Natural Cheese Transaction”). In connection with the Canada Natural Cheese Transaction, we will transfer certain assets to Parmalat, including the intellectual property rights to *Cracker Barrel* in Canada and *P’Tit Quebec* globally. The Canada Natural Cheese Transaction closed on July 2, 2019. We expect to recognize a gain on this transaction in the third quarter of 2019. We have presented the assets and liabilities related to the Canada Natural Cheese Transaction as held for sale on the consolidated balance sheet at June 29, 2019 and December 29, 2018. This divestiture is not considered a strategic shift that will have a major effect on our operations or financial results; therefore, it will not be reported as discontinued operations.

South Africa Transaction:

On May 31, 2018, we sold our 50.1% interest in our South African subsidiary to our minority interest partner. This transaction included proceeds of \$18 million, which were included in investing activities on the condensed consolidated statement of cash flows for the six months ended June 30, 2018. We recorded a pre-tax loss on the sale of a business of approximately \$15 million, which was included in other expense/(income) on the condensed consolidated statements of income for the three and six months ended June 30, 2018.

We incurred aggregate deal costs related to these divestitures of \$5 million for the three months and \$11 million for the six months ended June 29, 2019. We recognized these deal costs in SG&A.

Held for Sale

Our assets and liabilities held for sale, by major class, were (in millions):

	June 29, 2019	December 29, 2018
ASSETS		
Inventories	\$ 79	\$ 92
Property, plant and equipment, net	95	139
Goodwill	517	669
Intangible assets, net	336	437
Other	8	39
Total assets held for sale	\$ 1,035	\$ 1,376
LIABILITIES		
Total liabilities held for sale	\$ 7	\$ 55

The change in assets and liabilities held for sale during the six months ended June 29, 2019 was primarily related to the Heinz India Transaction closing on January 30, 2019.

Note 6. Restructuring Activities

As part of our restructuring activities, we incur expenses that qualify as exit and disposal costs under U.S. GAAP. These include severance and employee benefit costs and other exit costs. Severance and employee benefit costs primarily relate to cash severance, non-cash severance, including accelerated equity award compensation expense, and pension and other termination benefits. Other exit costs primarily relate to lease and contract terminations. We also incur expenses that are an integral component of, and directly attributable to, our restructuring activities, which do not qualify as exit and disposal costs under U.S. GAAP. These include asset-related costs and other implementation costs. Asset-related costs primarily relate to accelerated depreciation and asset impairment charges. Other implementation costs primarily relate to start-up costs of new facilities, professional fees, asset relocation costs, costs to exit facilities, and costs associated with restructuring benefit plans.

Employee severance and other termination benefit packages are primarily determined based on established benefit arrangements, local statutory requirements, or historical benefit practices. We recognize the contractual component of these benefits when payment is probable and estimable; additional elements of severance and termination benefits associated with non-recurring benefits are recognized ratably over each employee's required future service period. Charges for accelerated depreciation are recognized on long-lived assets that will be taken out of service before the end of their normal service, in which case depreciation estimates are revised to reflect the use of the asset over its shortened useful life. Asset impairments establish a new fair value basis for assets held for disposal or sale, and those assets are written down to expected net realizable value if carrying value exceeds fair value. All other costs are recognized as incurred.

Restructuring Activities:

We have restructuring programs globally, which are focused primarily on workforce reduction and factory closure and consolidation. As of June 29, 2019, related to these programs, we expect to eliminate approximately 400 positions, 200 of which were eliminated during the six months ended June 29, 2019. These programs resulted in expenses of \$41 million during the six months ended June 29, 2019, including \$3 million of credits in severance and employee benefit costs, \$12 million of non-cash asset-related costs, and \$32 million of other implementation costs. Restructuring expenses during the three months ended June 29, 2019 were \$14 million, including \$4 million of credits in severance and employee benefit costs, \$3 million of non-cash asset-related costs, \$17 million of other implementation costs, and \$2 million of credits in other exit costs. Restructuring expenses totaled \$135 million for the three months and \$167 million for the six months ended June 30, 2018.

Our net liability balance for restructuring project costs that qualify as exit and disposal costs under U.S. GAAP (i.e., severance and employee benefit costs and other exit costs) was (in millions):

	Severance and Employee Benefit Costs	Other Exit Costs ^(a)	Total
Balance at December 29, 2018	\$ 32	\$ 33	\$ 65
Charges/(credits)	(3)	—	(3)
Cash payments	(13)	(3)	(16)
Balance at June 29, 2019	<u>\$ 16</u>	<u>\$ 30</u>	<u>\$ 46</u>

(a) Other exit costs primarily consist of lease and contract terminations.

We expect the majority of the liability for severance and employee benefit costs as of June 29, 2019 to be paid by the end of 2019. 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 2019 and 2026.

Integration Program:

At the end of 2017, we had substantially completed our multi-year program announced following the merger of Kraft Foods Group, Inc. with and into a wholly-owned subsidiary of H. J. Heinz Holding Corporation (“Heinz”) (the “2015 Merger”) (the “Integration Program”), which was designed to reduce costs and integrate and optimize our combined organization, primarily in the U.S. and Canada segments.

We incurred pre-tax costs related to the Integration Program of \$22 million during the three months and \$80 million during the six months ended June 30, 2018. No such expenses were incurred during the three or six months ended June 29, 2019.

Total Expenses:

Total expense/(income) related to restructuring activities, including the Integration Program, by income statement caption, were (in millions):

	For the Three Months Ended		For the Six Months Ended	
	June 29, 2019	June 30, 2018 (As Restated)	June 29, 2019	June 30, 2018 (As Restated)
Severance and employee benefit costs - COGS	\$ (3)	\$ 9	\$ (3)	\$ 25
Severance and employee benefit costs - SG&A	(1)	5	—	10
Severance and employee benefit costs - Other expense/(income)	—	6	—	6
Asset-related costs - COGS	1	5	3	25
Asset-related costs - SG&A	2	1	9	1
Other costs - COGS	8	65	15	107
Other costs - SG&A	7	8	17	15
Other costs - Other expense/(income)	—	58	—	58
	<u>\$ 14</u>	<u>\$ 157</u>	<u>\$ 41</u>	<u>\$ 247</u>

We do not include our restructuring activities, including the Integration Program, within Segment Adjusted EBITDA (as defined in Note 20, *Segment Reporting*). The pre-tax impact of allocating such expenses to our segments would have been (in millions):

	For the Three Months Ended		For the Six Months Ended	
	June 29, 2019	June 30, 2018	June 29, 2019	June 30, 2018
United States	\$ 7	\$ 69	\$ 26	\$ 121
Canada	4	63	6	66
EMEA	1	7	4	28
Rest of World	—	9	1	9
General corporate expenses	2	9	4	23
	<u>\$ 14</u>	<u>\$ 157</u>	<u>\$ 41</u>	<u>\$ 247</u>

Note 7. Restricted Cash

The following table provides a reconciliation of cash and cash equivalents, as reported on our condensed consolidated balance sheets, to cash, cash equivalents, and restricted cash, as reported on our condensed consolidated statements of cash flows (in millions):

	June 29, 2019	December 29, 2018
Cash and cash equivalents	\$ 1,452	\$ 1,130
Restricted cash included in other current assets	1	1
Restricted cash included in other non-current assets	5	5
Cash, cash equivalents, and restricted cash	<u>\$ 1,458</u>	<u>\$ 1,136</u>

Note 8. Inventories

Inventories consisted of the following (in millions):

	June 29, 2019	December 29, 2018
Packaging and ingredients	\$ 598	\$ 510
Work in process	324	343
Finished product	2,152	1,814
Inventories	<u>\$ 3,074</u>	<u>\$ 2,667</u>

At June 29, 2019 and December 29, 2018, inventories excluded amounts classified as held for sale. See Note 5, *Acquisitions and Divestitures*, for additional information.

Note 9. Goodwill and Intangible Assets

Goodwill:

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

	United States	Canada	EMEA	Rest of World	Total
Balance at December 29, 2018	\$ 29,597	\$ 2,438	\$ 3,074	\$ 1,394	\$ 36,503
Impairment losses	(118)	—	(292)	(334)	(744)
Acquisitions	125	—	6	—	131
Translation adjustments and other	1	102	(7)	3	99
Balance at June 29, 2019	<u>\$ 29,605</u>	<u>\$ 2,540</u>	<u>\$ 2,781</u>	<u>\$ 1,063</u>	<u>\$ 35,989</u>

In the first quarter of 2019, we completed the acquisition of Primal Nutrition. Additionally, at June 29, 2019 and December 29, 2018, goodwill excluded amounts classified as held for sale. See Note 5, *Acquisitions and Divestitures*, for additional information related to this acquisition, as well as amounts held for sale.

We maintain 19 reporting units, 12 of which comprise our goodwill balance. These 12 reporting units had an aggregate carrying amount of \$36.0 billion as of June 29, 2019. We test our reporting units 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 is less than its carrying amount.

In connection with the preparation of the first quarter financial statements, which occurred concurrently with the preparation of the second quarter financial statements due to the delay in the filing of our Annual Report on Form 10-K for the year ended December 29, 2018, we concluded that it was more likely than not that the fair values of three of our 19 reporting units (EMEA East, Brazil and Latin America Exports) were below their carrying amounts. The factors that led to this conclusion included: (i) changes in management structure which triggered the reorganization of the EMEA East and Latin America Exports reporting units in the first quarter; (ii) new management in certain of these reporting units coupled with the development of our five-year operating plan assumptions for each of these reporting units in the first quarter, which established revised expectations and priorities for the coming years in response to current market factors, such as lower revenue growth and margin expectations; (iii) increases in discount rates used to value reporting units in these regions due to expectations of increased risk in these emerging markets; and (iv) fluctuations in forecasted foreign exchange rates in certain countries.

We recognized a non-cash impairment loss of \$620 million in SG&A in the first quarter of 2019 related to the three reporting units noted above that are contained within our EMEA and Rest of World segments. We determined the factors contributing to the impairment loss were the result of circumstances that arose during the first quarter of 2019.

We recognized a \$286 million impairment loss in our EMEA East reporting unit within our EMEA segment. In the first quarter of 2019, we reorganized our reporting units to combine Russia, Poland, Middle East, and Distributors operations into the EMEA East reporting unit as a result of changing our management structure. Following this reorganization, we established a new management team in the region at the beginning of 2019 that developed a new five-year operating plan for the region, which established a revised downward outlook for net sales, margin, and cash flows in response to lower expectations for margin and revenue growth opportunities in the region. As a result of this planning process, management revised its expectations downward in relation to the anticipated long-term impact of white space growth opportunities in MEA and the impact of discounter store growth in Russia. Additionally, there were declines in forecasted foreign exchange rates in the region. After the impairment, the goodwill carrying amount of the EMEA East reporting unit is approximately \$144 million.

We recognized a \$205 million impairment loss in our Brazil reporting unit within our Rest of World segment. During the first quarter, we observed lower than expected performance in launches of new products coupled with the de-listing of certain existing products as well as higher costs due to changes in our sourcing approach to support revenue growth plans. We developed a new five-year operating plan for the region in the first quarter of 2019, which produced a revised outlook for net sales and margins in contemplation of these events and after considering their potential long-term impacts. Additionally, there were declines in forecasted foreign exchange rates in the region. The impairment of the Brazil reporting unit represents all of the goodwill of that reporting unit.

We recognized a \$129 million impairment loss in our Latin America Exports reporting unit within our Rest of World segment. In the first quarter of 2019, we reorganized our reporting units to combine Puerto Rico and our Other Latin America Exports business with Costa Rica, Panama, Colombia, Argentina, and Andinos operations (which were part of the previously fully impaired Other Latin America reporting unit and thus had previously been identified as having a fair value less than carrying amount) into the Latin America Exports reporting unit as a result of changing our management structure. We developed a new five-year operating plan for the region in the first quarter of 2019, which produced a revised downward outlook for net sales and margins and adjusted cash flow forecasts to reflect lower expectations in the market, higher costs associated with changes in our sourcing approach, and increased investments in the business to support growth in these emerging markets. After the impairment, the goodwill carrying amount of the Latin America Exports reporting unit is approximately \$297 million.

We performed our 2019 annual impairment test as of March 31, 2019, which is the first day of our second quarter in 2019 (this was performed concurrently with the preparation of the first and second quarter 2019 financial statements due to the delay in the filing of our Annual Report on Form 10-K for the year ended December 29, 2018). We utilized the discounted cash flow method under the income approach to estimate the fair value of our reporting units. Through the performance of the 2019 annual impairment test, we identified an impairment related to the U.S. Refrigerated reporting unit. This impairment was primarily due to an increase in the discount rate assumption used for the fair value estimation. The increase in the discount rate was applied to reflect a market participants' perceived risk in the valuation implied by the sustained reduction in our stock price and, hence, market capitalization (which decreased approximately 25% from December 29, 2018 to the March 31, 2019 annual impairment test date and sustained this decline through June 29, 2019). Since this valuation assumption change was made in connection with the annual impairment test in the second quarter of 2019 and was not indicative of events or conditions that would have constituted a triggering event during the first quarter of 2019, we recorded a non-cash impairment loss of \$118 million in SG&A in the second quarter of 2019 within our United States segment. The goodwill carrying amount of this reporting unit is \$7.0 billion after the impairment.

Accumulated impairment losses to goodwill were \$7.8 billion at June 29, 2019.

The goodwill carrying amounts associated with an additional six reporting units, which each had excess fair value over its carrying amount of 10% or less based on the results of our 2019 annual impairment assessment, were \$18.6 billion for U.S. Grocery, \$3.9 billion for U.S. Foodservice, \$2.1 billion for Canada Retail, \$370 million for Australia and New Zealand, \$368 million for Canada Foodservice, and \$83 million for Northeast Asia as of the impairment test date. The goodwill carrying amount associated with one additional reporting unit, which had excess fair value over its carrying amount between 10-20%, was \$593 million for Continental Europe as of the impairment test date. The aggregate goodwill carrying amount of reporting units with fair value over carrying amount between 20-50% was \$2.4 billion as of the impairment test date, and there were no reporting units with fair value over carrying amount in excess of 50%.

As a result of our 2018 annual impairment test, we recognized a non-cash impairment loss of \$133 million in SG&A related to our Australia and New Zealand reporting unit in the second quarter of 2018. This impairment loss was primarily due to margin declines in the region.

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. If current expectations of future growth rates and margins are not met, if market factors outside of our control, such as discount rates, change, or if management's expectations or plans otherwise change, including as a result of updates to our global five-year operating plan, then one or more of our reporting units might become impaired in the future. Our reporting units that were impaired in 2018 and 2019 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 reporting units that have 20% or less excess fair value over carrying amount as of the 2019 annual impairment test date have a heightened risk of future impairments if any assumptions, estimates, or market factors change in the future. Although the remaining reporting units have more than 20% excess fair value over carrying amount as of the 2019 annual impairment test date, these amounts are also associated with the 2013 Heinz acquisition and the 2015 Merger and are recorded on the balance sheet at their estimated acquisition date fair values. Therefore, if any assumptions, estimates, or market factors change in the future, these amounts are also susceptible to impairments.

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 29, 2018	\$	43,966
Impairment losses		(474)
Reclassified to assets held for sale		(9)
Translation adjustments		40
Balance at June 29, 2019	\$	43,523

At June 29, 2019 and December 29, 2018, indefinite-lived intangible assets excluded amounts classified as held for sale. See Note 5, *Acquisitions and Divestitures*, for additional information on amounts held for sale.

Our indefinite-lived intangible asset balance primarily consists of a number of individual brands, which had an aggregate carrying amount of \$43.5 billion as of June 29, 2019. We test our 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 brand is less than its carrying amount.

We performed our 2019 annual impairment test as of March 31, 2019, which is the first day of our second quarter in 2019. As a result of our 2019 annual impairment test, we recognized a non-cash impairment loss of \$474 million in SG&A in the second quarter of 2019 primarily related to six brands (*Miracle Whip*, *Velveeta*, *Lunchables*, *Maxwell House*, *Philadelphia*, and *Cool Whip*). This impairment loss was recorded in our United States segment, consistent with the ownership of the trademarks. The impairment for these brands was largely due to an increase in the discount rate assumptions used for the fair value estimations. The increase in the discount rate was applied to reflect a market participants' perceived risk in the valuation implied by the sustained reduction in our stock price and, hence, market capitalization (which decreased approximately 25% from December 29, 2018 to the March 31, 2019 annual impairment test date and sustained this decline through June 29, 2019).

For *Miracle Whip* and *Maxwell House*, the reduction in fair value was also driven by lower expectations of near and long-term net sales growth that were adjusted in the second quarter of 2019 due to anticipated trends in consumer preferences. For *Lunchables*, the reduction in fair value was also due to lower forecasted net sales and royalty rate assumptions associated with lower profit margin expectations driven by pricing actions at certain customers. For *Velveeta*, *Philadelphia*, and *Cool Whip*, no assumption changes other than the discount rate had a meaningful impact on the estimated fair value of brands. Since these valuation assumption changes were made in connection with the annual impairment test in the second quarter of 2019 and were not indicative of events or conditions that would have constituted a triggering event during the first quarter of 2019, we recorded the non-cash impairment loss in the second quarter of 2019. These brands had an aggregate carrying value of \$13.5 billion prior to this impairment and \$13.0 billion after impairment.

The aggregate carrying amount associated with an additional three brands (*Kraft*, *Planters*, and *ABC*), which each had excess fair value over its carrying amount of 10% or less, was \$13.4 billion as of the impairment test date. The aggregate carrying amount of an additional three brands (*Oscar Mayer*, *Jet Puffed*, and *Quero*), which each had fair value over its carrying amount of between 10-20%, was \$3.6 billion as of the impairment test date. The aggregate carrying amount of brands with fair value over carrying amount between 20-50% was \$4.2 billion, and the aggregate carrying amount of brands with fair value over carrying amount in excess of 50% was \$9.3 billion as of the impairment test date.

As a result of our 2018 annual impairment test, we recognized a non-cash impairment loss of \$101 million in SG&A in the second quarter of 2018. This impairment loss was due to net sales and margin declines related to the *Quero* brand in Brazil.

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. If current expectations of future growth rates and margins are not met, if market factors outside of our control, such as discount rates, change, or if management's expectations or plans otherwise change, including as a result of updates to our global five-year operating plan, then one or more of our brands might become impaired in the future. Our brands that were impaired in 2018 and 2019 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 2019 annual impairment test date 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 2019 annual impairment test date, these amounts are also associated with the 2013 Heinz acquisition and the 2015 Merger and are recorded on the balance sheet at their estimated acquisition date fair values. Therefore, if any assumptions, estimates, or market factors change in the future, these amounts are also susceptible to impairments.

Definite-lived intangible assets:

Definite-lived intangible assets were (in millions):

	June 29, 2019			December 29, 2018		
	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
Trademarks	\$ 2,518	\$ (460)	\$ 2,058	\$ 2,474	\$ (402)	\$ 2,072
Customer-related assets	4,114	(764)	3,350	4,097	(681)	3,416
Other	14	(2)	12	18	(4)	14
	<u>\$ 6,646</u>	<u>\$ (1,226)</u>	<u>\$ 5,420</u>	<u>\$ 6,589</u>	<u>\$ (1,087)</u>	<u>\$ 5,502</u>

Amortization expense for definite-lived intangible assets was \$72 million for the three months and \$148 million for the six months ended June 29, 2019 and \$70 million for the three months and \$139 million for the six months June 30, 2018. Aside from amortization expense, the changes in definite-lived intangible assets from December 29, 2018 to June 29, 2019 primarily reflect additions of \$66 million related to purchase accounting for Primal Nutrition and foreign currency. Definite-lived intangible assets at June 29, 2019 and December 29, 2018 excluded amounts classified as held for sale. See Note 5, *Acquisitions and Divestitures*, for additional information related to our acquisition of Primal Nutrition, as well as amounts held for sale.

We estimate that amortization expense related to definite-lived intangible assets will be approximately \$277 million for the next year and approximately \$277 million for each of the four years thereafter.

Note 10. Income Taxes

The provision for income taxes consists of provisions for federal, state, and foreign 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, 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 was 18.8% for the three months ended June 29, 2019 compared to 29.0% for the three months ended June 30, 2018. The decrease in our effective tax rate was primarily driven by the favorable geographic mix of pre-tax income in various non-U.S. jurisdictions and favorability from net discrete items, primarily related to reversals of reserves for uncertain tax positions in the U.S. and certain state jurisdictions, partially offset by non-deductible goodwill impairments in the current year. Additionally, in the prior year, we had an unfavorable impact from net discrete items, primarily related to the revaluation of our deferred tax balances due to changes in state tax laws and non-deductible goodwill impairments, which were partially offset by the favorable impact of derivative losses on foreign exchange contracts.

Our effective tax rate was 27.3% for the six months ended June 29, 2019 compared to 24.8% for the six months ended June 30, 2018. The increase in our effective tax rate was primarily driven by the unfavorable impact of net discrete items, partially offset by the favorable geographic mix of pre-tax income in various non-U.S. jurisdictions. The unfavorable impact of net discrete items was primarily driven by non-deductible goodwill impairments, partially offset by reversals of reserves for uncertain tax positions.

in the U.S. and certain state jurisdictions. Additionally, in the prior year, we had an unfavorable impact from net discrete items, primarily related to the revaluation of our deferred tax balances due to changes in state tax laws.

Note 11. 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 29, 2018	18,259,965	\$ 44.64
Forfeited	(640,988)	65.19
Exercised	(344,599)	23.29
Outstanding at June 29, 2019	17,274,378	44.31

The aggregate intrinsic value of stock options exercised during the period was \$8 million for the six months ended June 29, 2019.

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 29, 2018	2,338,958	\$ 68.49
Granted	13,032	83.20
Forfeited	(400,862)	64.15
Vested	(53,091)	85.04
Outstanding at June 29, 2019	1,898,037	69.04

The aggregate fair value of RSUs that vested during the period was insignificant for the six months ended June 29, 2019.

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 29, 2018	3,252,056	\$ 59.24
Forfeited	(716,515)	57.23
Outstanding at June 29, 2019	2,535,541	59.81

Note 12. Postemployment Benefits

As a result of our failure to remain current in our reporting requirements with the SEC, we became ineligible to use Form S-8 registration statements. As a result, on April 23, 2019, the administrator of the Kraft Heinz Savings Plan and the Kraft Heinz Union Savings Plan (collectively, the "Plan") issued a notice to Plan participants advising participants of a blackout period during which participants were prohibited from acquiring beneficial ownership of additional interests in The Kraft Heinz Company Stock Fund. Upon completion of the filing of our Quarterly Report on Form 10-Q for the fiscal quarter ended March 30, 2019 on August 13, 2019, we became current in our reporting requirements with the SEC and became eligible to use Form S-8 registration statements.

We capitalize a portion of net pension and postretirement cost/(benefit) into inventory based on our production activities. Beginning January 1, 2018, only the service cost component of net pension and postretirement cost/(benefit) is capitalized into inventory. As part of the adoption of ASU 2017-07 in the first quarter of 2018, we recognized a one-time favorable credit of \$42 million within cost of products sold related to amounts that were previously capitalized into inventory. Included in this credit was \$28 million related to prior service credits that were previously capitalized to inventory.

Pension Plans

Components of Net Pension Cost/(Benefit):

Net pension cost/(benefit) consisted of the following (in millions):

	For the Three Months Ended				For the Six Months Ended			
	U.S. Plans		Non-U.S. Plans		U.S. Plans		Non-U.S. Plans	
	June 29, 2019	June 30, 2018	June 29, 2019	June 30, 2018	June 29, 2019	June 30, 2018	June 29, 2019	June 30, 2018
Service cost	\$ 2	\$ 3	\$ 4	\$ 5	\$ 4	\$ 5	\$ 8	\$ 10
Interest cost	40	38	13	17	81	77	26	36
Expected return on plan assets	(57)	(64)	(36)	(44)	(114)	(127)	(73)	(92)
Amortization of unrecognized losses/(gains)	—	—	—	—	—	—	—	1
Settlements	—	(2)	—	58	—	(2)	—	58
Curtailments	—	—	—	(1)	—	—	—	(1)
Special/contractual termination benefits	—	—	—	5	—	—	—	6
Other	—	—	1	—	—	—	1	—
Net pension cost/(benefit)	\$ (15)	\$ (25)	\$ (18)	\$ 40	\$ (29)	\$ (47)	\$ (38)	\$ 18

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 \$10 million during the six months ended June 29, 2019 and plan to make further contributions of approximately \$5 million during the remainder of 2019. Related to our U.S. pension plans, we did not contribute during the six months ended June 29, 2019 and do not plan to make contributions during the remainder of 2019. 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 Six Months Ended	
	June 29, 2019	June 30, 2018	June 29, 2019	June 30, 2018
Service cost	\$ 2	\$ 2	\$ 3	\$ 4
Interest cost	11	11	23	22
Expected return on plan assets	(14)	(13)	(27)	(25)
Amortization of prior service costs/(credits)	(76)	(78)	(153)	(156)
Amortization of unrecognized losses/(gains)	(2)	—	(4)	—
Net postretirement cost/(benefit)	\$ (79)	\$ (78)	\$ (158)	\$ (155)

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 six months ended June 29, 2019, we contributed \$3 million to our postretirement benefit plans. We plan to make further contributions of approximately \$12 million to our postretirement benefit plans during the remainder of 2019. 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 13. Financial Instruments

See our consolidated financial statements and related notes in our Annual Report on Form 10-K for the year ended December 29, 2018 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	
	June 29, 2019	December 29, 2018
Commodity contracts	\$ 610	\$ 478
Foreign exchange contracts	2,847	3,263
Cross-currency contracts	10,146	10,146

Fair Value of Derivative Instruments:

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

	June 29, 2019					
	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)	\$ —	\$ —	\$ 16	\$ 20	\$ 16	\$ 20
Cross-currency contracts(b)	—	—	196	64	196	64
Derivatives not designated as hedging instruments:						
Commodity contracts(c)	27	11	2	2	29	13
Foreign exchange contracts(a)	—	—	7	14	7	14
Cross-currency contracts(b)	—	—	512	66	512	66
Total fair value	\$ 27	\$ 11	\$ 733	\$ 166	\$ 760	\$ 177

(a) At June 29, 2019, the fair value of our derivative assets was recorded in other current assets (\$19 million) and other non-current assets (\$4 million) the fair value of our derivative liabilities was recorded in other current liabilities (\$30 million) and other non-current liabilities (\$4 million).

(b) At June 29, 2019, the fair value of our derivative assets was recorded in other current assets (\$512 million) and other non-current assets (\$196 million), and the fair value of our derivative liabilities was recorded in other current liabilities (\$66 million) and other non-current liabilities (\$64 million).

(c) At June 29, 2019, the fair value of our derivative assets was recorded in other current assets (\$27 million) and other non-current assets (\$2 million) and the fair value of derivative liabilities was recorded in other current liabilities.

	December 29, 2018					
	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)	\$ —	\$ —	\$ 51	\$ 26	\$ 51	\$ 26
Cross-currency contracts(b)	—	—	139	3	139	3
Derivatives not designated as hedging instruments:						
Commodity contracts(a)	5	27	—	2	5	29
Foreign exchange contracts(a)	—	—	5	42	5	42
Cross-currency contracts(b)	—	—	557	119	557	119
Total fair value	\$ 5	\$ 27	\$ 752	\$ 192	\$ 757	\$ 219

(a) The fair value of derivative assets was recorded in other current assets and the fair value of derivative liabilities was recorded in other current liabilities.

(b) The fair value of derivative assets was recorded in other current assets (\$557 million) and other non-current assets (\$139 million), and the fair value of derivative liabilities was recorded within other current liabilities (\$119 million) and other non-current liabilities (\$3 million).

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 consolidated balance sheets. If the derivative financial instruments had been netted on the consolidated balance sheets, the asset and liability positions each would have been reduced by \$124 million at June 29, 2019 and \$124 million at December 29, 2018. No significant amounts of collateral were received or posted on our derivative assets and liabilities at June 29, 2019.

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 June 29, 2019, we had the following items designated as net investment hedges:

- Non-derivative foreign denominated debt with principal amounts of €2,550 million and £400 million;
- Cross-currency contracts with notional amounts of £1.0 billion (\$1.4 billion), C\$2.1 billion (\$1.6 billion), and ¥9.6 billion (\$85 million); and
- Foreign exchange contracts denominated in Chinese renminbi with an aggregate notional amount of \$167 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 June 29, 2019, we had entered into foreign exchange contracts designated as cash flow hedges for periods not exceeding the next two years and into cross-currency contracts designated as cash flow hedges for periods not exceeding the next five years.

Deferred Hedging Gains and Losses on Cash Flow Hedges:

Based on our valuation at June 29, 2019 and assuming market rates remain constant through contract maturities, we expect transfers to net income/(loss) of unrealized gains on foreign currency cash flow hedges during the next 12 months to be insignificant. Additionally, we expect transfers to net income/(loss) of unrealized losses on interest rate cash flow hedges and cross-currency cash flow hedges during the next 12 months to be insignificant.

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 Six Months Ended						
	June 29, 2019	June 30, 2018	June 29, 2019	June 30, 2018					
Cash flow hedges:									
Foreign exchange contracts	\$	—	\$	—	\$	(1)	\$	—	Net sales
Foreign exchange contracts		(8)		25		(27)		32	Cost of products sold
Foreign exchange contracts (excluded component)		1		—		—		—	Cost of products sold
Foreign exchange contracts		—		13		(22)		31	Other expense/(income)
Cross-currency contracts		(5)		—		19		—	Other expense/(income)
Cross-currency contracts (excluded component)		7		—		14		—	Other expense/(income)
Net investment hedges:									
Foreign exchange contracts		4		13		13		2	SG&A
Foreign exchange contracts (excluded component)		—		—		(1)		—	Interest expense
Cross-currency contracts		34		107		(38)		96	SG&A
Cross-currency contracts (excluded component)		7		—		14		—	Interest expense
Total gains/(losses) recognized in statements of comprehensive income	\$	40	\$	158	\$	(29)	\$	161	

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					
	June 29, 2019			June 30, 2018		
				(As Restated)		
	Cost of products sold	Interest expense	Other expense/(income)	Cost of products sold	Interest expense	Other expense/(income)
Total amounts presented in the consolidated statements of income in which the following effects were recorded	\$ 4,324	\$ 316	\$ (133)	\$ 4,343	\$ 316	\$ (20)
Gains/(losses) related to derivatives designated as hedging instruments:						
Cash flow hedges:						
Foreign exchange contracts	\$ 8	\$ —	\$ —	\$ (4)	\$ —	\$ 13
Foreign exchange contracts (excluded component)	(1)	—	—	—	—	—
Interest rate contracts	—	(1)	—	—	(1)	—
Cross-currency contracts	—	—	(14)	—	—	—
Cross-currency contracts (excluded component)	—	—	7	—	—	—
Net investment hedges:						
Foreign exchange contracts	—	—	—	—	—	—
Foreign exchange contracts (excluded component)	—	—	—	—	—	—
Cross-currency contracts (excluded component)	—	7	—	—	—	—
Gains/(losses) related to derivatives not designated as hedging instruments:						
Commodity contracts	5	—	—	(10)	—	—
Foreign exchange contracts	—	—	(14)	—	—	(64)
Cross-currency contracts	—	—	3	—	—	—
Total gains/(losses) recognized in statements of income	\$ 12	\$ 6	\$ (18)	\$ (14)	\$ (1)	\$ (51)

	For the Six Months Ended					
	June 29, 2019			June 30, 2018		
	Cost of products sold	Interest expense	Other expense/ (income)	Cost of products sold	Interest expense (As Restated)	Other expense/ (income)
Total amounts presented in the consolidated statements of income in which the following effects were recorded	\$ 8,272	\$ 637	\$ (513)	\$ 8,383	\$ 633	\$ (110)
Gains/(losses) related to derivatives designated as hedging instruments:						
Cash flow hedges:						
Foreign exchange contracts	\$ 17	\$ —	\$ (22)	\$ (9)	\$ —	\$ 31
Foreign exchange contracts (excluded component)	(2)	—	—	—	—	—
Interest rate contracts	—	(2)	—	—	(2)	—
Cross-currency contracts	—	—	6	—	—	—
Cross-currency contracts (excluded component)	—	—	14	—	—	—
Net investment hedges:						
Foreign exchange contracts	—	—	(6)	—	—	—
Foreign exchange contracts (excluded component)	—	(1)	—	—	—	—
Cross-currency contracts (excluded component)	—	14	—	—	—	—
Gains/(losses) related to derivatives not designated as hedging instruments:						
Commodity contracts	26	—	—	(15)	—	—
Foreign exchange contracts	—	—	(6)	—	—	(44)
Cross-currency contracts	—	—	7	—	—	(1)
Total gains/(losses) recognized in statements of income	<u>\$ 41</u>	<u>\$ 11</u>	<u>\$ (7)</u>	<u>\$ (24)</u>	<u>\$ (2)</u>	<u>\$ (14)</u>

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 losses of \$25 million for the three months and pre-tax gains of \$19 million for the six months ended June 29, 2019, and pre-tax losses of \$195 million for the three months and \$92 million for the six months ended June 30, 2018. These amounts were recognized in other comprehensive income/(loss).

Note 14. 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 29, 2018	\$ (2,476)	\$ 492	\$ 41	\$ (1,943)
Foreign currency translation adjustments	138	—	—	138
Net deferred gains/(losses) on net investment hedges	(4)	—	—	(4)
Amounts excluded from the effectiveness assessment of net investment hedges	10	—	—	10
Net deferred losses/(gains) on net investment hedges reclassified to net income/(loss)	(4)	—	—	(4)
Net deferred gains/(losses) on cash flow hedges	—	—	(26)	(26)
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)	—	—	(5)	(5)
Net postemployment benefit gains/(losses) arising during the period	—	(5)	—	(5)
Net postemployment benefit losses/(gains) reclassified to net income/(loss)	—	(117)	—	(117)
Cumulative effect of accounting standards adopted in the period ^(a)	—	114	22	136
Total other comprehensive income/(loss)	140	(8)	4	136
Balance as of June 29, 2019	\$ (2,336)	\$ 484	\$ 45	\$ (1,807)

(a) In the first quarter of 2019, we adopted ASU 2018-02 related to reclassifying tax effects stranded in accumulated other comprehensive income/(losses). See Note 4, *New Accounting Standards*, for additional information.

Reclassification of net postemployment benefit losses/(gains) included amounts reclassified to net income and amounts reclassified into inventory (consistent with our capitalization policy).

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					
	June 29, 2019			June 30, 2018		
				(As Restated)		
	Before Tax Amount	Tax	Net of Tax Amount	Before Tax Amount	Tax	Net of Tax Amount
Foreign currency translation adjustments	\$ (69)	\$ —	\$ (69)	\$ (856)	\$ —	\$ (856)
Net deferred gains/(losses) on net investment hedges	13	(3)	10	315	(96)	219
Amounts excluded from the effectiveness assessment of net investment hedges	7	(1)	6	—	—	—
Net deferred losses/(gains) on net investment hedges reclassified to net income/(loss)	(7)	1	(6)	—	—	—
Net deferred gains/(losses) on cash flow hedges	(13)	3	(10)	38	(4)	34
Amounts excluded from the effectiveness assessment of cash flow hedges	8	(1)	7	—	—	—
Net deferred losses/(gains) on cash flow hedges reclassified to net income/(loss)	1	2	3	(8)	(1)	(9)
Net actuarial gains/(losses) arising during the period	—	(5)	(5)	71	(18)	53
Net postemployment benefit losses/(gains) reclassified to net income/(loss)	(78)	19	(59)	(22)	5	(17)

	For the Six Months Ended					
	June 29, 2019			June 30, 2018		
				(As Restated)		
	Before Tax Amount	Tax	Net of Tax Amount	Before Tax Amount	Tax	Net of Tax Amount
Foreign currency translation adjustments	\$ 138	\$ —	\$ 138	\$ (654)	\$ —	\$ (654)
Net deferred gains/(losses) on net investment hedges	(6)	2	(4)	190	(45)	145
Amounts excluded from the effectiveness assessment of net investment hedges	13	(3)	10	—	—	—
Net deferred losses/(gains) on net investment hedges reclassified to net income/(loss)	(7)	3	(4)	—	—	—
Net deferred gains/(losses) on cash flow hedges	(31)	5	(26)	63	(7)	56
Amounts excluded from the effectiveness assessment of cash flow hedges	14	(1)	13	—	—	—
Net deferred losses/(gains) on cash flow hedges reclassified to net income/(loss)	(11)	6	(5)	(20)	(2)	(22)
Net actuarial gains/(losses) arising during the period	(1)	(4)	(5)	71	(18)	53
Net postemployment benefit losses/(gains) reclassified to net income/(loss)	(156)	39	(117)	(99)	24	(75)

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 Six Months Ended		
	June 29, 2019	June 30, 2018	June 29, 2019	June 30, 2018	
Losses/(gains) on net investment hedges:					
Foreign exchange contracts(a)	\$ —	\$ —	\$ 6	\$ —	Other expense/(income)
Foreign exchange contracts(a)	—	—	1	—	Interest expense
Cross-currency contracts(a)	(7)	—	(14)	—	Interest expense
Losses/(gains) on cash flow hedges:					
Foreign exchange contracts(b)	(7)	4	(15)	9	Cost of products sold
Foreign exchange contracts(b)	—	(13)	22	(31)	Other expense/(income)
Cross-currency contracts(a)	7	—	(20)	—	Other expense/(income)
Interest rate contracts(c)	1	1	2	2	Interest expense
Losses/(gains) on hedges before income taxes	(6)	(8)	(18)	(20)	
Losses/(gains) on hedges, income taxes	3	(1)	9	(2)	
Losses/(gains) on hedges	<u>\$ (3)</u>	<u>\$ (9)</u>	<u>\$ (9)</u>	<u>\$ (22)</u>	
Losses/(gains) on postemployment benefits:					
Amortization of unrecognized losses/(gains)	\$ (2)	\$ —	\$ (4)	\$ 1	(d)
Amortization of prior service costs/(credits)	(76)	(78)	(153)	(156)	(d)
Settlement and curtailment losses/(gains)	—	56	—	56	(d)
Other losses/(gains) on postemployment benefits	—	—	1	—	
Losses/(gains) on postemployment benefits before income taxes	(78)	(22)	(156)	(99)	
Losses/(gains) on postemployment benefits, income taxes	19	5	39	24	
Losses/(gains) on postemployment benefits	<u>\$ (59)</u>	<u>\$ (17)</u>	<u>\$ (117)</u>	<u>\$ (75)</u>	

(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 12, *Postemployment Benefits*, for additional information.

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

Note 15. Venezuela - Foreign Currency and Inflation

We have a subsidiary in Venezuela that manufactures and sells a variety of products, primarily in the condiments and sauces and infant and nutrition categories. We apply highly inflationary accounting to the results of our Venezuelan subsidiary and include these results in our condensed consolidated financial statements. Under highly inflationary accounting, the functional currency of our Venezuelan subsidiary is the U.S. dollar (the reporting currency of Kraft Heinz), although the majority of its transactions are in Venezuelan bolivars. As a result, we must revalue the results of our Venezuelan subsidiary to U.S. dollars. We revalue the income statement using daily weighted average DICOM (as defined below) rates, and we revalue the bolivar-denominated monetary assets and liabilities at the period-end DICOM spot rate. The resulting revaluation gains and losses are recorded in current net income/(loss), rather than accumulated other comprehensive income/(losses). These gains and losses are classified within other expense/(income) as nonmonetary currency devaluation on our condensed consolidated statements of income.

As of June 29, 2019, the Sistema de Divisa Complementaria (“DICOM”), an auction-based system for obtaining foreign currency, is the only foreign currency exchange mechanism legally available to us for converting Venezuelan bolivars to U.S. dollars. We believe the DICOM rate is the most appropriate legally available rate at which to translate the results of our Venezuelan subsidiary.

The DICOM spot rate at June 29, 2019 was Bs\$6,733.29 per U.S. dollar compared to Bs\$638.18 at December 29, 2018. The weighted average rate was Bs\$5,397.19 for the three months and Bs\$4,036.41 for the six months ended June 29, 2019 and Bs\$0.80 for the three months and Bs\$0.63 for the six months ended June 30, 2018. Remeasurements of the bolivar-denominated monetary assets and liabilities and operating results of our Venezuelan subsidiary at DICOM rates resulted in nonmonetary currency devaluation losses of \$2 million for the three months and \$6 million for the six months ended June 29, 2019 and \$20 million for the three months and \$67 million for the six months ended June 30, 2018. These losses were recorded in other expense/(income) in the consolidated statements of income.

Our Venezuelan subsidiary obtains U.S. dollars through DICOM auctions, royalty payments, and exports. These U.S. dollars are primarily used for purchases of tomato paste and spare parts for manufacturing, as well as a limited amount of other operating costs. As of June 29, 2019, our Venezuelan subsidiary has sufficient U.S. dollars to fund these operational needs in the foreseeable future. However, further deterioration of the economic environment or regulation changes could jeopardize our export business.

In addition to DICOM, there is an unofficial market for obtaining U.S. dollars with Venezuelan bolivars. The exact exchange rate is widely debated but is generally accepted to be substantially higher than the latest published DICOM rate. We have not transacted at any unofficial market rates and have no plans to transact at unofficial market rates in the foreseeable future.

Our results of operations in Venezuela reflect a controlled subsidiary. However, the continuing economic uncertainty, strict labor laws, and evolving government controls over imports, prices, currency exchange, and payments present a challenging operating environment. Increased restrictions imposed by the Venezuelan government along with further deterioration of the economic environment could impact our ability to control our Venezuelan operations and could lead us to deconsolidate our Venezuelan subsidiary in the future.

Note 16. Financing Arrangements

We have utilized accounts receivable securitization and factoring programs (the “Programs”) globally for our working capital needs and to provide efficient liquidity. During 2018, we had Programs in place in various countries across the globe. In the second quarter of 2018, we unwound our U.S. securitization program, which represented the majority of our Programs, using proceeds from the issuance of long-term debt in June 2018. As of December 29, 2018, we had unwound all of our Programs.

We operated the Programs such that we generally utilized the majority of the available aggregate cash consideration limits. We accounted for transfers of receivables pursuant to the Programs as a sale and removed them from our consolidated balance sheets. Under the Programs, we generally received cash consideration up to a certain limit and recorded a non-cash exchange for sold receivables for the remainder of the purchase price. We maintained a “beneficial interest,” or a right to collect cash, in the sold receivables. Cash receipts from the payments on sold receivables (which are cash receipts on the underlying trade receivables that have already been securitized in these Programs) are classified as investing activities and presented as cash receipts on sold receivables on our consolidated statements of cash flows.

As all of the Programs were unwound as of December 29, 2018, there were no related amounts on our condensed consolidated balance sheets at June 29, 2019 or December 29, 2018.

Our U.S. securitization program utilized a bankruptcy-remote special-purpose entity (“SPE”). The SPE was wholly-owned by a subsidiary of Kraft Heinz, and its sole business consisted of the purchase or acceptance, through capital contributions, of receivables and related assets from a Kraft Heinz subsidiary and the subsequent transfer of such receivables and related assets to a bank. Although the SPE is included in our consolidated financial statements, it was a separate legal entity with separate creditors who were entitled, upon its liquidation in the second quarter of 2018, to be satisfied out of the SPE's assets prior to any assets or value in the SPE becoming available to Kraft Heinz or its subsidiaries.

We enter into various structured payable and product financing arrangements to facilitate supply from our vendors. Balance sheet classification is based on the nature of the agreements. For certain arrangements, we classify amounts outstanding within other current liabilities on our consolidated balance sheets. We had approximately \$193 million on our consolidated balance sheets at June 29, 2019 and approximately \$267 million at December 29, 2018 related to these arrangements.

Note 17. 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:

We and certain of our current and former officers and directors are currently defendants in three securities class action lawsuits filed in February, March, and April 2019. The first filed action, *Hedick v. The Kraft Heinz Company*, was filed on February 24, 2019 against the Company and three of its officers (the “Hedick Action”). The second filed action, *Iron Workers District Council (Philadelphia and Vicinity) Retirement and Pension Plan v. The Kraft Heinz Company*, was filed on March 15, 2019 against, among others, the Company and six of its current and former officers (the “Iron Workers Action”). The third filed action, *Timber Hill LLC v. The Kraft Heinz Company*, was filed on April 25, 2019 against, among others, the Company and six of its current and former officers and one of its directors (the “Timber Hill Action”). All of these securities class action lawsuits were filed in the United States District Court for the Northern District of Illinois. Another securities class action lawsuit, *Walling v. Kraft Heinz Company*, was filed on February 26, 2019 in the United States District Court for the Western District of Pennsylvania against, among others, the Company and six of its current and former officers (the “Walling Action”). Plaintiff in the Walling Action filed a notice of voluntary dismissal of his complaint, without prejudice, on April 26, 2019.

Plaintiffs in these lawsuits purport to represent a class of all individuals and entities who purchased, sold, or otherwise acquired or disposed of publicly traded securities of the Company (including in the Timber Hill Action, the purchase of call options on Company common stock, the sale of put options on Company common stock, and the purchase of futures on the Company’s common stock) from May 4, 2017 through February 21, 2019, in the case of the Hedick Action and the Walling Action, and from July 6, 2015 through February 21, 2019, in the case of the Iron Workers Action and the Timber Hill Action. The complaints assert 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, and SEC filings regarding the Company’s business, financial results, and internal controls. The plaintiffs seek damages in an unspecified amount, attorneys’ fees and other relief.

In addition, our Employee Benefits Administration Board and certain of our current and former officers and employees are currently defendants in one class action lawsuit, *Osborne v. Employee Benefits Administration Board of Kraft Heinz*, which was filed on March 19, 2019 in the United States District Court for the Western District of Pennsylvania. Plaintiffs in the lawsuit purport to represent a class of current and former employees who were participants in and beneficiaries of various retirement plans which were co-invested in a commingled investment fund known as the Kraft Foods Savings Plan Master Trust (the “Master Trust”) during the period of May 4, 2017 through February 21, 2019. An amended complaint was filed on June 28, 2019. The amended complaint alleges violations of Section 502 of the Employee Retirement Income Security Act (“ERISA”) based on alleged breaches of obligations as fiduciaries subject to ERISA by allowing the Master Trust to continue investing in our common stock, and alleges additional breaches of fiduciary duties by current and former officers for their purported failure to monitor Master Trust fiduciaries. The plaintiffs seek damages in an unspecified amount, attorneys’ fees, and other relief.

Certain of our current and former officers and directors, among others, were also named as defendants in three stockholder derivative actions pending in the United States District Court for the Western District of Pennsylvania: *Vladimir Gusinsky Revocable Trust v. Hees* filed on May 8, 2019, *Silverman v. Behring* filed on May 15, 2019, and *Green v. Behring* filed on May 23, 2019, with the Company named as a nominal defendant. On June 14, 2019, plaintiffs in two other stockholder derivative actions, *DeFabiis v. Hees* and *Kailas v. Hees*, which were filed on April 16, 2019 and May 13, 2019, respectively, in the United States District Court for the Western District of Pennsylvania, filed notices of voluntary dismissal of their complaints, without prejudice. The three remaining lawsuits were consolidated, styled as *In re Kraft Heinz Shareholder Derivative Litigation*, and a consolidated amended complaint was filed on July 31, 2019. The consolidated amended complaint asserts claims under the common law and statutory law of Delaware for alleged breaches of fiduciary duties, unjust enrichment, and contribution for alleged violations of Sections 10(b) and 21D of the Exchange Act and Rule 10b-5 promulgated thereunder, based on allegedly materially false or misleading statements and omissions in public statements and SEC filings, and for implementing cost cutting measures that allegedly damaged the company. The plaintiffs seek damages in an unspecified amount, attorneys’ fees, and other relief.

An additional stockholder derivative action, *DeFabiis v. 3G Capital, Inc.*, was filed on June 14, 2019 against 3G Capital, Inc. and several of its subsidiaries and affiliates (the “3G Entities”), with the Company named as a nominal defendant, in the United States District Court for the Southern District of New York. Plaintiff filed a stipulation and order of voluntary dismissal, without prejudice, in the federal action on July 31, 2019 after filing a similar complaint in the Delaware Court of Chancery on July 30, 2019. The complaint filed in the Delaware Court of Chancery alleges that the defendant 3G Entities were controlling shareholders who owed fiduciary duties to the Company, and that they breached those duties by allegedly engaging in insider trading and misappropriating the Company’s material, non-public information. The complaint seeks relief against the 3G entities in the form of disgorgement of all profits obtained from alleged insider trading plus 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 these proceedings.

Securities and Exchange Commission Investigation:

As previously disclosed on February 21, 2019, we received a subpoena in October 2018 from the SEC related to our procurement area, specifically the accounting policies, procedures, and internal controls related to our procurement function, including, but not limited to, agreements, side agreements, and changes or modifications to agreements with our suppliers. Following the receipt of this subpoena, we, together with external counsel and forensic accountants, and subsequently, under the oversight of the Audit Committee, conducted an internal investigation into our procurement area and related matters. Following our earnings release and investor call on February 21, 2019, when we announced the results of our interim assessment of goodwill and intangible asset impairments, the SEC requested additional information related to our financial reporting, internal controls, and disclosures, our assessment of goodwill and intangible asset impairments, and our communications with certain shareholders. It is our understanding that the United States Attorney's Office for the Northern District of Illinois also is reviewing this matter, working with the SEC and receiving materials from it. We cannot predict the eventual scope, duration or outcome of any potential SEC legal action or other action or whether it could have a material impact on our financial condition, results of operations, or cash flow. We have been responsive to the ongoing subpoenas and other document requests and will continue to cooperate fully with any governmental or regulatory inquiries or investigations.

Other Commitments and Contingencies***Redeemable Noncontrolling Interest:***

We have a joint venture with a minority partner to manufacture, package, market, and distribute refrigerated soups and meal sides. We control operations and include this business in our consolidated results. Our minority partner has put options that, if it chooses to exercise, would require us to purchase portions of its equity interest at a future date. These put options will become exercisable beginning in 2025 (on the eighth anniversary of the product launch date) at a price to be determined at that time based upon an independent third party valuation. The minority partner's put options are reflected on our consolidated balance sheets as a redeemable noncontrolling interest. We accrete the redeemable noncontrolling interest to its estimated redemption value over the term of the put options. At June 29, 2019, we estimate the redemption value to be approximately \$38 million.

Debt***Borrowing Arrangements:***

We obtain funding through our U.S. and European commercial paper programs. We had no commercial paper outstanding at June 29, 2019 or at December 29, 2018. The maximum amount of commercial paper outstanding during the six months ended June 29, 2019 was \$200 million.

During the period from June 29, 2019 to August 13, 2019, due to the delays in the preparation of our financial statements for the fiscal quarter ended March 30, 2019, we were not in compliance with certain reporting covenants under the Senior Credit Facility and certain indentures.

However, as previously disclosed in our Current Report on Form 8-K filed May 10, 2019, we entered into a Waiver and Consent No. 2 (the "Second Waiver") on May 10, 2019 with respect to the Senior Credit Facility, pursuant to which we obtained a temporary waiver of compliance by us with respect to the requirements to furnish lenders under the Senior Credit Facility copies of the consolidated financial statements for the fiscal quarter ended March 30, 2019. Pursuant to the Second Waiver and in order to remedy our noncompliance, we were required to provide condensed consolidated financial statements for our fiscal quarter ended March 30, 2019 no later than July 31, 2019.

As previously disclosed in our Current Report on Form 8-K filed July 31, 2019, we entered into a Waiver and Consent No. 3 (the "Third Waiver") on July 29, 2019 with respect to the Senior Credit Facility, pursuant to which we obtained a temporary waiver of compliance by us with respect to the requirements to furnish lenders under the Senior Credit Facility copies of the consolidated financial statements for the fiscal quarter ended March 30, 2019. Pursuant to the Third Waiver and in order to remedy our noncompliance, we were required to provide condensed consolidated financial statements for our fiscal quarter ended March 30, 2019 no later than August 13, 2019. The filing of our Quarterly Report on Form 10-Q for the fiscal quarter ended March 30, 2019 on August 13, 2019 constituted compliance with the reporting requirements under the Senior Credit Facility and indentures. If we had not obtained these waivers, we would not have been able to access our Senior Credit Facility.

See Note 19, *Debt*, to our consolidated financial statements for the year ended December 29, 2018 in our Annual Report on Form 10-K for additional information on our borrowing arrangements.

Fair Value of Debt:

At June 29, 2019, the aggregate fair value of our total debt was \$32.2 billion as compared with a carrying value of \$31.1 billion. At December 29, 2018, the aggregate fair value of our total debt was \$30.1 billion as compared with a carrying value of \$31.2 billion. Our short-term debt had carrying value that approximated its fair value at June 29, 2019 and December 29, 2018. 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.

Note 18. Leases

We have operating and finance leases, primarily for warehouse, production, and office facilities and equipment. Our lease contracts have remaining contractual lease terms of up to 14 years, some of which include options to extend the term by up to 10 years. We include renewal options that are reasonably certain to be exercised as part of the lease term. Additionally, some lease contracts include termination options. We do not expect to exercise the majority of our termination options and generally exclude such options when determining the term of our leases. See Note 3, *Significant Accounting Policies*, for our lease accounting policy.

The components of our lease costs were (in millions):

	For the Three Months Ended	For the Six Months Ended
	June 29, 2019	
Operating lease costs	\$ 48	\$ 96
Finance lease costs:		
Amortization of right-of-use assets	7	13
Interest on lease liabilities	2	3
Short-term lease costs	3	6
Variable lease costs	308	651
Sublease income	(4)	(7)
Total lease costs	\$ 364	\$ 762

Our variable lease costs primarily consist of inventory related costs, such as materials, labor, and overhead components in our manufacturing and distribution arrangements that also contain a fixed component related to an embedded lease. These variable lease costs are determined based on usage or output or may vary for other reasons such as changes in materials prices, taxes, or insurance. Certain of our variable lease costs are based on fluctuating indices or rates. These leases are included in our ROU assets and lease liabilities based on the index or rate at the lease commencement date. The future variability in these indices and rates is unknown; therefore, it is excluded from our future minimum lease payments and is not a component of our ROU assets or lease liabilities.

Losses/(gains) on sale and leaseback transactions, net, were insignificant for the three months and six months ended June 29, 2019.

Supplemental balance sheet information related to our leases was (in millions, except lease term and discount rate):

	June 29, 2019	
	Operating Leases	Finance Leases
Right-of-use assets	\$ 574	\$ 185
Lease liabilities (current)	158	27
Lease liabilities (non-current)	477	161
Weighted average remaining lease term	6 years	10 years
Weighted average discount rate	4.1%	3.3%

Operating lease ROU assets are included in other non-current assets and finance lease ROU assets are included in property, plant and equipment, net, on our condensed consolidated balance sheets. The current portion of operating lease liabilities is included in other current liabilities, and the current portion of finance lease liabilities is included in the current portion of long-term debt on our condensed consolidated balance sheets. The non-current portion of operating lease liabilities is included in other non-current liabilities, and the non-current portion of finance lease liabilities is included in long-term debt on our condensed consolidated balance sheets.

Cash flows arising from lease transactions were (in millions):

	For the Three Months Ended	For the Six Months Ended
	June 29, 2019	
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash inflows/(outflows) from operating leases	\$ (50)	\$ (98)
Operating cash inflows/(outflows) from finance leases	(1)	(3)
Financing cash inflows/(outflows) from finance leases	(6)	(13)
Right-of-use assets obtained in exchange for lease liabilities:		
Operating leases	11	27
Finance leases	—	—

Future minimum lease payments for leases in effect at June 29, 2019 were (in millions):

	Operating Leases	Finance Leases
2019 (excluding the six months ended June 29, 2019)	\$ 97	\$ 17
2020	159	30
2021	122	70
2022	89	20
2023	62	8
Thereafter	195	85
Total future undiscounted lease payments	724	230
Less imputed interest	(89)	(42)
Total lease liability	\$ 635	\$ 188

Minimum rental commitments under non-cancelable operating leases in effect at December 29, 2018 under the previous lease standard, ASC 840, were (in millions):

2019	\$ 185
2020	137
2021	105
2022	70
2023	49
Thereafter	148
Total	\$ 694

At June 29, 2019, our operating and finance leases that had not yet commenced were insignificant.

Note 19. Earnings Per Share

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

	For the Three Months Ended		For the Six Months Ended	
	June 29, 2019	June 30, 2018 (As Restated)	June 29, 2019	June 30, 2018 (As Restated)
(in millions, except per share data)				
Basic Earnings Per Common Share:				
Net income/(loss) attributable to common shareholders	\$ 449	\$ 754	\$ 854	\$ 1,757
Weighted average shares of common stock outstanding	1,220	1,219	1,220	1,219
Net earnings/(loss)	\$ 0.37	\$ 0.62	\$ 0.70	\$ 1.44
Diluted Earnings Per Common Share:				
Net income/(loss) attributable to common shareholders	\$ 449	\$ 754	\$ 854	\$ 1,757
Weighted average shares of common stock outstanding	1,220	1,219	1,220	1,219
Effect of dilutive equity awards	2	7	3	8
Weighted average shares of common stock outstanding, including dilutive effect	1,222	1,226	1,223	1,227
Net earnings/(loss)	\$ 0.37	\$ 0.62	\$ 0.70	\$ 1.43

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 12 million for the three months and 11 million for the six months ended June 29, 2019 and 6 million for the three months and 5 million for the six months ended June 30, 2018.

Note 20. Segment Reporting

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 integration and restructuring expenses); in addition to these adjustments, we exclude, when they occur, the impacts of integration and restructuring expenses, 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, gains/(losses) on the sale of a business, other gains/(losses) related to acquisitions and divestitures (e.g., tax and hedging impacts), nonmonetary currency devaluation (e.g., remeasurement gains and losses), and equity award compensation expense (excluding integration and restructuring expenses). 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 uses Segment Adjusted EBITDA to evaluate segment performance and 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 Six Months Ended	
	June 29, 2019	June 30, 2018 (As Restated)	June 29, 2019	June 30, 2018 (As Restated)
Net sales:				
United States	\$ 4,511	\$ 4,513	\$ 8,713	\$ 8,881
Canada	560	564	1,010	1,048
EMEA	643	707	1,250	1,392
Rest of World	692	906	1,392	1,673
Total net sales	\$ 6,406	\$ 6,690	\$ 12,365	\$ 12,994

Segment Adjusted EBITDA was (in millions):

	For the Three Months Ended		For the Six Months Ended	
	June 29, 2019	June 30, 2018 (As Restated)	June 29, 2019	June 30, 2018 (As Restated)
Segment Adjusted EBITDA:				
United States	\$ 1,251	\$ 1,401	\$ 2,384	\$ 2,793
Canada	143	173	264	307
EMEA	171	206	314	388
Rest of World	102	213	203	357
General corporate expenses	(67)	(44)	(134)	(89)
Depreciation and amortization (excluding integration and restructuring expenses)	(253)	(235)	(487)	(434)
Integration and restructuring expenses	(14)	(93)	(41)	(183)
Deal costs	(5)	(7)	(13)	(16)
Unrealized gains/(losses) on commodity hedges	10	(3)	39	(5)
Impairment losses	(598)	(234)	(1,218)	(234)
Equity award compensation expense (excluding integration and restructuring expenses)	(6)	(20)	(15)	(27)
Operating income/(loss)	734	1,357	1,296	2,857
Interest expense	316	316	637	633
Other expense/(income)	(133)	(20)	(513)	(110)
Income/(loss) before income taxes	\$ 551	\$ 1,061	\$ 1,172	\$ 2,334

In the fourth quarter of 2018, we reorganized the products within our product categories to reflect how we manage our business. We have reflected this change for all historical periods presented. Net sales by product category were (in millions):

	For the Three Months Ended		For the Six Months Ended	
	June 29, 2019	June 30, 2018 (As Restated)	June 29, 2019	June 30, 2018 (As Restated)
Condiments and sauces	\$ 1,726	\$ 1,892	\$ 3,239	\$ 3,484
Cheese and dairy	1,254	1,246	2,448	2,491
Ambient foods	561	594	1,159	1,254
Frozen and chilled foods	599	613	1,204	1,215
Meats and seafood	653	647	1,240	1,248
Refreshment beverages	436	435	793	810
Coffee	328	341	636	699
Infant and nutrition	138	225	267	424
Desserts, toppings and baking	253	254	447	470
Nuts and salted snacks	229	226	454	421
Other	229	217	478	478
Total net sales	\$ 6,406	\$ 6,690	\$ 12,365	\$ 12,994

Note 21. Supplemental Guarantor Information

Kraft Heinz fully and unconditionally guarantees the notes issued by our 100% owned operating subsidiary, Kraft Heinz Foods Company. See Note 19, *Debt*, to our consolidated financial statements for the year ended December 29, 2018 in our Annual Report on Form 10-K for additional descriptions of these guarantees. None of our other subsidiaries guarantee such notes.

Set forth below are the condensed consolidating financial statements presenting the results of operations, financial position, and cash flows of Kraft Heinz (as parent guarantor), Kraft Heinz Foods Company (as subsidiary issuer of the notes), and the non-guarantor subsidiaries on a combined basis and eliminations necessary to arrive at the total reported information on a consolidated basis. This condensed consolidating financial information has been prepared and presented pursuant to the SEC Regulation S-X Rule 3-10, “Financial Statements of Guarantors and Issuers of Guaranteed Securities Registered or being Registered.” This information is not intended to present the financial position, results of operations, and cash flows of the individual companies or groups of companies in accordance with U.S. GAAP. Eliminations represent adjustments to eliminate investments in subsidiaries and intercompany balances and transactions between or among the parent guarantor, subsidiary issuer, and the non-guarantor subsidiaries.

The Kraft Heinz Company
Condensed Consolidating Statements of Income
For the Three Months Ended June 29, 2019
(in millions)
(Unaudited)

	Parent Guarantor	Subsidiary Issuer	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net sales	\$ —	\$ 4,276	\$ 2,248	\$ (118)	\$ 6,406
Cost of products sold	—	2,816	1,626	(118)	4,324
Gross profit	—	1,460	622	—	2,082
Selling, general and administrative expenses, excluding impairment losses	—	193	557	—	750
Goodwill impairment losses	—	—	124	—	124
Intangible asset impairment losses	—	—	474	—	474
Selling, general and administrative expenses	—	193	1,155	—	1,348
Intercompany service fees and other recharges	—	899	(899)	—	—
Operating income/(loss)	—	368	366	—	734
Interest expense	—	298	18	—	316
Other expense/(income)	—	(73)	(60)	—	(133)
Income/(loss) before income taxes	—	143	408	—	551
Provision for/(benefit from) income taxes	—	35	68	—	103
Equity in earnings/(losses) of subsidiaries	448	341	—	(789)	—
Net income/(loss)	448	449	340	(789)	448
Net income/(loss) attributable to noncontrolling interest	—	—	(1)	—	(1)
Net income/(loss) excluding noncontrolling interest	\$ 448	\$ 449	\$ 341	\$ (789)	\$ 449
Comprehensive income/(loss) excluding noncontrolling interest	\$ 326	\$ 326	\$ 939	\$ (1,265)	\$ 326

The Kraft Heinz Company
Condensed Consolidating Statements of Income
For the Three Months Ended June 30, 2018
(in millions)
(Unaudited)

	As Restated				
	Parent Guarantor	Subsidiary Issuer	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net sales	\$ —	\$ 4,298	\$ 2,533	\$ (141)	\$ 6,690
Cost of products sold	—	2,766	1,718	(141)	4,343
Gross profit	—	1,532	815	—	2,347
Selling, general and administrative expenses, excluding impairment losses	—	200	556	—	756
Goodwill impairment losses	—	—	133	—	133
Intangible asset impairment losses	—	—	101	—	101
Selling, general and administrative expenses	—	200	790	—	990
Intercompany service fees and other recharges	—	1,124	(1,124)	—	—
Operating income/(loss)	—	208	1,149	—	1,357
Interest expense	—	301	15	—	316
Other expense/(income)	—	(18)	(2)	—	(20)
Income/(loss) before income taxes	—	(75)	1,136	—	1,061
Provision for/(benefit from) income taxes	—	37	271	—	308
Equity in earnings/(losses) of subsidiaries	754	867	—	(1,621)	—
Net income/(loss)	754	755	865	(1,621)	753
Net income/(loss) attributable to noncontrolling interest	—	—	(1)	—	(1)
Net income/(loss) excluding noncontrolling interest	\$ 754	\$ 755	\$ 866	\$ (1,621)	\$ 754
Comprehensive income/(loss) excluding noncontrolling interest	\$ 178	\$ 178	\$ 23	\$ (201)	\$ 178

The Kraft Heinz Company
Condensed Consolidating Statements of Income
For the Three Months Ended June 30, 2018
(in millions)
(Unaudited)

	As Previously Reported				
	Parent Guarantor	Subsidiary Issuer	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net sales	\$ —	\$ 4,298	\$ 2,531	\$ (143)	\$ 6,686
Cost of products sold	—	2,742	1,722	(143)	4,321
Gross profit	—	1,556	809	—	2,365
Selling, general and administrative expenses, excluding impairment losses	—	201	570	—	771
Goodwill impairment losses	—	—	164	—	164
Intangible asset impairment losses	—	—	101	—	101
Selling, general and administrative expenses	—	201	835	—	1,036
Intercompany service fees and other recharges	—	1,123	(1,123)	—	—
Operating income/(loss)	—	232	1,097	—	1,329
Interest expense	—	302	16	—	318
Other expense/(income)	—	(16)	(19)	—	(35)
Income/(loss) before income taxes	—	(54)	1,100	—	1,046
Provision for/(benefit from) income taxes	—	43	248	—	291
Equity in earnings/(losses) of subsidiaries	756	853	—	(1,609)	—
Net income/(loss)	756	756	852	(1,609)	755
Net income/(loss) attributable to noncontrolling interest	—	—	(1)	—	(1)
Net income/(loss) excluding noncontrolling interest	\$ 756	\$ 756	\$ 853	\$ (1,609)	\$ 756
					—
Comprehensive income/(loss) excluding noncontrolling interest	\$ 174	\$ 174	\$ —	\$ (174)	\$ 174

The Kraft Heinz Company
Condensed Consolidating Statements of Income
For the Six Months Ended June 29, 2019
(in millions)
(Unaudited)

	Parent Guarantor	Subsidiary Issuer	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net sales	\$ —	\$ 8,280	\$ 4,314	\$ (229)	\$ 12,365
Cost of products sold	—	5,388	3,113	(229)	8,272
Gross profit	—	2,892	1,201	—	4,093
Selling, general and administrative expenses, excluding impairment losses	—	414	1,165	—	1,579
Goodwill impairment losses	—	—	744	—	744
Intangible asset impairment losses	—	—	474	—	474
Selling, general and administrative expenses	—	414	2,383	—	2,797
Intercompany service fees and other recharges	—	1,740	(1,740)	—	—
Operating income/(loss)	—	738	558	—	1,296
Interest expense	—	598	39	—	637
Other expense/(income)	—	(65)	(448)	—	(513)
Income/(loss) before income taxes	—	205	967	—	1,172
Provision for/(benefit from) income taxes	—	71	249	—	320
Equity in earnings/(losses) of subsidiaries	854	720	—	(1,574)	—
Net income/(loss)	854	854	718	(1,574)	852
Net income/(loss) attributable to noncontrolling interest	—	—	(2)	—	(2)
Net income/(loss) excluding noncontrolling interest	\$ 854	\$ 854	\$ 720	\$ (1,574)	\$ 854
Comprehensive income/(loss) excluding noncontrolling interest	\$ 854	\$ 854	\$ 782	\$ (1,636)	\$ 854

The Kraft Heinz Company
Condensed Consolidating Statements of Income
For the Six Months Ended June 30, 2018
(in millions)
(Unaudited)

	As Restated				
	Parent Guarantor	Subsidiary Issuer	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net sales	\$ —	\$ 8,467	\$ 4,796	\$ (269)	\$ 12,994
Cost of products sold	—	5,338	3,314	(269)	8,383
Gross profit	—	3,129	1,482	—	4,611
Selling, general and administrative expenses, excluding impairment losses	—	384	1,136	—	1,520
Goodwill impairment losses	—	—	133	—	133
Intangible asset impairment losses	—	—	101	—	101
Selling, general and administrative expenses	—	384	1,370	—	1,754
Intercompany service fees and other recharges	—	2,278	(2,278)	—	—
Operating income/(loss)	—	467	2,390	—	2,857
Interest expense	—	598	35	—	633
Other expense/(income)	—	(176)	66	—	(110)
Income/(loss) before income taxes	—	45	2,289	—	2,334
Provision for/(benefit from) income taxes	—	18	560	—	578
Equity in earnings/(losses) of subsidiaries	1,757	1,731	—	(3,488)	—
Net income/(loss)	1,757	1,758	1,729	(3,488)	1,756
Net income/(loss) attributable to noncontrolling interest	—	—	(1)	—	(1)
Net income/(loss) excluding noncontrolling interest	\$ 1,757	\$ 1,758	\$ 1,730	\$ (3,488)	\$ 1,757
Comprehensive income/(loss) excluding noncontrolling interest	\$ 1,260	\$ 1,260	\$ 1,189	\$ (2,449)	\$ 1,260

The Kraft Heinz Company
Condensed Consolidating Statements of Income
For the Six Months Ended June 30, 2018
(in millions)
(Unaudited)

	As Previously Reported				
	Parent Guarantor	Subsidiary Issuer	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net sales	\$ —	\$ 8,467	\$ 4,793	\$ (270)	\$ 12,990
Cost of products sold	—	5,330	3,320	(270)	8,380
Gross profit	—	3,137	1,473	—	4,610
Selling, general and administrative expenses, excluding impairment losses	—	384	1,151	—	1,535
Goodwill impairment losses	—	—	164	—	164
Intangible asset impairment losses	—	—	101	—	101
Selling, general and administrative expenses	—	384	1,416	—	1,800
Intercompany service fees and other recharges	—	2,278	(2,278)	—	—
Operating income/(loss)	—	475	2,335	—	2,810
Interest expense	—	600	35	—	635
Other expense/(income)	—	(175)	50	—	(125)
Income/(loss) before income taxes	—	50	2,250	—	2,300
Provision for/(benefit from) income taxes	—	16	536	—	552
Equity in earnings/(losses) of subsidiaries	1,749	1,715	—	(3,464)	—
Net income/(loss)	1,749	1,749	1,714	(3,464)	1,748
Net income/(loss) attributable to noncontrolling interest	—	—	(1)	—	(1)
Net income/(loss) excluding noncontrolling interest	\$ 1,749	\$ 1,749	\$ 1,715	\$ (3,464)	\$ 1,749
					—
Comprehensive income/(loss) excluding noncontrolling interest	\$ 1,246	\$ 1,246	\$ 1,165	\$ (2,411)	\$ 1,246

The Kraft Heinz Company
Condensed Consolidating Balance Sheets
As of June 29, 2019
(in millions)
(Unaudited)

	Parent Guarantor	Subsidiary Issuer	Non-Guarantor Subsidiaries	Eliminations	Consolidated
ASSETS					
Cash and cash equivalents	\$ —	\$ 702	\$ 750	\$ —	\$ 1,452
Trade receivables, net	—	933	1,116	—	2,049
Receivables due from affiliates	—	827	293	(1,120)	—
Dividends due from affiliates	—	—	—	—	—
Income taxes receivable	—	841	68	(804)	105
Inventories	—	2,069	1,005	—	3,074
Short-term lending due from affiliates	—	1,243	3,856	(5,099)	—
Prepaid expenses	—	199	196	—	395
Other current assets	—	663	395	—	1,058
Assets held for sale	—	75	960	—	1,035
Total current assets	—	7,552	8,639	(7,023)	9,168
Property, plant and equipment, net	—	4,464	2,559	—	7,023
Goodwill	—	11,066	24,923	—	35,989
Investments in subsidiaries	51,543	67,112	—	(118,655)	—
Intangible assets, net	—	2,929	46,014	—	48,943
Long-term lending due from affiliates	—	207	2,000	(2,207)	—
Other non-current assets	—	806	1,272	—	2,078
TOTAL ASSETS	\$ 51,543	\$ 94,136	\$ 85,407	\$ (127,885)	\$ 103,201
LIABILITIES AND EQUITY					
Commercial paper and other short-term debt	\$ —	\$ —	\$ 1	\$ —	\$ 1
Current portion of long-term debt	—	1,291	7	—	1,298
Short-term lending due to affiliates	—	3,856	1,243	(5,099)	—
Trade payables	—	2,567	1,586	—	4,153
Payables due to affiliates	—	293	827	(1,120)	—
Accrued marketing	—	135	373	—	508
Interest payable	—	374	10	—	384
Dividends due to affiliates	—	—	—	—	—
Other current liabilities	—	368	1,481	(403)	1,446
Liabilities held for sale	—	—	7	—	7
Total current liabilities	—	8,884	5,535	(6,622)	7,797
Long-term debt	—	28,887	945	—	29,832
Long-term borrowings due to affiliates	—	2,578	30	(2,608)	—
Deferred income taxes	—	1,340	10,788	—	12,128
Accrued postemployment costs	—	85	223	—	308
Other non-current liabilities	—	819	640	—	1,459
TOTAL LIABILITIES	—	42,593	18,161	(9,230)	51,524
Redeemable noncontrolling interest	—	—	2	—	2
Total shareholders' equity	51,543	51,543	67,112	(118,655)	51,543
Noncontrolling interest	—	—	132	—	132
TOTAL EQUITY	51,543	51,543	67,244	(118,655)	51,675
TOTAL LIABILITIES AND EQUITY	\$ 51,543	\$ 94,136	\$ 85,407	\$ (127,885)	\$ 103,201

The Kraft Heinz Company
Condensed Consolidating Balance Sheets
As of December 29, 2018
(in millions)
(Unaudited)

	Parent Guarantor	Subsidiary Issuer	Non-Guarantor Subsidiaries	Eliminations	Consolidated
ASSETS					
Cash and cash equivalents	\$ —	\$ 202	\$ 928	\$ —	\$ 1,130
Trade receivables, net	—	933	1,196	—	2,129
Receivables due from affiliates	—	870	341	(1,211)	—
Income taxes receivable	—	701	9	(558)	152
Inventories	—	1,783	884	—	2,667
Short-term lending due from affiliates	—	1,787	3,753	(5,540)	—
Prepaid expenses	—	198	202	—	400
Other current assets	—	776	445	—	1,221
Assets held for sale	—	75	1,301	—	1,376
Total current assets	—	7,325	9,059	(7,309)	9,075
Property, plant and equipment, net	—	4,524	2,554	—	7,078
Goodwill	—	11,067	25,436	—	36,503
Investments in subsidiaries	51,657	67,867	—	(119,524)	—
Intangible assets, net	—	3,010	46,458	—	49,468
Long-term lending due from affiliates	—	—	2,000	(2,000)	—
Other non-current assets	—	316	1,021	—	1,337
TOTAL ASSETS	\$ 51,657	\$ 94,109	\$ 86,528	\$ (128,833)	\$ 103,461
LIABILITIES AND EQUITY					
Commercial paper and other short-term debt	\$ —	\$ —	\$ 21	\$ —	\$ 21
Current portion of long-term debt	—	363	14	—	377
Short-term lending due to affiliates	—	3,753	1,787	(5,540)	—
Trade payables	—	2,563	1,590	—	4,153
Payables due to affiliates	—	341	870	(1,211)	—
Accrued marketing	—	282	440	—	722
Interest payable	—	394	14	—	408
Other current liabilities	—	888	1,437	(558)	1,767
Liabilities held for sale	—	—	55	—	55
Total current liabilities	—	8,584	6,228	(7,309)	7,503
Long-term debt	—	29,872	898	—	30,770
Long-term borrowings due to affiliates	—	2,000	12	(2,012)	—
Deferred income taxes	—	1,314	10,888	—	12,202
Accrued postemployment costs	—	89	217	—	306
Other non-current liabilities	—	593	309	—	902
TOTAL LIABILITIES	—	42,452	18,552	(9,321)	51,683
Redeemable noncontrolling interest	—	—	3	—	3
Total shareholders' equity	51,657	51,657	67,855	(119,512)	51,657
Noncontrolling interest	—	—	118	—	118
TOTAL EQUITY	51,657	51,657	67,973	(119,512)	51,775
TOTAL LIABILITIES AND EQUITY	\$ 51,657	\$ 94,109	\$ 86,528	\$ (128,833)	\$ 103,461

The Kraft Heinz Company
Condensed Consolidating Statements of Cash Flows
For the Six Months Ended June 29, 2019
(in millions)
(Unaudited)

	Parent Guarantor	Subsidiary Issuer	Non-Guarantor Subsidiaries	Eliminations	Consolidated
CASH FLOWS FROM OPERATING ACTIVITIES					
Net cash provided by/(used for) operating activities	\$ 976	\$ 1,510	\$ (185)	\$ (976)	\$ 1,325
CASH FLOWS FROM INVESTING ACTIVITIES					
Capital expenditures	—	(220)	(228)	—	(448)
Payments to acquire business, net of cash acquired	—	(202)	2	—	(200)
Net proceeds from/(payments on) intercompany lending activities	—	444	22	(466)	—
Additional investments in subsidiaries	—	(35)	—	35	—
Return of capital	—	—	—	—	—
Proceeds from sale of business, net of cash disposed	—	—	640	—	640
Other investing activities, net	—	10	(20)	—	(10)
Net cash provided by/(used for) investing activities	—	(3)	416	(431)	(18)
CASH FLOWS FROM FINANCING ACTIVITIES					
Repayments of long-term debt	—	(2)	(2)	—	(4)
Proceeds from issuance of long-term debt	—	(1)	19	—	18
Proceeds from issuance of commercial paper	—	377	—	—	377
Repayments of commercial paper	—	(377)	—	—	(377)
Net proceeds from/(payments on) intercompany borrowing activities	—	(22)	(444)	466	—
Dividends paid	(976)	(976)	—	976	(976)
Other intercompany capital stock transactions	—	—	35	(35)	—
Other financing activities, net	—	(6)	(9)	—	(15)
Net cash provided by/(used for) financing activities	(976)	(1,007)	(401)	1,407	(977)
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	—	—	(8)	—	(8)
Cash, cash equivalents, and restricted cash:					
Net increase/(decrease)	—	500	(178)	—	322
Balance at beginning of period	—	202	934	—	1,136
Balance at end of period	\$ —	\$ 702	\$ 756	\$ —	\$ 1,458

The Kraft Heinz Company
Condensed Consolidating Statements of Cash Flows
For the Six Months Ended June 30, 2018
(in millions)
(Unaudited)

	As Restated				
	Parent Guarantor	Subsidiary Issuer	Non-Guarantor Subsidiaries	Eliminations	Consolidated
CASH FLOWS FROM OPERATING ACTIVITIES					
Net cash provided by/(used for) operating activities	\$ 1,659	\$ 514	\$ (298)	\$ (1,659)	\$ 216
CASH FLOWS FROM INVESTING ACTIVITIES					
Cash receipts on sold receivables	—	—	1,221	—	1,221
Capital expenditures	—	(196)	(242)	—	(438)
Payments to acquire business, net of cash acquired	—	(237)	22	—	(215)
Net proceeds from/(payments on) intercompany lending activities	—	785	186	(971)	—
Additional investments in subsidiaries	—	(5)	—	5	—
Return of capital	6	—	—	(6)	—
Proceeds from sale of business, net of cash disposed	—	—	18	—	18
Other investing activities, net	—	(6)	(1)	—	(7)
Net cash provided by/(used for) investing activities	6	341	1,204	(972)	579
CASH FLOWS FROM FINANCING ACTIVITIES					
Repayments of long-term debt	—	(8)	(4)	—	(12)
Proceeds from issuance of long-term debt	—	2,990	—	—	2,990
Proceeds from issuance of commercial paper	—	1,525	—	—	1,525
Repayments of commercial paper	—	(1,950)	—	—	(1,950)
Net proceeds from/(payments on) intercompany borrowing activities	—	(186)	(785)	971	—
Dividends paid	(1,659)	(1,659)	—	1,659	(1,659)
Other intercompany capital stock transactions	—	(6)	5	1	—
Other financing activities, net	(6)	(16)	19	—	(3)
Net cash provided by/(used for) financing activities	(1,665)	690	(765)	2,631	891
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	—	—	(80)	—	(80)
Cash, cash equivalents, and restricted cash:					
Net increase/(decrease)	—	1,545	61	—	1,606
Balance at beginning of period	—	644	1,125	—	1,769
Balance at end of period	\$ —	\$ 2,189	\$ 1,186	\$ —	\$ 3,375

The Kraft Heinz Company
Condensed Consolidating Statements of Cash Flows
For the Six Months Ended June 30, 2018
(in millions)
(Unaudited)

	As Previously Reported				
	Parent Guarantor	Subsidiary Issuer	Non-Guarantor Subsidiaries	Eliminations	Consolidated
CASH FLOWS FROM OPERATING ACTIVITIES					
Net cash provided by/(used for) operating activities	\$ 1,659	\$ 524	\$ (295)	\$ (1,659)	\$ 229
CASH FLOWS FROM INVESTING ACTIVITIES					
Cash receipts on sold receivables	—	—	1,221	—	1,221
Capital expenditures	—	(196)	(242)	—	(438)
Payments to acquire business, net of cash acquired	—	(236)	21	—	(215)
Net proceeds from/(payments on) intercompany lending activities	—	785	186	(971)	—
Additional investments in subsidiaries	—	(5)	—	5	—
Return of capital	6	—	—	(6)	—
Proceeds from sale of business, net of cash disposed	—	—	18	—	18
Other investing activities, net	—	(6)	(1)	—	(7)
Net cash provided by/(used for) investing activities	6	342	1,203	(972)	579
CASH FLOWS FROM FINANCING ACTIVITIES					
Repayments of long-term debt	—	(20)	(5)	—	(25)
Proceeds from issuance of long-term debt	—	2,990	—	—	2,990
Proceeds from issuance of commercial paper	—	1,525	—	—	1,525
Repayments of commercial paper	—	(1,950)	—	—	(1,950)
Net proceeds from/(payments on) intercompany borrowing activities	—	(186)	(785)	971	—
Dividends paid	(1,659)	(1,659)	—	1,659	(1,659)
Other intercompany capital stock transactions	—	(6)	5	1	—
Other financing activities, net	(6)	(15)	18	—	(3)
Net cash provided by/(used for) financing activities	(1,665)	679	(767)	2,631	878
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	—	—	(80)	—	(80)
Cash, cash equivalents, and restricted cash:					
Net increase/(decrease)	—	1,545	61	—	1,606
Balance at beginning of period	—	644	1,125	—	1,769
Balance at end of period	\$ —	\$ 2,189	\$ 1,186	\$ —	\$ 3,375

The following tables provide a reconciliation of cash and cash equivalents, as reported on our condensed consolidating balance sheets, to cash, cash equivalents, and restricted cash, as reported on our condensed consolidating statements of cash flows (in millions):

June 29, 2019					
	Parent Guarantor	Subsidiary Issuer	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Cash and cash equivalents	\$ —	\$ 702	\$ 750	\$ —	\$ 1,452
Restricted cash included in other current assets	—	—	1	—	1
Restricted cash included in other non-current assets	—	—	5	—	5
Cash, cash equivalents, and restricted cash	<u>\$ —</u>	<u>\$ 702</u>	<u>\$ 756</u>	<u>\$ —</u>	<u>\$ 1,458</u>
December 29, 2018					
	Parent Guarantor	Subsidiary Issuer	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Cash and cash equivalents	\$ —	\$ 202	\$ 928	\$ —	\$ 1,130
Restricted cash included in other current assets	—	—	1	—	1
Restricted cash included in other non-current assets	—	—	5	—	5
Cash, cash equivalents, and restricted cash	<u>\$ —</u>	<u>\$ 202</u>	<u>\$ 934</u>	<u>\$ —</u>	<u>\$ 1,136</u>

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

Overview

Restatement of Previously Issued Condensed Consolidated Financial Statements:

We have restated certain previously reported financial information for the three and six months ended June 30, 2018 in this Item 2, *Management's Discussion and Analysis of Financial Condition and Results of Operations*, including but not limited to information within the *Consolidated Results of Operations*, *Results of Operations by Segment*, and *Non-GAAP Financial Measures* sections.

See Note 2, *Restatement of Previously Issued Condensed Consolidated Financial Statements*, in Item 1, *Financial Statements*, for additional information related to the restatement, including descriptions of the misstatements and the impacts on our condensed consolidated financial statements.

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 four segments. We have three reportable segments defined by geographic region: United States, Canada, and EMEA. Our remaining businesses are combined and disclosed as "Rest of World." Rest of World comprises two operating segments: Latin America and APAC.

Following the organizational changes announced on June 20, 2019, we are reevaluating our segment structure. We currently expect to complete this assessment in the third quarter of 2019.

See Note 20, *Segment Reporting*, in Item 1, *Financial Statements*, for our financial information by segment.

Items Affecting Comparability of Financial Results

Impairment Losses:

Our results of operations reflect goodwill impairment losses of \$744 million and intangible asset impairment losses of \$474 million for the six months ended June 29, 2019 compared to goodwill impairment losses of \$133 million and intangible asset impairment losses of \$101 million for the six months ended June 30, 2018. See Note 9, *Goodwill and Intangible Assets*, in Item 1, *Financial Statements*, for additional information on these impairment losses.

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 from our consolidated financial statements see *Non-GAAP Financial Measures*.

Consolidated Results of Operations

Summary of Results:

	For the Three Months Ended			For the Six Months Ended		
	June 29, 2019	June 30, 2018	% Change	June 29, 2019	June 30, 2018	% Change
	(As Restated)			(As Restated)		
	(in millions, except per share data)			(in millions, except per share data)		
Net sales	\$ 6,406	\$ 6,690	(4.2)%	\$ 12,365	\$ 12,994	(4.8)%
Operating income/(loss)	734	1,357	(45.9)%	1,296	2,857	(54.6)%
Net income/(loss) attributable to common shareholders	449	754	(40.6)%	854	1,757	(51.4)%
Diluted EPS	0.37	0.62	(40.3)%	0.70	1.43	(51.0)%

Net Sales:

	For the Three Months Ended			For the Six Months Ended		
	June 29, 2019	June 30, 2018	% Change	June 29, 2019	June 30, 2018	% Change
	(As Restated)			(As Restated)		
	(in millions, except per share data)			(in millions, except per share data)		
Net sales	\$ 6,406	\$ 6,690	(4.2)%	\$ 12,365	\$ 12,994	(4.8)%
Organic Net Sales(a)	6,497	6,515	(0.3)%	12,519	12,712	(1.5)%

(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 June 29, 2019 Compared to the Three Months Ended June 30, 2018:

Net sales decreased 4.2% to \$6.4 billion for the three months ended June 29, 2019 compared to \$6.7 billion for the three months ended June 30, 2018 primarily due to the unfavorable impacts of foreign currency (2.8 pp) and acquisitions and divestitures (1.1 pp). Organic Net Sales decreased 0.3% to \$6.5 billion for the three months ended June 29, 2019 compared to \$6.5 billion for the three months ended June 30, 2018 due to lower pricing (0.3 pp). Lower pricing in the United States, Canada, and EMEA was partially offset by higher pricing in Rest of World. Volume/mix was flat as declines in Rest of World and EMEA offset growth in Canada and the United States.

Six Months Ended June 29, 2019 compared to the Six Months Ended June 30, 2018:

Net sales decreased 4.8% to \$12.4 billion for the six months ended June 29, 2019 compared to \$13.0 billion for the six months ended June 30, 2018 primarily due to the unfavorable impacts of foreign currency (2.6 pp) and acquisitions and divestitures (0.7 pp). Organic Net Sales decreased 1.5% to \$12.5 billion for the six months ended June 29, 2019 compared to \$12.7 billion for the six months ended June 30, 2018 due to lower pricing (1.3 pp) and unfavorable volume/mix (0.2 pp). Lower pricing in the United States, Canada, and EMEA was partially offset by higher pricing in Rest of World. Volume/mix was unfavorable in EMEA, Rest of World, and the United States, partially offset by growth in Canada.

Net Income/(Loss):

	For the Three Months Ended			For the Six Months Ended		
	June 29, 2019	June 30, 2018	% Change	June 29, 2019	June 30, 2018	% Change
	(As Restated)			(As Restated)		
	(in millions)			(in millions)		
Operating income/(loss)	\$ 734	\$ 1,357	(45.9)%	\$ 1,296	\$ 2,857	(54.6)%
Net income/(loss) attributable to common shareholders	449	754	(40.6)%	854	1,757	(51.4)%
Adjusted EBITDA(a)	1,600	1,949	(17.9)%	3,031	3,756	(19.3)%

(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 June 29, 2019 Compared to the Three Months Ended June 30, 2018:

Operating income/(loss) decreased 45.9% to \$734 million for the three months ended June 29, 2019 compared to \$1.4 billion for the three months ended June 30, 2018. This decrease was primarily due to higher impairment losses in the current year. Impairment losses were \$598 million for the three months ended June 29, 2019 compared to \$234 million for the three months ended June 30, 2018. The remaining \$259 million decrease in operating income/(loss) was primarily due to higher supply chain costs, the unfavorable impact of foreign currency (4.2 pp), and lower Organic Net Sales, partially offset by lower restructuring expenses in the current period. See Note 9, *Goodwill and Intangible Assets*, in Item 1, *Financial Statements*, for additional information on our impairment losses.

Net income/(loss) attributable to common shareholders decreased 40.6% to \$449 million for the three months ended June 29, 2019 compared to \$754 million for the three months ended June 30, 2018. The decrease was primarily due to the operating income/(loss) factors described above (primarily higher impairment losses in the current period), partially offset by favorable changes in other expense/(income), and lower effective tax rate, detailed as follows.

- Other expense/(income) was \$133 million of income for the three months ended June 29, 2019 compared to \$20 million of income for the three months ended June 30, 2018. This increase was primarily due to a \$58 million non-cash settlement charge in the prior period related to the wind-up of a non-U.S. pension plan, lower derivative losses, lower nonmonetary currency devaluation losses related to our Venezuelan operations, and a loss on our South Africa divestiture in the prior period, partially offset by lower income related to our postemployment benefit plans.
- The effective tax rate was 18.8% for the three months ended June 29, 2019 compared to 29.0% for the three months ended June 30, 2018. The decrease in our effective tax rate was primarily driven by the favorable geographic mix of pre-tax income in various non-U.S. jurisdictions and favorability from net discrete items, primarily related to reversals of reserves for uncertain tax positions in the U.S. and certain state jurisdictions, partially offset by non-deductible goodwill impairments in the current year. Additionally, in the prior year, we had an unfavorable impact from net discrete items, primarily related to the revaluation of our deferred tax balances due to changes in state tax laws and non-deductible goodwill impairments, which were partially offset by the favorable impact of derivative losses on foreign exchange contracts.

Adjusted EBITDA decreased 17.9% to \$1.6 billion for the three months ended June 29, 2019 compared to \$1.9 billion for the three months ended June 30, 2018. This decrease was primarily due to higher supply chain costs, the unfavorable impact of foreign currency (4.3 pp), and lower Organic Net Sales.

Six Months Ended June 29, 2019 compared to the Six Months Ended June 30, 2018:

Operating income/(loss) decreased 54.6% to \$1.3 billion for the six months ended June 29, 2019 compared to \$2.9 billion for the six months ended June 30, 2018. This decrease was primarily due to higher impairment losses in 2019. Impairment losses were \$1.2 billion in 2019 compared to \$234 million in 2018. The remaining \$577 million decrease in operating income/(loss) was primarily due to lower Organic Net Sales, higher supply chain costs, and the unfavorable impact of foreign currency (0.8 pp), partially offset by lower restructuring expenses in the current period. See Note 9, *Goodwill and Intangible Assets*, in Item 1, *Financial Statements*, for additional information on our impairment losses.

Net income/(loss) attributable to common shareholders decreased 51.4% to \$0.9 billion for the six months ended June 29, 2019 compared to \$1.8 billion for the six months ended June 30, 2018. The decrease was primarily due to the operating income/(loss) factors described above (primarily higher impairment losses in the current period), and a higher effective tax rate, partially offset by favorable changes in other expense/(income), detailed as follows.

- The effective tax rate was 27.3% for the six months ended June 29, 2019 compared to 24.8% for the six months ended June 30, 2018. The increase in our effective tax rate was primarily driven by the unfavorable impact of net discrete items, partially offset by the favorable geographic mix of pre-tax income in various non-U.S. jurisdictions. The unfavorable impact of net discrete items was primarily driven by non-deductible goodwill impairments, partially offset by reversals of reserves for uncertain tax positions in the U.S. and certain state jurisdictions. Additionally, in the prior year, we had an unfavorable impact from net discrete items, primarily related to the revaluation of our deferred tax balances due to changes in state tax laws.
- Other expense/(income) was \$513 million of income for the six months ended June 29, 2019 compared to \$110 million of income for the six months ended June 30, 2018. This increase was primarily due to a \$246 million gain on our Heinz India divestiture in the current period compared to a \$15 million loss on our South Africa divestiture in the prior period, lower nonmonetary currency devaluation losses related to our Venezuelan operations, and a \$58 million non-cash settlement charge in the prior period related to the wind-up of a non-U.S. pension plan, partially offset by lower income related to our postemployment benefit plans.

Adjusted EBITDA decreased 19.3% to \$3.0 billion for the six months ended June 29, 2019 compared to \$3.8 billion for the six months ended June 30, 2018. This decrease was primarily due to lower Organic Net Sales, higher supply chain costs, the unfavorable impact of foreign currency (3.3 pp), and investments in strategic initiatives.

Diluted EPS:

	For the Three Months Ended			For the Six Months Ended		
	June 29, 2019	June 30, 2018	% Change	June 29, 2019	June 30, 2018	% Change
	(As Restated)			(As Restated)		
	(in millions, except per share data)			(in millions, except per share data)		
Diluted EPS	\$ 0.37	\$ 0.62	(40.3)%	\$ 0.70	\$ 1.43	(51.0)%
Adjusted EPS(a)	0.78	0.99	(21.2)%	1.44	1.89	(23.8)%

(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 June 29, 2019 Compared to the Three Months Ended June 30, 2018:

Diluted EPS decreased 40.3% to \$0.37 for the three months ended June 29, 2019 compared to \$0.62 for the three months ended June 30, 2018 primarily due to the net income/(loss) attributable to common shareholders factors discussed above.

	For the Three Months Ended			
	June 29, 2019	June 30, 2018	\$ Change	% Change
	(As Restated)			
Diluted EPS	\$ 0.37	\$ 0.62	\$ (0.25)	(40.3)%
Integration and restructuring expenses	0.01	0.11	(0.10)	
Deal costs	—	0.01	(0.01)	
Unrealized losses/(gains) on commodity hedges	(0.01)	—	(0.01)	
Impairment losses	0.41	0.17	0.24	
Losses/(gains) on sale of business	—	0.01	(0.01)	
Nonmonetary currency devaluation	—	0.02	(0.02)	
U.S. Tax Reform discrete income tax expense/(benefit)	—	0.05	(0.05)	
Adjusted EPS(a)	\$ 0.78	\$ 0.99	\$ (0.21)	(21.2)%

Key drivers of change in Adjusted EPS(a):

Results of operations	\$ (0.23)
Change in other expense/(income)	0.01
Change in effective tax rate	0.01
	\$ (0.21)

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

Adjusted EPS decreased 21.2% to \$0.78 for the three months ended June 29, 2019 compared to \$0.99 for the three months ended June 30, 2018 primarily due to lower Adjusted EBITDA, and higher depreciation and amortization expenses, partially offset by favorable changes in other expense/(income) and lower taxes on adjusted earnings in the current period.

Six Months Ended June 29, 2019 compared to the Six Months Ended June 30, 2018:

Diluted EPS decreased 51.0% to \$0.70 for the six months ended June 29, 2019 compared to \$1.43 for the six months ended June 30, 2018 primarily due to the net income/(loss) attributable to common shareholders factors discussed above.

	For the Six Months Ended			
	June 29, 2019	June 30, 2018 (As Restated)	\$ Change	% Change
Diluted EPS	\$ 0.70	\$ 1.43	\$ (0.73)	(51.0)%
Integration and restructuring expenses	0.02	0.17	(0.15)	
Deal costs	0.01	0.01	—	
Unrealized losses/(gains) on commodity hedges	(0.02)	—	(0.02)	
Impairment losses	0.89	0.17	0.72	
Losses/(gains) on sale of business	(0.16)	0.01	(0.17)	
Nonmonetary currency devaluation	—	0.06	(0.06)	
U.S. Tax Reform discrete income tax expense/(benefit)	—	0.04	(0.04)	
Adjusted EPS(a)	\$ 1.44	\$ 1.89	\$ (0.45)	(23.8)%

Key drivers of change in Adjusted EPS(a):

Results of operations	\$ (0.50)
Change in other expense/(income)	0.01
Change in effective tax rate	0.04
	\$ (0.45)

Adjusted EPS decreased 23.8% to \$1.44 for the six months ended June 29, 2019 compared to \$1.89 for the six months ended June 30, 2018 primarily due to lower Adjusted EBITDA, and higher depreciation and amortization expenses, partially offset by lower taxes on adjusted earnings in the current period and favorable 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 integration and restructuring expenses); in addition to these adjustments, we exclude, when they occur, the impacts of integration and restructuring expenses, 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, gains/(losses) on the sale of a business, other gains/(losses) related to acquisitions and divestitures (e.g., tax and hedging impacts), nonmonetary currency devaluation (e.g., remeasurement gains and losses), and equity award compensation expense (excluding integration and restructuring expenses). 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.

Under highly inflationary accounting, the functional currency of our Venezuelan subsidiary is the U.S. dollar. As a result, we must revalue the results of our Venezuelan subsidiary to U.S. dollars. We revalue the income statement using daily weighted average DICOM rates, and we revalue the bolivar denominated monetary assets and liabilities at the period-end DICOM spot rate. The resulting revaluation gains and losses are recorded in current net income and are classified within other expense/(income), as nonmonetary currency devaluation. See Note 15, *Venezuela - Foreign Currency and Inflation*, in Item 1, *Financial Statements*, for additional information.

Net Sales:

	For the Three Months Ended		For the Six Months Ended	
	June 29, 2019	June 30, 2018	June 29, 2019	June 30, 2018
	(As Restated)		(As Restated)	
	(in millions)			
Net sales:				
United States	\$ 4,511	\$ 4,513	\$ 8,713	\$ 8,881
Canada	560	564	1,010	1,048
EMEA	643	707	1,250	1,392
Rest of World	692	906	1,392	1,673
Total net sales	\$ 6,406	\$ 6,690	\$ 12,365	\$ 12,994

Organic Net Sales:

	For the Three Months Ended		For the Six Months Ended	
	June 29, 2019	June 30, 2018	June 29, 2019	June 30, 2018
		(As Restated)		(As Restated)
	(in millions)			
Organic Net Sales(a):				
United States	\$ 4,511	\$ 4,513	\$ 8,713	\$ 8,881
Canada	581	564	1,052	1,048
EMEA	679	696	1,335	1,371
Rest of World	726	742	1,419	1,412
Total Organic Net Sales	\$ 6,497	\$ 6,515	\$ 12,519	\$ 12,712

(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 six months ended June 29, 2019 compared to the three and six months ended June 30, 2018 were:

	Net Sales	Currency	Acquisitions and Divestitures	Organic Net Sales	Price	Volume/Mix
For the Three Months Ended						
United States	(0.1)%	0.0 pp	0.0 pp	(0.1)%	(0.4) pp	0.3 pp
Canada	(0.7)%	(3.6) pp	0.0 pp	2.9 %	(2.4) pp	5.3 pp
EMEA	(8.9)%	(5.0) pp	(1.6) pp	(2.3)%	(0.2) pp	(2.1) pp
Rest of World	(23.6)%	(13.9) pp	(7.7) pp	(2.0)%	2.0 pp	(4.0) pp
Kraft Heinz	(4.2)%	(2.8) pp	(1.1) pp	(0.3)%	(0.3) pp	0.0 pp
For the Six Months Ended						
United States	(1.9)%	0.0 pp	0.0 pp	(1.9)%	(1.8) pp	(0.1) pp
Canada	(3.6)%	(4.0) pp	0.0 pp	0.4 %	(2.3) pp	2.7 pp
EMEA	(10.2)%	(6.1) pp	(1.5) pp	(2.6)%	(0.1) pp	(2.5) pp
Rest of World	(16.8)%	(12.7) pp	(4.7) pp	0.6 %	1.6 pp	(1.0) pp
Kraft Heinz	(4.8)%	(2.6) pp	(0.7) pp	(1.5)%	(1.3) pp	(0.2) pp

Adjusted EBITDA:

	For the Three Months Ended		For the Six Months Ended	
	June 29, 2019	June 30, 2018	June 29, 2019	June 30, 2018
	(As Restated)		(As Restated)	
	(in millions)			
Segment Adjusted EBITDA:				
United States	\$ 1,251	\$ 1,401	\$ 2,384	\$ 2,793
Canada	143	173	264	307
EMEA	171	206	314	388
Rest of World	102	213	203	357
General corporate expenses	(67)	(44)	(134)	(89)
Depreciation and amortization (excluding integration and restructuring expenses)	(253)	(235)	(487)	(434)
Integration and restructuring expenses	(14)	(93)	(41)	(183)
Deal costs	(5)	(7)	(13)	(16)
Unrealized gains/(losses) on commodity hedges	10	(3)	39	(5)
Impairment losses	(598)	(234)	(1,218)	(234)
Equity award compensation expense (excluding integration and restructuring expenses)	(6)	(20)	(15)	(27)
Operating income/(loss)	734	1,357	1,296	2,857
Interest expense	316	316	637	633
Other expense/(income)	(133)	(20)	(513)	(110)
Income/(loss) before income taxes	\$ 551	\$ 1,061	\$ 1,172	\$ 2,334

United States:

	For the Three Months Ended			For the Six Months Ended		
	June 29, 2019	June 30, 2018	% Change	June 29, 2019	June 30, 2018	% Change
	(As Restated)			(As Restated)		
	(in millions)			(in millions)		
Net sales	\$ 4,511	\$ 4,513	(0.1)%	\$ 8,713	\$ 8,881	(1.9)%
Organic Net Sales(a)	4,511	4,513	(0.1)%	8,713	8,881	(1.9)%
Segment Adjusted EBITDA	1,251	1,401	(10.7)%	2,384	2,793	(14.6)%

(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 June 29, 2019 Compared to the Three Months Ended June 30, 2018:

Net sales and Organic Net Sales both decreased 0.1% to \$4.5 billion for the three months ended June 29, 2019 compared to \$4.5 billion for the three months ended June 30, 2018. This decrease was primarily due to lower pricing (0.4 pp), partially offset by favorable volume/mix (0.3 pp). Pricing was lower across most categories due to unfavorable impact from promotional timing versus the prior period, and increased in-store activity, partially offset by price increases in select categories. Favorable volume/mix was primarily driven by a shift in Easter-related sales into the second quarter in 2019 compared to the first quarter in 2018, and growth in nuts, partially offset by changes in inventory levels at retail.

Segment Adjusted EBITDA decreased 10.7% to \$1.3 billion for the three months ended June 29, 2019 compared to \$1.4 billion for the three months ended June 30, 2018. This decrease was primarily due to cost inflation in manufacturing and procurement, and the unfavorable volume/mix due to higher sales of lower margin products in the current period.

Six Months Ended June 29, 2019 compared to the Six Months Ended June 30, 2018:

Net sales and Organic Net Sales both decreased 1.9% to \$8.7 billion for the six months ended June 29, 2019 compared to \$8.9 billion for the six months ended June 30, 2018 due to lower pricing (1.8 pp) and unfavorable volume/mix (0.1 pp). Pricing was lower across most categories due to unfavorable impact from promotional timing versus the prior period, increased in-store activity, and pricing related to favorable key commodity costs (which we define as dairy, meat, coffee, and nuts), primarily nuts, dairy, and coffee. This was partially offset by price increases in select categories. Unfavorable volume/mix was primarily due to changes in

inventory levels at retail and lower foodservice shipments, partially offset by growth in nuts, refrigerated meal combinations, and frozen.

Segment Adjusted EBITDA decreased 14.6% to \$2.4 billion for the six months ended June 29, 2019 compared to \$2.8 billion for the six months ended June 30, 2018. This decrease was primarily due to lower Organic Net Sales, cost inflation in procurement, manufacturing, and logistics, and strategic investments.

Canada:

	For the Three Months Ended			For the Six Months Ended		
	June 29, 2019	June 30, 2018	% Change	June 29, 2019	June 30, 2018	% Change
	(As Restated)			(As Restated)		
	(in millions)			(in millions)		
Net sales	\$ 560	\$ 564	(0.7)%	\$ 1,010	\$ 1,048	(3.6)%
Organic Net Sales ^(a)	581	564	2.9 %	1,052	1,048	0.4 %
Segment Adjusted EBITDA	143	173	(17.0)%	264	307	(14.1)%

(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 June 29, 2019 Compared to the Three Months Ended June 30, 2018:

Net sales decreased 0.7% to \$560 million for the three months ended June 29, 2019 compared to \$564 million for the three months ended June 30, 2018 primarily due to the unfavorable impact of foreign currency (3.6 pp). Organic Net Sales increased 2.9% to \$581 million for the three months ended June 29, 2019 compared to \$564 million for the three months ended June 30, 2018 driven by favorable volume/mix (5.3 pp), partially offset by lower pricing (2.4 pp). Favorable volume/mix was driven by growth across most categories, which was most pronounced in cheese, partially offset by lower inventory levels at retail. Pricing was lower primarily due to timing of promotional costs versus the prior period, and increased in-store activity.

Segment Adjusted EBITDA decreased 17.0% to \$143 million for the three months ended June 29, 2019 compared to \$173 million for the three months ended June 30, 2018 partially due to the unfavorable impact of foreign currency (2.8 pp). Excluding the currency impact, Segment Adjusted EBITDA decreased primarily due to lower pricing and higher input costs, partially offset by favorable volume/mix.

Six Months Ended June 29, 2019 compared to the Six Months Ended June 30, 2018:

Net sales decreased 3.6% to \$1.0 billion for the six months ended June 29, 2019 compared to \$1.0 billion for the six months ended June 30, 2018 primarily due to the unfavorable impact of foreign currency (4.0 pp). Organic Net Sales increased 0.4% to \$1.1 billion for the six months ended June 29, 2019 compared to \$1.0 billion for the six months ended June 30, 2018 driven by favorable volume/mix (2.7 pp), partially offset by lower pricing (2.3 pp). Favorable volume/mix was primarily driven by growth in cheese and condiments and sauces, partially offset by lower inventory levels at retail. Pricing was lower primarily due to timing of promotional costs versus the prior period, and increased in-store activity.

Segment Adjusted EBITDA decreased 14.1% to \$264 million for the six months ended June 29, 2019 compared to \$307 million for the six months ended June 30, 2018 partially due to the unfavorable impact of foreign currency (3.5 pp). Excluding the currency impact, Segment Adjusted EBITDA decreased primarily due to lower pricing, and higher input costs.

EMEA:

	For the Three Months Ended			For the Six Months Ended		
	June 29, 2019	June 30, 2018	% Change	June 29, 2019	June 30, 2018	% Change
	(As Restated)			(As Restated)		
	(in millions)			(in millions)		
Net sales	\$ 643	\$ 707	(8.9)%	\$ 1,250	\$ 1,392	(10.2)%
Organic Net Sales ^(a)	679	696	(2.3)%	1,335	1,371	(2.6)%
Segment Adjusted EBITDA	171	206	(17.1)%	314	388	(19.1)%

(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 June 29, 2019 Compared to the Three Months Ended June 30, 2018:

Net sales decreased 8.9% to \$643 million for the three months ended June 29, 2019 compared to \$707 million for the three months ended June 30, 2018 driven by the unfavorable impacts of foreign currency (5.0 pp) and acquisitions and divestitures (1.6 pp). Organic Net Sales decreased 2.3% to \$679 million for the three months ended June 29, 2019 compared to \$696 million for the three months ended June 30, 2018 due to unfavorable volume/mix (2.1 pp) and lower pricing (0.2 pp). Unfavorable volume/mix was primarily due to adverse impact of extended negotiations with key retailers. Lower pricing was primarily due to lower pricing in Italy infant nutrition and Russia.

Segment Adjusted EBITDA decreased 17.1% to \$171 million for the three months ended June 29, 2019 compared to \$206 million for the three months ended June 30, 2018, including the unfavorable impact of foreign currency (4.6 pp). Excluding the currency impact, the decrease was primarily due to higher supply chain costs, lower Organic Net Sales, and investments in marketing and people.

Six Months Ended June 29, 2019 compared to the Six Months Ended June 30, 2018:

Net sales decreased 10.2% to \$1.3 billion for the six months ended June 29, 2019 compared to \$1.4 billion for the six months ended June 30, 2018 driven by the unfavorable impacts of foreign currency (6.1 pp) and acquisitions and divestitures (1.5 pp). Organic Net Sales decreased 2.6% to \$1.3 billion for the six months ended June 29, 2019 compared to \$1.4 billion for the six months ended June 30, 2018 due to unfavorable volume/mix (2.5 pp) and lower pricing (0.1 pp). Unfavorable volume/mix was primarily due to adverse impact of extended negotiations with key retailers, and lower shipments of soup. Lower pricing was primarily due to lower pricing in Italy infant nutrition and Russia, partially offset by price increases in the United Kingdom.

Segment Adjusted EBITDA decreased 19.1% to \$314 million for the six months ended June 29, 2019 compared to \$388 million for the six months ended June 30, 2018, including the unfavorable impact of foreign currency (5.3 pp). Excluding the currency impact, the decrease was primarily due to higher supply chain costs, lower Organic Net Sales, the benefit from the postemployment benefits accounting change in the prior period, and investments in marketing and people.

Rest of World:

	For the Three Months Ended			For the Six Months Ended		
	June 29, 2019	June 30, 2018	% Change	June 29, 2019	June 30, 2018	% Change
	(As Restated)			(As Restated)		
	(in millions)			(in millions)		
Net sales	\$ 692	\$ 906	(23.6)%	\$ 1,392	\$ 1,673	(16.8)%
Organic Net Sales ^(a)	726	742	(2.0)%	1,419	1,412	0.6 %
Segment Adjusted EBITDA	102	213	(52.1)%	203	357	(43.0)%

(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 June 29, 2019 Compared to the Three Months Ended June 30, 2018:

Net sales decreased 23.6% to \$692 million for the three months ended June 29, 2019 compared to \$906 million for the three months ended June 30, 2018 due to the unfavorable impact of foreign currency (13.9 pp, including 9.6 pp from the devaluation of the Venezuelan bolivar) and the unfavorable impact of acquisitions and divestitures (7.7 pp). Organic Net Sales decreased 2.0% to \$726 million for the three months ended June 29, 2019 compared to \$742 million for the three months ended June 30, 2018 primarily due to unfavorable volume/mix (4.0 pp), partially offset by higher pricing (2.0 pp). Unfavorable volume/mix was due to lower shipments in condiments and sauces, declines in New Zealand, and lower shipments of infant nutrition products in China, partially offset by favorable holiday-related shipments in Indonesia. Pricing was higher primarily driven by pricing actions in Brazil.

Segment Adjusted EBITDA decreased 52.1% to \$102 million for the three months ended June 29, 2019 compared to \$213 million for the three months ended June 30, 2018 including the unfavorable impact of foreign currency (30.2 pp, including 26.5 pp from the devaluation of the Venezuelan bolivar). Excluding the currency impact, the decrease in Segment Adjusted EBITDA was primarily due to the sale of the Heinz India business, higher supply chain costs, and lower sales in Asia Pacific.

Six Months Ended June 29, 2019 compared to the Six Months Ended June 30, 2018:

Net sales decreased 16.8% to \$1.4 billion for the six months ended June 29, 2019 compared to \$1.7 billion for the six months ended June 30, 2018 due to the unfavorable impact of foreign currency (12.7 pp, including 7.6 pp from the devaluation of the Venezuelan bolivar) and the unfavorable impact of acquisitions and divestitures (4.7 pp). Organic Net Sales increased 0.6% to \$1.4 billion for the six months ended June 29, 2019 compared to \$1.4 billion for the six months ended June 30, 2018 driven by higher pricing (1.6 pp), partially offset by the unfavorable volume/mix (1.0 pp). Pricing was higher primarily driven by price increases in Brazil. Unfavorable volume/mix was due to lower shipments of infant nutrition products in China and declines in New Zealand, partially offset by growth in condiments and sauces.

Segment Adjusted EBITDA decreased 43.0% to \$203 million for the six months ended June 29, 2019 compared to \$357 million for the six months ended June 30, 2018, despite the unfavorable impact of foreign currency (26.3 pp, including 22.5 pp from the devaluation of the Venezuelan bolivar). Excluding the currency impact, the decrease in Segment Adjusted EBITDA was primarily due to the sale of the India business, higher supply chain costs, and lower sales in Asia Pacific.

Liquidity and Capital Resources

We believe that cash generated from our operating activities, commercial paper programs, and senior unsecured revolving credit facility (the “Senior Credit Facility”) will provide sufficient liquidity to meet our working capital needs, future contractual obligations (including repayments of long-term debt), payment of our anticipated quarterly dividends, planned capital expenditures, restructuring expenditures, and contributions to our postemployment benefit plans. An additional potential source of liquidity is access to capital markets. We intend to use our cash on hand and our commercial paper programs for daily funding requirements. Overall, while we are not currently eligible to use a registration statement on Form S-3 for any public offerings of registered debt or equity securities to raise capital, we do not expect any negative effects on our funding sources that would have a material effect on our short-term or long-term liquidity.

Cash Flow Activity For the Six Months Ended June 29, 2019 Compared to the Six Months Ended June 30, 2018:

Net Cash Provided by/Used for Operating Activities:

Net cash provided by operating activities was \$1.3 billion for the six months ended June 29, 2019 compared to \$216 million for the six months ended June 30, 2018. This increase was primarily driven by higher collections on trade receivables as fewer were non-cash exchanged for sold receivables as we unwound all of our Programs in 2018 and as trade receivables balances were higher at the end of 2018 compared to the end of 2017. This increase was partially offset by a federal tax refund received in the prior year, tax payments associated with the Heinz India divestiture, and increased cash payments for employee bonuses in 2019. See Note 16, *Financing Arrangements*, in Item 1, *Financial Statements*, for additional information on our Programs.

Net Cash Provided by/Used for Investing Activities:

Net cash used for investing activities was \$18 million for the six months ended June 29, 2019 compared to net cash provided by investing activities of \$579 million for the six months ended June 30, 2018. This change was primarily driven by lower cash collections on previously sold receivables, as we unwound all of our Programs in 2018, partially offset by proceeds from the Heinz India Transaction. Cash payments to acquire businesses were mostly flat year over year, as cash paid to acquire Primal Nutrition in the current year was only slightly less than cash paid to acquire Cerebos in the prior year. Additionally, capital expenditures were mostly flat year over year. We expect 2019 capital expenditures to be approximately \$800 million. See Note 5, *Acquisitions and Divestitures*, in Item 1, *Financial Statements*, for additional information on the Heinz India Transaction and the Primal Nutrition and Cerebos acquisitions.

Net Cash Provided by/Used for Financing Activities:

Net cash used for financing activities was \$977 million for the six months ended June 29, 2019 compared to net cash provided by financing activities of \$891 million for the six months ended June 30, 2018. This change was primarily driven by lower proceeds from the issuance of long-term debt in the current year, partially offset by decreased cash distributions related to our dividends and lower net repayments of commercial paper. See *Equity and Dividends* in this item for additional information on our dividends.

Cash Held by International Subsidiaries:

Of the \$1.5 billion cash and cash equivalents on our condensed consolidated balance sheet at June 29, 2019, \$742 million was held by international subsidiaries.

As of 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 related to our 2018 and 2019 accumulated earnings of certain international subsidiaries is approximately \$50 million.

Our historic earnings in foreign subsidiaries through December 30, 2017 are undistributed and currently not considered to be indefinitely reinvested. As of June 29, 2019, we have recorded a deferred tax liability of \$43 million on approximately \$575 million of historic earnings related to local withholding taxes that will be owed when this cash is distributed. As of December 29, 2018, we had recorded a deferred tax liability of \$78 million on \$1.2 billion of historic earnings. The decreases are due to the distribution of proceeds from the sale of Heinz India into Canada, which reduced our historic earnings related to Canada by approximately \$600 million. Related to this distribution, we recorded tax expenses of approximately \$30 million and reduced the deferred tax liability accordingly.

Total Debt:

We obtain funding through our U.S. and European commercial paper programs. We had no commercial paper outstanding at June 29, 2019 or at December 29, 2018. The maximum amount of commercial paper outstanding during the six months ended June 29, 2019 was \$200 million.

We maintain our \$4.0 billion Senior Credit Facility, and subject to certain conditions, we may increase the amount of revolving commitments and/or add additional 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 June 29, 2019 or during the six months ended June 29, 2019. The Senior Credit Facility contains 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 during the three months ended June 29, 2019.

Our long-term debt, including the current portion, was \$31.1 billion at June 29, 2019 and \$31.1 billion at December 29, 2018. Our long-term debt contains customary representations, covenants, and events of default. We repaid approximately \$350 million aggregate principal amount of senior notes on August 9, 2019. We were in compliance with all financial covenants during the three months ended June 29, 2019.

During the period from June 29, 2019 to August 13, 2019, due to the delays in the preparation of our financial statements for the fiscal quarter ended March 30, 2019, we were not in compliance with certain reporting covenants under the Senior Credit Facility and certain indentures.

However, as previously disclosed in our Current Report on Form 8-K filed May 10, 2019, we entered into a Waiver and Consent No. 2 (the “Second Waiver”) on May 10, 2019 with respect to the Senior Credit Facility, pursuant to which we obtained a temporary waiver of compliance by us with respect to the requirements to furnish lenders under the Senior Credit Facility copies of the consolidated financial statements for the fiscal quarter ended March 30, 2019. Pursuant to the Second Waiver and in order to remedy our noncompliance, we were required to provide condensed consolidated financial statements for our fiscal quarter ended March 30, 2019 no later than July 31, 2019.

As previously disclosed in our Current Report on Form 8-K filed July 31, 2019, we entered into a Waiver and Consent No. 3 (the “Third Waiver”) on July 29, 2019 with respect to the Senior Credit Facility, pursuant to which we obtained a temporary waiver of compliance by us with respect to the requirements to furnish lenders under the Senior Credit Facility copies of the consolidated financial statements for the fiscal quarter ended March 30, 2019. Pursuant to the Third Waiver and in order to remedy our noncompliance, we were required to provide condensed consolidated financial statements for our fiscal quarter ended March 30, 2019 no later than August 13, 2019. The filing of our Quarterly Report on Form 10-Q for the fiscal quarter ended March 30, 2019 on August 13, 2019 constituted compliance with the reporting requirements under the Senior Credit Facility and indentures. If we had not obtained these waivers, we would not have been able to access our Senior Credit Facility.

We have aggregate principal amount of senior notes of approximately \$900 million maturing in February 2020 and approximately 800 million Canadian dollars and \$1.5 billion maturing in July 2020. We expect to fund these long-term debt repayments primarily with cash on hand, cash generated from our operating activities, proceeds from our divestiture in Canada, and potential new issuances of short-term or long-term debt. See Note 19, *Debt*, to the consolidated financial statements in our Annual Report on Form 10-K for the year ended December 29, 2018 for additional information on our borrowing arrangements and long-term debt.

Commodity Trends

We purchase and use large quantities of commodities, including dairy products, meat products, coffee beans, nuts, tomatoes, potatoes, soybean and vegetable oils, sugar and other sweeteners, corn products, and wheat products to manufacture our products. In addition, we purchase and use significant quantities of resins, metals, and cardboard to package our products and natural gas to operate our facilities. We continuously monitor worldwide supply and cost trends of these commodities.

We define our key commodities in the United States and Canada as dairy, meat, coffee, and nuts. During the six months ended June 29, 2019, we experienced cost decreases for nuts, coffee, and dairy, while costs for meat increased. We manage commodity cost volatility primarily through pricing and risk management strategies. 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 29, 2018 for additional information on how we manage commodity costs.

Off-Balance Sheet Arrangements and Aggregate Contractual Obligations

There were no material changes to our off-balance sheet arrangements or aggregate contractual obligations from those disclosed in our Annual Report on Form 10-K for the year ended December 29, 2018.

Equity and Dividends

We paid common stock dividends of \$976 million for the six months ended June 29, 2019 and \$1.7 billion for the six months ended June 30, 2018. Additionally, on August 8, 2019, our Board of Directors declared a cash dividend of \$0.40 per share of common stock, which is payable on September 13, 2019 to shareholders of record on August 21, 2019.

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.

Critical Accounting Estimates

Our significant accounting policies are described in Note 3, *Significant Accounting Policies*, in Item 8, *Financial Statements and Supplementary Data*, of our consolidated financial statements for the year ended December 29, 2018 in our Annual Report on Form 10-K. See Note 3, *Significant Accounting Policies*, in Item 1, *Financial Statements*, for updates to our significant accounting policies during the three months ended June 29, 2019.

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 29, 2018 for a discussion of our other critical accounting estimates and assumptions.

Goodwill and Intangible Assets:

We maintain 19 reporting units, 12 of which comprise our goodwill balance. These 12 reporting units had an aggregate carrying amount of \$36.0 billion as of June 29, 2019. Our indefinite-lived intangible asset balance primarily consists of a number of individual brands, which had an aggregate carrying amount of \$43.5 billion as of June 29, 2019.

We test 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. 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 (for example due to regulatory or industry changes), disposals of significant brands or components of our business, unexpected business disruptions (for example due to a natural disaster 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, 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 to the associated carrying amount of goodwill.

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. If current expectations of future growth rates and margins are not met, if market factors outside of our control, such as discount rates, change, or if management's expectations or plans otherwise change, including as a result of updates to our global five-year operating plan, then one or more of our reporting units or brands might become impaired in the future.

As detailed in Note 9, *Goodwill and Intangible Assets*, in Item 1, *Financial Statements*, we recorded impairment losses related to goodwill and indefinite-lived intangible assets in the current year and in the prior year. Our reporting units and brands that were impaired in 2018 and 2019 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 reporting units and brands that have 20% or less excess fair value over carrying amount as of the 2019 annual impairment test date 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 of \$33.0 billion as of the 2019 annual impairment test date and included: U.S. Grocery, U.S. Refrigerated, U.S. Foodservice, Canada Retail, Canada Foodservice, Latin America Exports, EMEA East, Australia and New Zealand, and Northeast Asia. We had one reporting unit, Continental Europe, with 10-20% fair value over carrying amount. Continental Europe had a goodwill carrying amount of \$593 million as of the 2019 annual impairment test date. The aggregate goodwill carrying amount of reporting units with fair value over carrying amount between 20-50% was \$2.4 billion and there were no reporting units with fair value over carrying amount in excess of 50% as of the 2019 annual impairment test date. Brands with 10% or less fair value over carrying amount had an aggregate carrying amount after impairment of \$26.4 billion as of the 2019 annual impairment test date and included: *Kraft*, *Philadelphia*, *Velveeta*, *Lunchables*, *Miracle Whip*, *Planters*, *Maxwell House*, *Cool Whip*, and *ABC*. Brands with 10-20% fair value over carrying amount had an aggregate carrying amount of \$3.6 billion as of the 2019 annual impairment test date and included *Oscar Mayer*, *Jet Puffed*, and *Quero*. The aggregate carrying amount of brands with fair value over carrying amount between 20-50% was \$4.2 billion as of the 2019 annual impairment test date. Although the remaining brands, with a carrying value of \$9.3 billion, have more than 50% excess fair value over carrying amount as of the 2019 annual impairment test date, these amounts are also associated with the 2013 Heinz acquisition and the 2015 Merger and are recorded on the balance sheet at their estimated acquisition date fair values. Therefore, if any assumptions, estimates, or market factors change in the future, these amounts are also susceptible to impairments.

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 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 brands with 10% or less excess fair value over carrying amount, as well as the goodwill or brand carrying amounts, as of the 2019 annual impairment test date 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	\$ 33.0	7.0%	10.3%	1.5%	4.0%		
Brands (excess earnings method)	19.4	7.7%	7.8%	0.8%	2.0%		
Brands (relief from royalty method)	7.0	7.7%	10.7%	0.5%	3.5%	7.0%	20.0%

The discount rates, long-term growth rates, and royalty rates used to estimate the fair values of our reporting units and brands with 10-20% excess fair value over carry amount, as well as the goodwill or brand carrying amounts, as of the 2019 annual impairment test date 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	\$ 0.6	9.0%	11.3%	2.5%	3.5%		
Brands (excess earnings method)	3.3	7.8%	7.8%	1.0%	1.0%		
Brands (relief from royalty method)	0.3	7.8%	10.3%	1.5%	4.0%	1.0%	17.0%

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 10% or less excess fair value over carrying amount and 10-20% excess fair value over carrying amount. Note that 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 10% or less excess fair value over carrying amount, as of the 2019 annual impairment test date 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	\$ (5.6)	\$ 6.7	\$ 2.7	\$ (2.5)		
Brands (excess earnings method)	(1.4)	1.7	0.6	(0.6)		
Brands (relief from royalty method)	(0.5)	0.6	0.2	(0.2)	\$ 0.6	\$ (0.6)

If we had changed the assumptions used to estimate the fair value of our reporting units and brands with 10-20% excess fair value over carrying amount, as of the 2019 annual impairment test date 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		100-Basis-Point			
	Increase	Decrease	Increase	Decrease	Increase	Decrease
Reporting units	\$ (0.1)	\$ 0.1	\$ 0.1	\$ —		
Brands (excess earnings method)	(0.3)	0.3	0.1	(0.1)		
Brands (relief from royalty method)	—	—	—	—	\$ —	\$ —

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

New Accounting Pronouncements

See Note 4, *New Accounting Standards*, in Item 1, *Financial Statements*, for a discussion of new accounting pronouncements.

Contingencies

See Note 17, *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 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. Management believes that presenting our non-GAAP financial measures (i.e., Organic Net Sales, Adjusted EBITDA, and Adjusted EPS) 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 Venezuela, for which we calculate the previous year's results using the current year's exchange rate. Organic Net Sales 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.

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 integration and restructuring expenses); in addition to these adjustments, we exclude, when they occur, the impacts of integration and restructuring expenses, deal costs, unrealized losses/(gains) on commodity hedges, impairment losses, 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), and equity award compensation expense (excluding integration and restructuring expenses). 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.

Adjusted EPS is defined as diluted earnings per share excluding, when they occur, the impacts of integration and restructuring expenses, deal costs, unrealized losses/(gains) on commodity hedges, impairment losses, 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), and U.S. Tax Reform discrete income tax expense/(benefit), and including, when they occur, adjustments to reflect preferred stock dividend payments on an accrual basis. We believe Adjusted EPS provides important comparability of underlying operating results, allowing investors and management to assess operating performance on a consistent 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 June 29, 2019						
United States	\$ 4,511	\$ —	\$ —	\$ 4,511		
Canada	560	(21)	—	581		
EMEA	643	(36)	—	679		
Rest of World	692	(34)	—	726		
Kraft Heinz	<u>\$ 6,406</u>	<u>\$ (91)</u>	<u>\$ —</u>	<u>\$ 6,497</u>		
Three Months Ended June 30, 2018 (As Restated)						
United States	\$ 4,513	\$ —	\$ —	\$ 4,513		
Canada	564	—	—	564		
EMEA	707	—	11	696		
Rest of World	906	101	63	742		
Kraft Heinz	<u>\$ 6,690</u>	<u>\$ 101</u>	<u>\$ 74</u>	<u>\$ 6,515</u>		
Year-over-year growth rates						
United States	(0.1)%	0.0 pp	0.0 pp	(0.1)%	(0.4) pp	0.3 pp
Canada	(0.7)%	(3.6) pp	0.0 pp	2.9 %	(2.4) pp	5.3 pp
EMEA	(8.9)%	(5.0) pp	(1.6) pp	(2.3)%	(0.2) pp	(2.1) pp
Rest of World	(23.6)%	(13.9) pp	(7.7) pp	(2.0)%	2.0 pp	(4.0) pp
Kraft Heinz	(4.2)%	(2.8) pp	(1.1) pp	(0.3)%	(0.3) pp	0.0 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
Six Months Ended June 29, 2019						
United States	\$ 8,713	\$ —	\$ —	\$ 8,713		
Canada	1,010	(42)	—	1,052		
EMEA	1,250	(85)	—	1,335		
Rest of World	1,392	(78)	51	1,419		
Kraft Heinz	<u>\$ 12,365</u>	<u>\$ (205)</u>	<u>\$ 51</u>	<u>\$ 12,519</u>		
Six Months Ended June 30, 2018 (As Restated)						
United States	\$ 8,881	\$ —	\$ —	\$ 8,881		
Canada	1,048	—	—	1,048		
EMEA	1,392	—	21	1,371		
Rest of World	1,673	140	121	1,412		
Kraft Heinz	<u>\$ 12,994</u>	<u>\$ 140</u>	<u>\$ 142</u>	<u>\$ 12,712</u>		
Year-over-year growth rates						
United States	(1.9)%	0.0 pp	0.0 pp	(1.9)%	(1.8) pp	(0.1) pp
Canada	(3.6)%	(4.0) pp	0.0 pp	0.4 %	(2.3) pp	2.7 pp
EMEA	(10.2)%	(6.1) pp	(1.5) pp	(2.6)%	(0.1) pp	(2.5) pp
Rest of World	(16.8)%	(12.7) pp	(4.7) pp	0.6 %	1.6 pp	(1.0) pp
Kraft Heinz	(4.8)%	(2.6) pp	(0.7) pp	(1.5)%	(1.3) pp	(0.2) pp

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

	For the Three Months Ended		For the Six Months Ended	
	June 29, 2019	June 30, 2018	June 29, 2019	June 30, 2018
		(As Restated)		(As Restated)
Net income/(loss)	\$ 448	\$ 753	\$ 852	\$ 1,756
Interest expense	316	316	637	633
Other expense/(income)	(133)	(20)	(513)	(110)
Provision for/(benefit from) income taxes	103	308	320	578
Operating income/(loss)	734	1,357	1,296	2,857
Depreciation and amortization (excluding integration and restructuring expenses)	253	235	487	434
Integration and restructuring expenses	14	93	41	183
Deal costs	5	7	13	16
Unrealized losses/(gains) on commodity hedges	(10)	3	(39)	5
Impairment losses	598	234	1,218	234
Equity award compensation expense (excluding integration and restructuring expenses)	6	20	15	27
Adjusted EBITDA	\$ 1,600	\$ 1,949	\$ 3,031	\$ 3,756

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

	For the Three Months Ended		For the Six Months Ended	
	June 29, 2019	June 30, 2018	June 29, 2019	June 30, 2018
		(As Restated)		(As Restated)
Diluted EPS	\$ 0.37	\$ 0.62	\$ 0.70	\$ 1.43
Integration and restructuring expenses(a)	0.01	0.11	0.02	0.17
Deal costs(b)	—	0.01	0.01	0.01
Unrealized losses/(gains) on commodity hedges(c)	(0.01)	—	(0.02)	—
Impairment losses(d)	0.41	0.17	0.89	0.17
Losses/(gains) on sale of business(e)	—	0.01	(0.16)	0.01
Nonmonetary currency devaluation(f)	—	0.02	—	0.06
U.S. Tax Reform discrete income tax expense/(benefit)(g)	—	0.05	—	0.04
Adjusted EPS	\$ 0.78	\$ 0.99	\$ 1.44	\$ 1.89

- (a) Gross expenses included in integration and restructuring expenses were \$14 million (\$8 million after-tax) for the three months and \$41 million (\$29 million after-tax) for the six months ended June 29, 2019 and \$157 million (\$135 million after-tax) for the three months and \$247 million (\$207 million after-tax) for the six months ended June 30, 2018 and were recorded in the following income statement line items:
- Cost of products sold included \$6 million for the three months and \$15 million for the six months ended June 29, 2019 and \$79 million for the three months and \$157 million for the six months ended June 30, 2018;
 - SG&A included \$8 million for the three months and \$26 million for the six months ended June 29, 2019 and \$14 million for the three months and \$26 million for the six months ended June 30, 2018; and
 - Other expense/(income) included expenses of \$64 million for the three and six months ended June 30, 2018.
- (b) Gross expenses included in deal costs were \$5 million (\$5 million after-tax) for the three months and \$13 million (\$11 million after-tax) for the six months ended June 29, 2019 and \$7 million (\$6 million after-tax) for the three months and \$16 million (\$13 million after-tax) for the six months ended June 30, 2018 and were recorded in the following income statement line items:
- Cost of products sold included \$4 million for the three and six months ended June 30, 2018; and
 - SG&A included \$5 million for the three months and \$13 million for the six months ended June 29, 2019 and \$3 million for the three months and \$12 million for the six months ended June 30, 2018.
- (c) Gross expenses/(income) included in unrealized losses/(gains) on commodity hedges were income of \$10 million (\$8 million after-tax) for the three months and \$39 million (\$29 million after-tax) for the six months ended June 29, 2019 and expenses of \$3 million (\$3 million after-tax) for the three months and \$5 million (\$4 million after-tax) for the six months ended June 30, 2018 and were recorded in cost of products sold.
- (d) Gross impairment losses, which were recorded in SG&A, included the following:
- Goodwill impairment losses of \$124 million (\$123 million after-tax) for the three months and \$744 million (\$717 million after-tax) for the six months ended June 29, 2019 and \$133 million (\$133 million after-tax) for the three and six months ended June 30, 2018; and
 - Intangible asset impairment losses of \$474 million (\$374 million after-tax) for the three and six months ended June 29, 2019 and \$101 million (\$80 million after-tax) for the three and six months ended June 30, 2018.
- (e) Gross expenses/(income) included in losses/(gains) on sale of business were income of \$246 million (\$190 million after-tax) for the six months ended June 29, 2019 and expenses of \$15 million (\$15 million after-tax) for the three and six months ended June 30, 2018 and were recorded in other expense/(income).
- (f) Gross expenses included in nonmonetary currency devaluation were \$2 million (\$2 million after-tax) for the three months and \$6 million (\$6 million after-tax) for the six months ended June 29, 2019 and \$20 million (\$20 million after-tax) for the three months and \$67 million (\$67 million after-tax) for the six months ended June 30, 2018 and were recorded in other expense/(income).
- (g) U.S. Tax Reform discrete income tax expense/(benefit) included expenses of \$64 million for the three months and \$44 million for the six months ended June 30, 2018.

Forward-Looking Statements

This Quarterly Report on Form 10-Q contains a number of forward-looking statements. Words such as “anticipate,” “reflect,” “invest,” “see,” “make,” “expect,” “give,” “deliver,” “drive,” “believe,” “improve,” “assess,” “reassess,” “remain,” “evaluate,” “grow,” “will,” “plan,” “intend,” 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 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, suppliers, and 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, increase our market share, or add products that are in faster-growing and more profitable categories; product recalls or product liability claims; unanticipated business disruptions; our ability to identify, complete, or realize the benefits from strategic acquisitions, alliances, divestitures, joint ventures, or other investments; 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; our ability to successfully execute our strategic initiatives; the impacts of our international operations; economic and political conditions in the United States and in various other nations where we do business; 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; risks associated with information technology and systems, including service interruptions, misappropriation of data, or breaches of security; impacts of natural events in the locations in which we or our customers, suppliers, distributors, or regulators operate; our ownership structure; our indebtedness and ability to pay such indebtedness; additional impairments of the carrying amounts of goodwill or other indefinite-lived intangible assets; exchange rate fluctuations; volatility in commodity, energy, and other input costs; volatility in the market value of all or a portion of the derivatives we use; increased pension, labor and people-related expenses; compliance with laws, regulations, and related interpretations and related legal claims or other regulatory enforcement actions, including additional risks and uncertainties related to our restatement and any potential actions resulting from the SEC’s ongoing investigation, as well as potential additional subpoenas, litigation, and regulatory proceedings; an inability to remediate the material weaknesses in our internal control over financial reporting or additional material weaknesses or other deficiencies in the future or the failure to maintain an effective system of internal controls; our failure to prepare and timely file our periodic reports; the restatement of certain of our previously issued consolidated financial statements, which resulted in unanticipated costs and may affect investor confidence and raise reputational issues; our ability to protect intellectual property rights; tax law changes or interpretations; the impact of future sales of our common stock in the public markets; our ability to continue to pay a regular dividend and the amounts of any such dividends; volatility of capital markets and other macroeconomic 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 29, 2018. We disclaim and do not undertake any obligation to update or revise any forward-looking statement in this report, except as required by applicable law or regulation.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

There have been no material changes to our market risk during the six months ended June 29, 2019. 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 29, 2018.

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 June 29, 2019. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that as of June 29, 2019, due to the existence of the material weaknesses in our internal control over financial reporting described below, our disclosure controls and procedures were not effective to provide 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.

Material Weaknesses in Internal Control Over Financial Reporting

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. Additionally, the material weaknesses described below could result in a misstatement of the aforementioned account balances or disclosures that would result in a material misstatement of the annual or interim consolidated financial statements that would not be prevented or detected.

As previously disclosed in our Annual Report on Form 10-K for the year ended December 29, 2018, we identified a material weakness in the risk assessment component of internal control as we did not appropriately design controls in response to the risk of misstatement due to changes in our business environment. This material weakness in risk assessment gave rise to the specific control deficiencies described below, which we also determined to be material weaknesses:

- *Supplier Contracts and Related Arrangements:* We did not design and maintain effective controls over the accounting for supplier contracts and related arrangements. Specifically, certain employees in our procurement organization engaged in misconduct and circumvented controls that included withholding information or directing others to withhold information related to supplier contracts that affected the accounting for certain supplier rebates, incentives, and pricing arrangements, in an attempt to influence the achievement of internal financial targets that became or were perceived to have become increasingly difficult to attain due to changes in our business environment. Additionally, in certain instances, we did not have a sufficient understanding or maintain sufficient documentation of the transaction to determine the appropriate accounting for certain cost and rebate elements and embedded leases. This material weakness resulted in misstatements that were corrected in the restatement included in our Annual Report on Form 10-K for the year ended December 29, 2018.
- *Goodwill and Indefinite-lived Intangible Asset Impairment Testing:* We did not design and maintain effective controls to reassess the level of precision used to review the impairment assessments related to goodwill and indefinite-lived intangible assets as changes in our business environment occurred. Specifically, we did not design and maintain effective controls to reassess the level of precision used in the review of the allocation of cash flow projections to certain brands used as a basis for performing our fourth quarter 2018 interim impairment assessments in response to the significant reduction in, and in certain instances elimination of, the excess fair value over carrying amount of certain brands that resulted from changes in our business environment.

Remediation Plan

Our management, with oversight from our Audit Committee, has initiated a plan to remediate the material weaknesses previously identified in the Annual Report on Form 10-K for the period ended December 29, 2018. These plans include the implementation of additional controls and procedures to strengthen our internal controls related to our risk assessment component of internal control over financial reporting, supplier contracts and related arrangements, and the level of precision applied to the goodwill and indefinite-lived intangible asset impairment testing process. The remaining actions outlined in the remediation plan from what had been previously communicated in the Annual Report on Form 10-K include the following:

- *Performance Targets*—We have identified and will be implementing several performance-based target enhancements as follows: (i) implementing checkpoints to evaluate significant changes in the environment that could adversely impact the attainability of management goals and targets; (ii) reassessing and adjusting the overall balance of performance measures

provided to employees to help drive challenging but attainable targets; (iii) enhancing our training and overall communication specific to the Management by Objective (“MBO”) process, including a focus on the process to request relief from previously established MBOs, to help ensure all eligible employees are aware of and understand the overall MBO waiver and relief process; (iv) reinforcing the importance of adherence to established internal controls and company policies and procedures through other formal communications, town hall meetings, and other employee trainings; and (v) reassessing certain employees’ key performance indicators.

- **Procurement Practices**—We have evaluated our procurement practices and are in the process of implementing improvements to those practices, including: (i) developing more comprehensive contract approval policies and processes; (ii) enhancing required communication protocols among all functions involved in the procurement process (e.g., procurement, legal, accounting, and finance) to ensure all relevant parties are involved in the contract review process; (iii) standardizing contract documentation and analyses; and (iv) developing a more comprehensive accounting review process and monitoring controls over supplier contracts and related arrangements to ensure transactions are recorded in accordance with generally accepted accounting principles.
- **Training Practices**—We are in the process of developing a comprehensive global procurement training program that will cover supplier contracts and related arrangements, including potential accounting implications.
- **Procurement Management Software**—We have started to evaluate potential solutions to implement or upgrade the existing procurement management software to enhance the identification, tracking, and monitoring of supplier contracts and related arrangements.

To date, the following actions have been taken towards our remediation plan:

- **Personnel Actions**—A comprehensive disciplinary plan has been implemented for all employees found to have engaged in misconduct, including termination, written warnings, and appropriate training depending on the severity of the misconduct.
- **Organizational Enhancements**—We have implemented the following organizational enhancements: (i) augmented our procurement finance teams with additional professionals with the appropriate levels of accounting and controls knowledge, experience, and training in the area of supplier contracts and related arrangements; and (ii) realigned reporting lines whereby procurement finance now report directly to the finance organization.
- **Level of Precision Applied to Impairment Testing**—We have enhanced the level of precision at which our internal controls over financial reporting relating to goodwill and indefinite-lived intangible asset impairment assessments are performed. Specifically, we implemented and executed additional procedures to (i) enhance our analysis of forecasted cash flows used in the impairment assessment and (ii) test the accuracy of forecasted cash flow allocations to specific brands.

We have begun and expect to continue implementing various changes in our internal control over financial reporting to remediate the material weaknesses described above. We continue to make progress on our remediation and our goal is to implement the remaining control improvements related to these material weaknesses by early 2020. We will also continue to review, optimize, and enhance our financial reporting controls and procedures. As we continue to evaluate and work to improve our internal control over financial reporting, we may take additional measures to address control deficiencies or we may modify certain of the remediation measures described above.

Changes in Internal Control Over Financial Reporting

The changes made in our goodwill and indefinite-lived intangible asset impairment testing mentioned above were changes in our internal control over financial reporting during the three months ended June 29, 2019 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 17, *Commitments, Contingencies and Debt*, in Item 1, *Financial Statements*.

Item 1A. Risk Factors.

Additional impairments of the carrying amounts of goodwill or other indefinite-lived intangible assets could negatively affect our financial condition and results of operations.

We maintain 19 reporting units, 12 of which comprise our goodwill balance. Our indefinite-lived intangible asset balance primarily consists of a number of individual brands. We test 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. 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 (for example due to regulatory or industry changes), disposals of significant brands or components of our business, unexpected business disruptions (for example due to a natural disaster or loss of a customer, supplier, or other significant business relationship), unexpected significant declines in operating results, or significant adverse changes in the markets in which we operate. 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 to the associated carrying amount of goodwill.

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. If current expectations of future growth rates and margins are not met, if market factors outside of our control, such as discount rates, change, or if management's expectations or plans otherwise change, including as a result of updates to our global five-year operating plan, then one or more of our reporting units or brands might become impaired in the future.

As a result of our annual and interim impairment tests, we have recognized historical goodwill impairment losses of \$7.0 billion and indefinite-lived intangible asset impairment losses of \$8.9 billion in 2018, and goodwill impairment losses of \$744 million and indefinite-lived intangible asset impairment losses of \$474 million in the first six months of 2019. Our reporting units and brands that were impaired in 2018 and 2019 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 reporting units and brands that have 20% or less excess fair value over carrying amount as of the 2019 annual impairment test date 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 of \$33.0 billion as of the 2019 annual impairment test date and included: U.S. Grocery, U.S. Refrigerated, U.S. Foodservice, Canada Retail, Canada Foodservice, Latin America Exports, EMEA East, Australia and New Zealand, and Northeast Asia. We had one reporting unit, Continental Europe, with 10-20% fair value over carrying amount. Continental Europe had a goodwill carrying amount of \$593 million as of the 2019 annual impairment test date. The aggregate goodwill carrying amount of reporting units with fair value over carrying amount between 20-50% was \$2.4 billion and there were no reporting units with fair value over carrying amount in excess of 50% as of the 2019 annual impairment test date. Brands with 10% or less fair value over carrying amount had an aggregate carrying amount after impairment of \$26.4 billion as of the 2019 annual impairment test date and included: *Kraft*, *Philadelphia*, *Velveeta*, *Lunchables*, *Miracle Whip*, *Planters*, *Maxwell House*, *Cool Whip*, and *ABC*. Brands with 10-20% fair value over carrying amount had an aggregate carrying amount of \$3.6 billion as of the 2019 annual impairment test date and included *Oscar Mayer*, *Jet Puffed*, and *Quero*. The aggregate carrying amount of brands with fair value over carrying amount between 20-50% was \$4.2 billion as of the 2019 annual impairment test date. Although the remaining reporting units and brands have more than 50% excess fair value over carrying amount as of the 2019 annual impairment test date, these amounts are also associated with the 2013 Heinz acquisition and the 2015 Merger and are recorded on the balance sheet at their estimated acquisition date fair values. Therefore, if any assumptions, estimates, or market factors change in the future, these amounts are also susceptible to impairments.

There have been no other material changes to the risk factors disclosed in our Annual Report on Form 10-K for the year ended December 29, 2018.

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

Our share repurchase activity in the three months ended June 29, 2019 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
3/31/2019 - 5/4/2019	—	\$ —	—	\$ —
5/5/2019 - 6/1/2019	—	—	—	—
6/2/2019 - 6/29/2019	—	—	—	—
Total	—	—	—	—

^(a) Includes the following types of share repurchase activity, when they occur: (1) shares repurchased in connection with the exercise of stock options (including periodic repurchases using option exercise proceeds), (2) shares withheld for tax liabilities associated with the vesting of restricted stock units, and (3) shares repurchased related to employee benefit programs (including our annual bonus swap program) or to offset the dilutive effect of equity issuances.

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

Item 6. Exhibits.

Exhibit No.	Descriptions
10.1	<u>Waiver and Consent No. 2 to Credit Agreement, dated as of May 10, 2019, to the Credit Agreement dated as of July 6, 2015, by and among The Kraft Heinz Company, Kraft Heinz Foods Company, the Lenders party thereto, JPMorgan Chase Bank, N.A., as Administrative Agent, and J.P. Morgan Europe Limited, as London agent for the Lenders (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (File No. 1-37482), filed on May 10, 2019.</u>
10.2	<u>Waiver and Consent No. 3 to Credit Agreement, dated as of July 29, 2019, to the Credit Agreement dated as of July 6, 2015, by and among The Kraft Heinz Company, Kraft Heinz Foods Company, the Lenders party thereto, JPMorgan Chase Bank, N.A., as Administrative Agent, and J.P. Morgan Europe Limited, as London agent for the Lenders (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (File No. 1-37482), filed on July 31, 2019.</u>
10.3	<u>Separation Agreement and General Release, dated as of June 25, 2019, by and between The Kraft Heinz Company and Bernardo Hees.</u>
10.4	<u>Addendum to Separation Agreement and General Release, dated as of June 30, 2019, by and between The Kraft Heinz Company and Bernardo Hees.</u>
10.5	<u>Offer of Employment Letter, dated as of July 1, 2019, by and between The Kraft Heinz Company and Miguel Patricio.</u>
31.1	<u>Certification of Chief Executive Officer pursuant to Rule 13a 14(a)/15d 14(a) of the Securities Exchange Act of 1934.</u>
31.2	<u>Certification of Chief Financial Officer pursuant to Rule 13a 14(a)/15d 14(a) of the Securities Exchange Act of 1934.</u>
32.1	<u>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.</u>
32.2	<u>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.</u>
101.1	The following materials from The Kraft Heinz Company's Quarterly Report on Form 10-Q for the period ended June 29, 2019 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 Statements of Equity, (iv) the Condensed Consolidated Balance Sheets, (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 quarter ended June 29, 2019, formatted in Inline XBRL.

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: August 13, 2019

By: /s/ David H. Knopf

David H. Knopf

Executive Vice President and Chief Financial Officer

(Duly Authorized Officer and Principal Financial Officer)

The Kraft Heinz Company

Date: August 13, 2019

By: /s/ Vince Garlati

Vince Garlati

Vice President, Global Controller

(Principal Accounting Officer)

SEPARATION AGREEMENT AND GENERAL RELEASE

Bernardo Hees (“Executive”) has been employed by Kraft Heinz Foods Company (“Kraft Heinz” or “the Company”) as Chief Executive Officer located in Chicago, Illinois. Since Executive’s employment relationship is ending, Kraft Heinz has offered Executive benefits as set forth in this Agreement, certain of which benefits are greater than what Executive is entitled to receive, and Executive has decided to accept Kraft Heinz’s offer. In accordance with the foregoing, Executive and Kraft Heinz both agree and promise as follows:

1. Executive’s last day of work at Kraft Heinz will be June 30, 2019, at which time his employment will end (“Termination Date”). Kraft Heinz will pay Executive twelve (12) months of separation pay at his current monthly base salary, in the amount of \$1,000,000.00 USD, less applicable deductions. This payment will be made within sixty (60) days after the Termination Date.

2. Although Executive is ineligible for a payment under the Company’s Performance Bonus Plan (“PBP”), provided he signs, returns and does not revoke this Agreement, Executive will receive a one time, lump sum payment in the amount of \$1,084,000.00 USD, less deductions required by law, which payment shall be made in lieu of a 2019 PBP bonus. This payment will be based on the number of full or partial months worked from January 1, 2019 through the Termination Date, calculated assuming an 85% EBITDA business performance rating and an 85% MBO score at Executive’s 2019 performance bonus target and current annual salary. This payment, less required deductions, will be paid within sixty (60) days of the Termination Date, and will not be eligible for any benefit deductions or pension contributions.

3. Kraft Heinz will pay Executive for any unused accrued 2019 PTO days, less applicable deductions, to be paid within thirty (30) days after the Termination Date.

4. With regards to the legacy Heinz and Kraft Heinz Partnership Stock Option Awards granted to Executive over the course of his employment with the Company pursuant to the applicable Non-Qualified Stock Option Award Agreements (the “Option Awards”), Executive’s “Service” will continue through the Termination Date and Executive shall incur a “termination without cause” on the Termination Date. As of the Termination Date, the Option Award granted to Executive on July 1, 2013, for 1,329,996 shares, will remain fully vested and the Option Award granted to Executive on August 20, 2015, for 202,021 shares, will be 60% vested (for 121,213 shares). Under the terms of the applicable Option Awards, Executive will have 12 months after the Termination date to exercise the vested Option Awards. The unvested portions of these Option Awards will be forfeited on the Termination Date.

5. Through the legacy Heinz and Kraft Heinz Bonus Swap Programs in years 2014 through 2017, Executive purchased and owns an accumulated 57,252 shares, plus any shares purchased through dividend reinvestment in The Kraft Heinz Company. These purchased shares are not forfeitable.

By participating in the legacy Heinz Bonus Swap Program in 2014 and 2015, Executive was granted Matching Stock Option Awards from the Company pursuant to the applicable Matching Stock Option Award Agreements (the “Matching Options”). As of the Termination Date, the Matching Options granted to Executive on February 14, 2014, for 98,951 shares, will remain fully vested and the Matching Options granted to Executive on February 12, 2015, for 71,819 shares, will be 80% vested (for 57,455 shares). Under the terms of such Matching Options, Executive will have 12 months after the Termination Date to exercise these vested Matching Options. The unvested portions of these Matching Options will be forfeited on the Termination Date.

By participating in the Kraft Heinz Bonus Swap Program in 2016 and 2017, Executive was granted Matching Restricted Stock Units and dividend accrual shares from the Company pursuant to the applicable Matching Restricted Stock Unit Award Agreements (the “Matching RSUs”). As of the Termination Date, the Matchings RSUs granted to Executive on March 1, 2016, for 18,671 shares, will be 60% vested (for 11,203 shares plus any dividend equivalent shares at the same vesting percentage as reflected in Executive’s UBS account as of the Termination Date). The

Matchings RSUs granted to Executive on March 1, 2017, for 29,865 shares, will be 40% vested (for 11,946 shares plus any dividend equivalent shares at the same vesting percentage as reflected in Executive's UBS account as of the Termination Date). The unvested portions of these Matching RSUs will be forfeited on the Termination Date.

6. With Regards to the Kraft Heinz Partnership Restricted Stock Unit ("RSU") Award and Performance Share Unit ("PSU") Award granted to Executive on March 1, 2018 pursuant to the applicable Form RSU Award Agreement and Form PSU Agreement, Executive will forfeit these Awards in their entirety due to a Termination in under three years from the grant date.

7. The equity treatment outlined in Paragraphs above is offered pursuant to the applicable Omnibus Incentive Plans and Award Agreements and has been approved by the Kraft Heinz Board of Director Compensation Committee. Any transactions related to shares or options will be handled through UBS. The administrative time it takes to complete these transactions may be up to 8 weeks from the later of (a) the date of your Termination, or (b) the day after the company-wide black-out lift on securities trading. Contact Steve Crucitt (Steve.Crucitt@kraftheinz.com) with your intent to exercise stock options to allow for an appropriate tax analysis prior to the exercise.

8. Executive agrees to return all company property in his possession, including documents (manuals, notes, handbooks), Company-provided laptops, computers, cell phones, wireless devices and or other equipment or property he has used during his employment with Kraft Heinz, no later than the Termination Date.

9. Kraft Heinz company agrees to support the sale of 710 Bending Oak Lane in Pittsburgh, PA vacated by Executive due to his job transfer to Chicago, Illinois in 2017. This support is limited to the reimbursement of the commissions and typical homeowner closing costs as outlined in the Kraft Heinz U.S. Domestic Transfer Policy and not to exceed 8% of the sales price. This reimbursement will be facilitated by WHR Group following the closing of the home and receipt of the closing disclosure. Kraft Heinz company also agrees to cover the tax gross up obligation for this benefit in a manner consistent with our standard gross up methodology.

10. Executive acknowledges and agrees that, notwithstanding anything in this Agreement to the contrary, the restrictive covenants contained in the restricted stock unit and stock options agreements applicable to the non-forfeited stock option and RSU grants referenced herein (collectively, the "Restrictive Covenants Agreements") remain in full force and effect and that he remains bound by the Restrictive Covenants Agreements, including the non-competition, non-solicitation and non-interference covenants contained therein (which provisions are hereby incorporated by reference).

11. Executive acknowledges that during the course of his employment with Kraft Heinz, he received "Confidential Information", with Confidential Information meaning information that was: (i) disclosed to or known by Executive as a consequence of or through his employment with Kraft Heinz; (ii) not publicly available and/or not generally known outside of Kraft Heinz; and (iii) that relates to the business and development of Kraft Heinz. Without in any way limiting the foregoing and by way of example, Confidential Information includes: all non-public information or trade secrets of Kraft Heinz or its affiliates that gives Kraft Heinz or its affiliates a competitive business advantage, the opportunity of obtaining such advantage or disclosure of which might be detrimental to the interests of Kraft Heinz or its affiliates; information regarding Kraft Heinz's or its affiliates' business operations, such as financial and sales data (including budgets, forecasts and historical financial data), operational information, plans and strategies; business and marketing strategies and plans for various products and services; information regarding suppliers, consultants, executives, and contractors; technical information concerning products, equipment, services, and processes; procurement procedures; pricing and pricing techniques; information concerning past, current and prospective customers, investors and business affiliates; plans or strategies for expansion or acquisitions; budgets; research; trading methodologies and terms; communications information; evaluations, opinions, and interpretations of information and data; marketing and merchandising techniques; electronic databases; models; specifications; computer programs; contracts; bids or proposals; technologies and methods; training methods and processes; organizational structure; personnel information; payments or rates paid to consultants or other service providers; and Kraft Heinz files, physical or electronic documents, equipment, and proprietary data or material in whatever form including all copies of all such materials. Confidential Information does not include any of Executive's expertise, experience, and knowledge gained

throughout his career that falls outside of the three-pronged definition in the first sentence above. Executive agrees that he will not communicate or disclose any Confidential Information to any third party, or use it for his own account, without the written consent of Kraft Heinz. For the avoidance of doubt, nothing in this agreement with, or policy of, the Company restricts or impedes Executive from providing truthful information to governmental or regulatory bodies, including Executive's right to make disclosures under the whistleblower provisions of federal law or regulation.

12. Executive agrees to keep the terms and substance of this Agreement confidential, and that he will not disclose the terms of this Agreement or matters out of which it arises to anyone, except his spouse, his financial advisors, his attorneys, or as may be required by law.

13. Executive agrees that he will not make or otherwise communicate any malicious, disparaging, or defamatory remarks about Kraft Heinz or its affiliate companies, including, but not limited to, comments about Executive's employment with or cessation of employment with Kraft Heinz, or any of its products, services, business or employment practices in effect as of the date of the Agreement. Further, Executive agrees that he will not make or authorize to be made any written or oral statement that may disparage or damage the reputation of Kraft Heinz. This Paragraph equally applies to statements made by Executive under any other identifier he may use for electronic/web-based communications and postings (e.g., email, Facebook, blogs, JobVent, etc.). This Paragraph does not prohibit Executive from making truthful statements while cooperating with a governmental investigation, communicating with a government agency, or testifying under oath.

14. Executive agrees to fully cooperate with Kraft Heinz and its affiliated and parent companies in litigation or potential litigation arising out of any matter in which he was involved during his employment and to make himself reasonably available as required by Kraft Heinz or its affiliated and parent companies or their counsel, subject to and scheduled in accordance with Executive's other commitments. Kraft Heinz will reimburse Executive for reasonable and appropriate business expenses incurred by Executive in connection with such cooperation, including a reasonable hourly rate for his services.

15. In the event either Executive or Kraft Heinz contests the interpretation or application of any of the terms of this Agreement or any asserted breach of this Agreement, the complaining party shall notify the other in writing of the provision that is being contested. If the parties cannot satisfactorily resolve the dispute within thirty (30) days, the matter will be submitted to arbitration. An arbitrator will be chosen pursuant to the American Arbitration Association's ("AAA") Employment Arbitration Rules and Mediation Procedures from a panel submitted by the AAA and the hearing shall be held in Chicago, Illinois. The arbitrator's fees, expenses, and filing fees shall be borne equally by Executive and Kraft Heinz. The arbitrator shall issue a written award which shall be final and binding upon the parties. Notwithstanding the foregoing, Executive and Kraft Heinz understand and agree that nothing shall prevent the Company from seeking and obtaining injunctive relief in federal or state court in the event of a breach or threatened breach of the restrictive covenants and confidentiality obligations set forth in this Agreement and/or the Restrictive Covenant Agreements.

16. This Agreement and the benefits paid pursuant to its terms are intended to be exempt from or compliant with the provisions of Code Section 409A, to the extent that the payments and benefits due under this Agreement are subject to Code Section 409A, and the terms of this Agreement shall be interpreted, administered and construed consistent therewith. In the event that any compensation or benefits provided for by this Agreement or any related plans may result in penalties or accelerated recognition of taxable income under Code Section 409A, Kraft Heinz will, in agreement with Executive, modify the Agreement in the least restrictive manner necessary in order, where applicable, (i) to exclude such compensation from the definition of "deferred compensation" within the meaning of Code Section 409A, or (ii) to comply with the provisions of Code Section 409A, other applicable provision(s) of the Code, and/or any rules, regulations or other regulatory guidance issued under such statutory provisions and to make such modifications, in each case, without any diminution in the value of the payments to be paid or benefits to be provided to Executive pursuant to this Agreement or plans to which this Agreement refers. To the extent Executive would otherwise be entitled to any payment that under this Agreement, or any plan or arrangement of the Company or its affiliates, constitutes "deferred compensation" subject to Section 409A, and that if paid during the six months beginning on the Termination Date would be subject to the Section 409A additional tax because Executive is a "specified Executive" (within the meaning of Section 409A and as determined by the Company), the payment, together with any

earnings on it, will be paid to Executive on the earlier of the six-month anniversary of the Termination Date or Executive's death. In addition, any payment or benefit due upon a termination of Executive's employment that represents "deferred compensation" subject to Section 409A shall be paid or provided to Executive only upon a "separation from service" as defined in Treas. Reg. § 1.409A-1(h). Each payment under this Agreement shall be deemed to be a separate payment for purposes of Section 409A.

17. Executive is aware of his legal rights concerning his employment with and separation from Kraft Heinz. Executive represents that he has not filed any complaints of any kind whatsoever with any local, state, federal, or governmental agency or court against Kraft Heinz based upon, or in any way related to, his employment with or separation from Kraft Heinz. Executive further represents that he understands that the monetary payments and other benefits provided for in this Agreement constitutes a full and complete satisfaction of any claims, asserted or unasserted, known or unknown, that he has or may have against Kraft Heinz or an affiliate. Accordingly, in exchange for the monetary payments and other benefits provided for in this Agreement, which Executive acknowledges is greater than any payments and benefits that he would be entitled to receive absent this Agreement, Executive individually and on behalf of his spouse, heirs, successors, legal representatives and assigns hereby unconditionally releases, dismisses, and forever discharges The Kraft Heinz Company (formerly known as H.J. Heinz Holding Corporation) and Kraft Heinz Foods Company (formerly known as the H.J. Heinz Company and the successor to Kraft Foods Group, Inc.), and each of their respective predecessors, successors, parents, subsidiaries, affiliated corporations, limited liability companies and partnerships, and all of their past and present shareholders, employee benefit plans and their administrators, officers, directors, fiduciaries, employees, assigns, representatives, agents, and counsel (collectively the "Released Parties") from any and all claims, demands, liabilities, obligations, agreements, damages, debts, and causes of action arising out of, or in any way connected with, Executive's employment with or separation from Kraft Heinz or any of the Released Parties. This waiver and release includes, but is not limited to, all claims and causes of action arising under or related to Title VII of the Civil Rights Act of 1964, as amended; the Civil Rights Act of 1991; the Civil Rights Act of 1866; the Age Discrimination in Employment Act of 1967, as amended; the Americans with Disabilities Act; the Executive Retirement Income Security Act of 1974, as amended; the Sarbanes-Oxley Act of 2002; the Older Workers Benefit Protection Act of 1990; the Worker Adjustment and Retraining Notification Act; the Family and Medical Leave Act; the National Labor Relations Act; all state and federal statutes and regulations; any other federal, state or local law; all oral or written contract rights, including any rights under any Kraft Heinz incentive plan, program, or labor agreement; and all claims arising under common law including breach of contract, tort, or for personal injury of any sort, or any other legal theory, whether legal or equitable (excepting those claims that cannot be waived by law and rights to indemnification under applicable corporate law, under the by-laws or certificate of incorporation of any Released Party or as an insured under any director's and officer's liability insurance policy now or previously in force).

Nothing in this Agreement is intended to interfere with the protected right to file a charge or participate in an investigation or proceeding conducted by the Equal Employment Opportunity Commission, the National Labor Relations Board or other governmental or administrative agency. Notwithstanding anything herein to the contrary, nothing in this Agreement prohibits Executive from seeking and obtaining a whistleblower award from the Securities and Exchange Commission pursuant to Section 21F of the Exchange Act. Moreover, nothing in this Agreement limits Executive's right to receive a statutory award for information provided to the Securities and Exchange Commission.

18. By signing below, Executive acknowledges that he has thoroughly read this Agreement and that he has full understanding and knowledge of its terms and conditions. He also acknowledges that he has been advised to consult an attorney prior to executing this Agreement and that he was provided up to twenty-one (21) days to consider the terms of the initial version of this Agreement. Executive understands that if he signs this Agreement, he may revoke this Agreement within seven (7) days after he signs it, in which case this Agreement will not go into effect and Executive will not receive the payments or benefits that are being provided by this Agreement. Executive also understands that if he does not revoke this Agreement within seven (7) days after he signs it, this Agreement will become complete, final and binding on Executive and Kraft Heinz.

19. This Agreement sets forth the entire agreement between Kraft Heinz and Executive and fully supersedes any and all prior agreements and understandings between them pertaining to the subject matter of this Agreement

(except that Restrictive Covenants Agreements are not superseded and remain in full force and effect). Kraft Heinz and Executive agree that no change to or modification of this Agreement shall be valid or binding unless it is in writing and executed by them.

20. If any part of this Agreement is held to be invalid or unenforceable, the remaining parts will remain fully enforceable. This Agreement will be governed by the laws of Illinois.

21. Executive understands and agrees that (i) this Agreement is executed by Kraft Heinz on its own behalf and on behalf of each of its parents, subsidiaries, affiliates, successors, or assignees, (ii) that Executive's obligations under this Agreement shall apply equally to Kraft Heinz and each of Kraft its parents, subsidiaries, affiliates, successors, or assignees, and (iii) that such entities may enforce this Agreement in their own name as if they were parties to this Agreement. Executive understands and agrees that this Agreement will be binding upon his heirs, executors, assigns, administrators, agents, and other legal representatives, and is made and will be for the benefit of Kraft Heinz, its parents, subsidiaries, affiliates, successors, and assignees. Without limiting the foregoing, Executive hereby agrees that the Company may assign this Agreement and its rights and obligations under this Agreement, and the Restrictive Covenants Agreements and its rights and obligations under the Restrictive Covenants Agreements, without the need to obtain any further agreement on Executive's part, to any successor to any of the Company's assets or interests, whether by assignment, merger, consolidation, reorganization, reincorporation, sale of assets or stock, or otherwise. Without limiting the foregoing, it is the parties' intention that each of the Released Parties are third party beneficiaries to this Agreement and that each of the Released Parties can legally enforce this Agreement.

/s/ Bernardo Hees

Date: June 25, 2019

Bernardo Hees

ACCEPTED FOR THE KRAFT HEINZ COMPANY

By: /s/ Melissa Werneck

Title: Chief People Officer

Date: June 25, 2019

I received this Separation Agreement and General Release on June 25, 2019.

Initials: BH

ADDENDUM TO

SEPARATION AGREEMENT AND GENERAL RELEASE

Bernardo Hees (“Executive”) and Kraft Heinz Foods Company (“Kraft Heinz” or “the Company”), the parties to the Separation Agreement and General Release executed June 25, 2019 (“Original Agreement”), hereby agree to addend the Original Agreement by adding the following provision to its terms and conditions:

1. Executive’s health and dental benefits will end on June 30, 2019 (“Termination Date”). Beginning with the first day following the Termination Date, Executive may elect to continue coverage for himself and his enrolled dependents for up to eighteen (18) months through COBRA. Beginning with the first day following the Termination Date, Kraft Heinz will provide twelve (12) months of Company-paid COBRA (i.e., medical/RX drug and dental coverage) for Executive and his enrolled dependents. “Company-paid” is defined as the employer’s portion of the premium for such coverage including the COBRA administration fee. Executive will continue to pay his current premium charged for such coverage. Be advised that Vision is excluded from Company-paid COBRA coverage as it is not a company-subsidized plan. Executive will have the opportunity to elect vision coverage and pay for it at his expense. If Executive becomes eligible for other group coverage during the 12-month Company subsidized COBRA period, Executive will need to notify the Kraft Heinz Benefits Center as he will no longer be eligible for the subsidy.

This Addendum is in addition to the terms and conditions of the Original Agreement. The terms and conditions of the Original Agreement and releases contained therein apply equally to this Addendum and are incorporated herein.

/s/ Bernardo Hees

Date: June 30, 2019

Bernardo Hees

ACCEPTED FOR THE KRAFT HEINZ COMPANY

By: /s/ Melissa Werneck

Title: Chief People Officer

Date: June 30, 2019

Miguel Patricio

Dear Miguel:

I am pleased to share our offer with you on the opportunity to lead the Kraft Heinz Company. We are confident that you, your skills and experience will be a terrific addition to the team. The purpose of this letter is to briefly summarize the details of our offer.

Position: Chief Executive Officer

Location: Chicago/AON Center

Annual Base Salary: \$1,000,000 (one million US dollars gross prior to applicable taxes and deductions, payable over 26 bi-weekly periods). This position is banded B01 and is exempt from the overtime provisions of the Fair Labor Standard Act.

Performance Bonus Plan

You will be eligible to participate in the Performance Bonus Plan as provided by the plan terms. This bonus opportunity is based on your base salary and attainment of specific key financial goals and performance objectives. The bonus target award for your position is 300% of your actual base salary and therefore is prorated based on hire date.

The PBP may be adjusted from year to year and is operated at the discretion of the Employer. When the Employer decides to pay a bonus in any year, the Employee may not derive any rights to a bonus for the future.

Bonus Swap

You are eligible to participate in the Bonus Swap Program in future years contingent upon the approval of the Program by the Kraft Heinz Board of Directors. The Bonus Swap Program allows eligible employees to invest a portion of their annual bonus towards the purchase of shares of Company stock. The Company will then grant a matching contribution in the form of Restricted Stock Units (RSUs), based on a standard contribution formula. These RSUs will cliff vest 3 years from the Grant Date.

Special Incentive Payment*

As an incentive to join the Company, you will be eligible to receive a one-time, lump sum payment in the amount of \$1,000,000 (one million US dollars), less applicable taxes and deductions, payable in the next payroll cycle following your start date. The Special Incentive Payment received is subject to the repayment agreement** below which provides the details of your repayment obligations.

Long Term Incentive

As agreed with the Board of Directors, you will receive the discretionary equity awards as outlined in Addendum A of this document.

Company Benefits

Effective on your start date, you will be eligible to participate in the Kraft Heinz Benefit Package for salaried employees. You will be provided additional information on or before your start date.

Paid Time Off Entitlement

You will be eligible to receive 28 days of PTO per calendar year, as provided by the Company's Paid Time Off (PTO) policy. The actual number of days of PTO will be prorated based on your start date.

The Kraft Heinz PTO policy accrues PTO days based on the calendar year. Employees earn PTO days as the year passes based on their PTO allotment. Our policy allows employees the flexibility to schedule and take PTO days before they are accrued based on the agreement that those days will be paid back to the company should you leave the company before accruing the days taken.

Repayment Agreement**

By accepting this offer of employment from the Company, I, (Miguel Patricio) acknowledge and agree that it is my obligation to repay to the Company any special payments made to me or on my behalf as part of the employment offer (e.g. sign-on incentive payments, and other such payments marked with an "*" above) in the event that within three years from the date of hire I (a) voluntarily terminate my employment or (b) am terminated by the Company for cause - "cause" being defined to include violation of Company policies and procedures, abandonment of my position, neglect or willful misconduct in the performance of my duties, any intentional omission or misrepresentation in connection with my application for employment, or any action or inaction which causes or has the potential to cause harm to the Company, its people, assets or brands (the "Obligation") provided; however, that the amount of the Obligation I am obligated to repay to the Company shall be 100% of those special payments if I am terminated as provided in sections (a) or (b) above within the 1st and 12th months following my start date, 67% of those special payments for such termination occurring within the 13th and 24th months or 33% of those special payments for such termination occurring within the 25th and 36th months following my start date. Further, by my acceptance of this offer of employment from the Company, I also hereby authorize my employer, the Kraft Heinz Foods Company (the "Company"), as may be applicable to me to deduct the amount of the Obligation from my final paycheck, severance payment, or any other monetary sums due and paid to me at the time of my termination. If such final paycheck(s) is not sufficient to fully discharge the Obligation, I acknowledge that I shall remain obligated to repay the Company any remaining balance.

Response Date

Please formally accept this offer of employment by initializing each page, signing below and returning the entire document to Melissa.Werneck@kraftheinz.com.

This offer also is made contingent upon your completion of a satisfactory background check, including your criminal history as well as verification of your employment history, education and social security number and your authorization to lawfully work for the Company in the position and location offered above. You acknowledge and understand that the Company may revoke this offer, notwithstanding that you may have already accepted the offer by signing below and without liability or further obligations to you, in the event that the results of any of the foregoing components of your background check are not satisfactory or for any other reason in the Company's sole discretion.

The above describes in part our current policies, programs, and perquisites. The Company reserves the right to amend, modify or delete such policies, programs, and perquisites at any time. In addition, this letter is not intended to be and should not be construed to be a contract or offer of employment for any specific term. By signing below you acknowledge and agree that your employment with the Company is and at all times shall be "at will," meaning that it may be terminated by either you or the Company at any time, with or without cause or notice.

We look forward to you joining us in this new capacity at Kraft Heinz.

Best regards,

Melissa Werneck
Global Chief People Officer

/s/ Miguel Patricio

Miguel Patricio

July 1, 2019

Date

Addendum A

Dear Miguel Patricio

Long Term Incentive

You will receive a matching contribution in the form of Restricted Stock Units (RSU) of **\$15,000,000** (fifteen million US dollars), conditioned to you investing **\$20,000,000** (twenty million US dollars) to purchase shares of Company stock with a four years hold period. The investment and award dates will be based on the first RSU Plan issuance after July 1st. The exact number of RSUs granted and other details will be included in the Award agreement which you will receive at that time. The vesting schedule of this RSU plan will be 2 year cliff to vest 50%, 3 year vest at 75% and 4 year vest at 100%.

You will receive a discretionary Performance Shares Units (PSU) award of **\$20,000,000** (twenty million US dollars). The award date will be based on the first PSU Plan issuance after July 1st. The exact number of PSUs granted and other details will be included in the Award agreement which you will receive at that time. The PSUs are tied to key metrics and targets that will be defined no later than Dec/2019 upon the Board of Directors approval. The vesting schedule of this plan will be 2 year cliff to vest 50%, 3 year vest at 75% and 4 year vest at 100%.

You will also receive a Performance Shares Units (PSU) award based on a KHC stock price appreciation target. The number of PSUs will range from 200,000 to 600,000 PSUs. The stock appreciation metric is defined using the highest average closing price over 30 consecutive trading days during a three-year period from the grant date. The number of PSUs granted and the specific stock appreciation targets follow three specific ranges:

- 200,000 PSUs if the stock price is between 45/share and 49.99/share according the metric above;
- 400,000 shares if it falls between 50/share and 54.99/share;
- 600,000 shares if above 55/share.

The vesting schedule of this plan will be 3 years cliff from the grant date and you are required to hold the shares for more 3 years following the vesting date. The award date will be based on the first PSU Plan issuance after July 1st. Other details will be included in the Award agreement which you will receive at that time

All Incentive Plans are contingent upon the approval of the Kraft Heinz Board of Directors.

I hereby accept the offer and terms and conditions:

Signature: /s/ Miguel Patricio

Date: July 1, 2019

I, Miguel Patricio, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended June 29, 2019 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 controls over financial reporting, or caused such internal controls 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: August 13, 2019

I, David H. Knopf, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended June 29, 2019 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 controls over financial reporting, or caused such internal controls 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/ David H. Knopf

David H. Knopf

Executive Vice President and Chief Financial Officer

Date: August 13, 2019

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 June 29, 2019 (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: August 13, 2019

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.

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

18 U.S.C. SECTION 1350 CERTIFICATION

I, David H. Knopf, Executive Vice President and 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 June 29, 2019 (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/ David H. Knopf

Name: David H. Knopf

Title: Executive Vice President and Chief Financial Officer

Date: August 13, 2019

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.

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