

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

**FORM 10-K**

(Mark One)

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

For the fiscal year ended December 28, 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)

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

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                 |

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

None.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

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

---

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

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

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

The aggregate market value of the shares of common stock held by non-affiliates of the registrant, computed by reference to the closing price of such stock as of the last business day of the registrant's most recently completed second quarter, was \$19 billion. As of February 8, 2020, there were 1,221,399,549 shares of the registrant's common stock outstanding.

#### **Documents Incorporated by Reference**

Portions of the registrant's definitive proxy statement to be filed with the Securities and Exchange Commission in connection with its annual meeting of shareholders expected to be held on May 7, 2020 are incorporated by reference into Part III hereof.

---

## Table of Contents

|  |            |
|--|------------|
| <u>PART I</u>  | <u>1</u>   |
| <u>Item 1. Business.</u>   | <u>1</u>   |
| <u>Item 1A. Risk Factors.</u>  | <u>5</u>   |
| <u>Item 1B. Unresolved Staff Comments.</u>   | <u>19</u>  |
| <u>Item 2. Properties.</u>   | <u>19</u>  |
| <u>Item 3. Legal Proceedings.</u>  | <u>19</u>  |
| <u>Item 4. Mine Safety Disclosures.</u>  | <u>19</u>  |
| <u>PART II</u>   | <u>19</u>  |
| <u>Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.</u> | <u>19</u>  |
| <u>Item 6. Selected Financial Data.</u>  | <u>21</u>  |
| <u>Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations.</u>                        | <u>22</u>  |
| <u>Overview</u>  | <u>22</u>  |
| <u>Consolidated Results of Operations</u>  | <u>22</u>  |
| <u>Results of Operations by Segment</u>  | <u>25</u>  |
| <u>Critical Accounting Estimates</u>   | <u>28</u>  |
| <u>New Accounting Pronouncements</u>   | <u>32</u>  |
| <u>Contingencies</u>   | <u>32</u>  |
| <u>Commodity Trends</u>  | <u>32</u>  |
| <u>Liquidity and Capital Resources</u>   | <u>33</u>  |
| <u>Off-Balance Sheet Arrangements and Aggregate Contractual Obligations</u>  | <u>34</u>  |
| <u>Equity and Dividends</u>  | <u>36</u>  |
| <u>Non-GAAP Financial Measures</u>   | <u>36</u>  |
| <u>Item 7A. Quantitative and Qualitative Disclosures about Market Risk.</u>  | <u>41</u>  |
| <u>Item 8. Financial Statements and Supplementary Data.</u>  | <u>42</u>  |
| <u>Report of Independent Registered Public Accounting Firm</u>   | <u>42</u>  |
| <u>Consolidated Statements of Income</u>   | <u>45</u>  |
| <u>Consolidated Statements of Comprehensive Income</u>   | <u>46</u>  |
| <u>Consolidated Balance Sheets</u>   | <u>47</u>  |
| <u>Consolidated Statements of Equity</u>   | <u>48</u>  |
| <u>Consolidated Statements of Cash Flows</u>   | <u>49</u>  |
| <u>Notes to Consolidated Financial Statements</u>  | <u>50</u>  |
| <u>Note 1. Basis of Presentation</u>   | <u>50</u>  |
| <u>Note 2. Significant Accounting Policies</u>   | <u>51</u>  |
| <u>Note 3. New Accounting Standards</u>  | <u>55</u>  |
| <u>Note 4. Acquisitions and Divestitures</u>   | <u>57</u>  |
| <u>Note 5. Restructuring Activities</u>  | <u>60</u>  |
| <u>Note 6. Restricted Cash</u>   | <u>62</u>  |
| <u>Note 7. Inventories</u>   | <u>62</u>  |
| <u>Note 8. Property, Plant and Equipment</u>   | <u>62</u>  |
| <u>Note 9. Goodwill and Intangible Assets</u>  | <u>63</u>  |
| <u>Note 10. Income Taxes</u>   | <u>68</u>  |
| <u>Note 11. Employees’ Stock Incentive Plans</u>   | <u>71</u>  |
| <u>Note 12. Postemployment Benefits</u>  | <u>74</u>  |
| <u>Note 13. Financial Instruments</u>  | <u>84</u>  |
| <u>Note 14. Accumulated Other Comprehensive Income/(Loss)</u>  | <u>89</u>  |
| <u>Note 15. Venezuela - Foreign Currency and Inflation</u>   | <u>91</u>  |
| <u>Note 16. Financing Arrangements</u>   | <u>92</u>  |
| <u>Note 17. Commitments and Contingencies</u>  | <u>93</u>  |
| <u>Note 18. Debt</u>   | <u>95</u>  |
| <u>Note 19. Leases</u>   | <u>99</u>  |
| <u>Note 20. Capital Stock</u>  | <u>101</u> |

---

|   |                     |
|---|---------------------|
| <a href="#">Note 21. Earnings Per Share</a>   | <a href="#">101</a> |
| <a href="#">Note 22. Segment Reporting</a>  | <a href="#">101</a> |
| <a href="#">Note 23. Other Financial Data</a>   | <a href="#">104</a> |
| <a href="#">Note 24. Quarterly Financial Data (Unaudited)</a>   | <a href="#">104</a> |
| <a href="#">Note 25. Supplemental Guarantor Information</a>   | <a href="#">105</a> |
| <a href="#">Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.</a>           | <a href="#">115</a> |
| <a href="#">Item 9A. Controls and Procedures.</a>   | <a href="#">115</a> |
| <a href="#">Item 9B. Other Information.</a>   | <a href="#">118</a> |
| <a href="#">PART III</a>  | <a href="#">118</a> |
| <a href="#">Item 10. Directors, Executive Officers and Corporate Governance</a>   | <a href="#">118</a> |
| <a href="#">Item 11. Executive Compensation</a>   | <a href="#">118</a> |
| <a href="#">Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</a> | <a href="#">118</a> |
| <a href="#">Item 13. Certain Relationships and Related Transactions, and Director Independence</a>                      | <a href="#">118</a> |
| <a href="#">Item 14. Principal Accounting Fees and Services</a>   | <a href="#">118</a> |
| <a href="#">PART IV</a>   | <a href="#">119</a> |
| <a href="#">Item 15. Exhibits, Financial Statement Schedules</a>  | <a href="#">119</a> |
| <a href="#">Item 16. Form 10-K Summary</a>  | <a href="#">125</a> |
| <a href="#">Signatures</a>  | <a href="#">126</a> |
| <a href="#">Valuation and Qualifying Accounts</a>   | <a href="#">S-1</a> |

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

---

## Forward-Looking Statements

This Annual Report on Form 10-K 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, as well as our ability to comply with covenants under our debt instruments; additional impairments of the carrying amounts of goodwill or other indefinite-lived intangible assets; foreign exchange rate fluctuations; volatility in commodity, energy, and other input costs; volatility in the market value of all or a portion of the commodity derivatives we use; 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 any potential actions resulting from the Securities and Exchange Commission’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*. 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.

---

## PART I

### Item 1. Business.

#### General

For 150 years, we have produced some of the world's most beloved products at The Kraft Heinz Company (Nasdaq: KHC). Our Vision is *To Be the Best Food Company, Growing a Better World*. We are one of the largest global food and beverage companies, with 2019 net sales of approximately \$25 billion. Our portfolio is a diverse mix of iconic and emerging brands. As the guardians of these brands and the creators of innovative new products, we are dedicated to the sustainable health of our people and our planet.

On July 2, 2015, through a series of transactions, we consummated the merger of Kraft Foods Group, Inc. ("Kraft") with and into a wholly-owned subsidiary of H.J. Heinz Holding Corporation ("Heinz") (the "2015 Merger"). At the closing of the 2015 Merger, Heinz was renamed The Kraft Heinz Company, and H. J. Heinz Company changed its name to Kraft Heinz Foods Company.

Before the consummation of the 2015 Merger, Heinz was controlled by Berkshire Hathaway Inc. ("Berkshire Hathaway") and 3G Global Food Holdings, L.P. ("3G Capital") (together, the "Sponsors"), following their acquisition of H. J. Heinz Company on June 7, 2013.

#### 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").

During the third quarter of 2019, certain organizational changes were announced that will impact our future internal reporting and reportable segments. As a result of these changes, we plan to combine our EMEA, Latin America, and APAC zones to form the International zone. The International zone will be a reportable segment along with the United States and Canada in 2020. We also plan to move our Puerto Rico business from the Latin America zone to the United States zone to consolidate and streamline the management of our product categories and supply chain. These changes will be effective in the first quarter of 2020.

See Note 22, *Segment Reporting*, in Item 8, *Financial Statements and Supplementary Data*, for our geographic financial information by segment.

#### Trademarks and Intellectual Property

Our trademarks are material to our business and are among our most valuable assets. Depending on the country, trademarks generally remain valid for as long as they are in use or their registration status is maintained. Trademark registrations generally are for renewable, fixed terms. Significant trademarks by segment based on net sales in 2019 were:

##### Majority Owned and Licensed Trademarks

|               |  |
|---------------|--|
| United States | <i>Kraft, Oscar Mayer, Heinz, Philadelphia, Lunchables, Velveeta, Planters, Maxwell House, Capri Sun*, Kool-Aid, Ore-Ida, Jell-O</i> |
| Canada        | <i>Kraft, Heinz, Philadelphia, Maxwell House, Classico, McCafe*, Tassimo*</i>  |
| EMEA          | <i>Heinz, Plasmon, Pudliszki, Honig, HP, Benedicta, Kraft, Karvan Cevitam</i>  |
| Rest of World | <i>Heinz, ABC, Master, Kraft, Quero, Golden Circle, Wattie's</i>   |

\*Used under license. Additionally, our license to use the *McCafe* brand expired in Canada in December 2019.

We sell certain products under brands we license from third parties. In 2019, brands used under licenses from third parties included *Capri Sun* packaged drink pouches for sale in the United States, *TGI Fridays* frozen snacks and appetizers in the United States and Canada, *McCafe* ground, whole bean, and on-demand single cup coffees in the United States and Canada, and *Taco Bell Home Originals* Mexican-style food products in U.S. grocery stores. In addition, in our agreements with Mondelez International, Inc. ("Mondelez International") following the spin-off of Kraft from Mondelez International in 2012, we each granted the other party various licenses to use certain of our and their respective intellectual property rights in named jurisdictions for certain periods of time.

We also own numerous patents worldwide. We consider our portfolio of patents, patent applications, patent licenses under patents owned by third parties, proprietary trade secrets, technology, know-how processes, and related intellectual property rights to be material to our operations. Patents, issued or applied for, cover inventions ranging from packaging techniques to processes relating to specific products and to the products themselves. While our patent portfolio is material to our business, the loss of one patent or a group of related patents would not have a material adverse effect on our business.

Our issued patents extend for varying periods according to the date of the patent application filing or grant and the legal term of patents in the various countries where patent protection is obtained. The actual protection afforded by a patent, which can vary from country to country, depends upon the type of patent, the scope of its coverage as determined by the patent office or courts in the country, and the availability of legal remedies in the country.

### Research and Development

Our research and development focuses on achieving the following four objectives:

- product innovations, renovations, and new technologies to meet changing consumer needs and drive growth;
- world-class and uncompromising food safety, quality, and consistency;
- superior, customer-preferred product and package performance; and
- continuous process improvement and product optimization in pursuit of cost reductions.

### Competition

Our products are sold in highly competitive marketplaces, which have experienced increased concentration and the growing presence of e-commerce retailers, large-format retailers, and discounters. Competitors include large national and international food and beverage companies and numerous local and regional companies. We compete with both branded and private label products sold by retailers, wholesalers, and cooperatives. We compete on the basis of product innovation, price, product quality, nutritional value, service, taste, convenience, brand recognition and loyalty, effectiveness of marketing and distribution, promotional activity, and the ability to identify and satisfy changing consumer preferences. Improving our market position or introducing new products requires substantial advertising and promotional expenditures.

### Sales and Customers

Our products are sold through our own sales organizations and through independent brokers, agents, and distributors to chain, wholesale, cooperative and independent grocery accounts, convenience stores, drug stores, value stores, bakeries, pharmacies, mass merchants, club stores, foodservice distributors, and institutions, including hotels, restaurants, hospitals, health care facilities, and certain government agencies. Our products are also sold online through various e-commerce platforms and retailers. Our largest customer, Walmart Inc., represented approximately 21% of our net sales in 2019, 2018, and 2017.

Additionally, we have significant customers in different regions around the world; however, none of these customers are individually material to our consolidated business. In 2019, the five largest customers in our U.S. segment accounted for approximately 48% of U.S. segment net sales, the five largest customers in our Canada segment accounted for approximately 73% of Canada segment net sales, and the five largest customers in our EMEA segment accounted for approximately 26% of our EMEA segment net sales.

### Net Sales by Product Category

The product categories that contributed 10% or more to consolidated net sales in any of the periods presented were:

|                          | December 28, 2019 | December 29, 2018 | December 30, 2017 |
|--------------------------|-------------------|-------------------|-------------------|
| Condiments and sauces    | 26%               | 26%               | 25%               |
| Cheese and dairy         | 20%               | 20%               | 21%               |
| Ambient foods            | 10%               | 10%               | 10%               |
| Meats and seafood        | 10%               | 10%               | 10%               |
| Frozen and chilled foods | 9%                | 10%               | 10%               |

## **Raw Materials and Packaging**

We manufacture (and contract for the manufacture of) our products from a wide variety of raw materials. 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. For commodities that we use across many of our product categories, such as corrugated paper and energy, we coordinate sourcing requirements and centralize procurement to leverage our scale. In addition, some of our product lines and brands separately source raw materials that are specific to their operations. We source these commodities from a variety of providers, including large, international producers and smaller, local, independent sellers. Where appropriate, we seek to establish preferred purchaser status and have developed strategic partnerships with many of our suppliers with the objective of achieving favorable pricing and dependable supply for many of our commodities. The prices of raw materials that we use in our products are affected by external factors, such as global competition for resources, currency fluctuations, severe weather or global climate change, consumer, industrial or investment demand, and changes in governmental regulation and trade, tariffs, alternative energy, and agricultural programs.

Our procurement teams monitor worldwide supply and cost trends so we can obtain ingredients and packaging needed for production at competitive prices. Although the prices of our principal raw materials can be expected to fluctuate, we believe there will be an adequate supply of the raw materials we use and that they are generally available from numerous sources. We use a range of hedging techniques in an effort to limit the impact of price fluctuations on many of our principal raw materials. However, we do not fully hedge against changes in commodity prices, and our hedging strategies may not protect us from increases in specific raw material costs. We actively monitor changes to commodity costs so that we can seek to mitigate the effect through pricing and other operational measures.

## **Seasonality and Working Capital**

Although crops constituting certain of our raw food ingredients are harvested on a seasonal basis, the majority of our products are produced throughout the year.

Seasonal factors inherent in our business change the demand for products, including holidays, changes in seasons, or other annual events. While these factors influence our quarterly net sales, operating income/(loss), and cash flows at the product level, unless the timing of such events shift period-over-period (e.g., a shift in Easter timing), this seasonality does not typically have a significant effect on our consolidated results of operations or segment results.

For information related to our cash flows provided by/(used for) operating activities, including working capital items, see *Liquidity and Capital Resources* in Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations*, of this report.

## **Employees**

We had approximately 37,000 employees as of December 28, 2019.

## **Regulation**

The manufacture and sale of consumer food and beverage products is highly regulated. Our business operations, including the production, transportation, storage, distribution, sale, display, advertising, marketing, labeling, quality and safety of our products and their ingredients, and our occupational safety, health, and privacy practices, are subject to various laws and regulations. These laws and regulations are administered by federal, state, and local government agencies in the United States, as well as government entities and agencies outside the United States in markets where our products are manufactured, distributed or sold. In the United States, our activities are subject to regulation by various federal government agencies, including the Food and Drug Administration, U.S. Department of Agriculture, Federal Trade Commission, Department of Labor, Department of Commerce, and Environmental Protection Agency, as well as various state and local agencies. We are also subject to numerous similar and other laws and regulations outside of the United States, including but not limited to laws and regulations governing food safety, health and safety, anti-corruption, and data privacy. In our business dealings, we are also required to comply with the Foreign Corrupt Practices Act ("FCPA"), the U.K. Bribery Act, the Trade Sanctions Reform and Export Enhancement Act, and various other anti-corruption regulations in the regions in which we operate. We rely on legal and operational compliance programs, as well as in-house and outside counsel, to guide our businesses in complying with applicable laws and regulations of the countries in which we do business. In addition, the United Kingdom's withdrawal from the European Union (commonly referred to as "Brexit") and other regulatory regime changes may add cost and complexity to our compliance efforts.



## Environmental Regulation

Our activities throughout the world are highly regulated and subject to government oversight regarding environmental matters. Various laws concerning the handling, storage, and disposal of hazardous materials and the operation of facilities in environmentally sensitive locations may impact aspects of our operations.

In the United States, where a significant portion of our business operates, these laws and regulations include the Clean Air Act, the Clean Water Act, the Resource Conservation and Recovery Act, and the Comprehensive Environmental Response, Compensation, and Liability Act (“CERCLA”). CERCLA imposes joint and several liability on each potentially responsible party. We are involved in a number of active proceedings in the United States under CERCLA (and other similar state actions under similar legislation) related to our current operations and certain closed, inactive, or divested operations for which we retain liability.

As of December 28, 2019, we had accrued an amount we deemed appropriate for environmental remediation. Based on information currently available, we believe that the ultimate resolution of existing environmental remediation actions and our compliance in general with environmental laws and regulations will not have a material effect on our earnings or financial condition. However, it is difficult to predict with certainty the potential impact of future compliance efforts and environmental remedial actions and thus, future costs associated with such matters may exceed current reserves.

## Information about our Executive Officers

The following are our executive officers as of February 8, 2020:

| Name                 | Age | Title  |
|----------------------|-----|--|
| Miguel Patricio      | 53  | Chief Executive Officer  |
| Paulo Basilio        | 45  | Global Chief Financial Officer   |
| Carlos Abrams-Rivera | 52  | U.S. Zone President  |
| Nina Barton          | 46  | Chief Growth Officer   |
| Bruno Keller         | 38  | Zone President Canada  |
| Rashida La Lande     | 46  | Senior Vice President, Global General Counsel and Head of CSR and Government Affairs;<br>Corporate Secretary |
| Rafael Oliveira      | 45  | Zone President International   |
| Flavio Torres        | 50  | Head of Global Operations  |

**Miguel Patricio** became Chief Executive Officer in June 2019. Mr. Patricio had previously served as Chief of Special Global Projects-Marketing at Anheuser-Busch Inbev SA/NV (“AB InBev”), a multinational drink and brewing holdings company, from January 2019 to June 2019. Prior to that, he served as the Chief Marketing Officer at AB InBev since 2012. Prior to his role as Chief Marketing Officer, since joining AB InBev in 1998, he also served as Zone President Asia Pacific, Zone President North America, Vice President Marketing of North America, and Vice President Marketing. Mr. Patricio has also held several senior positions across the Americas at The Coca-Cola Company and Johnson & Johnson. Mr. Patricio also invests in the 3G Special Situation Fund III (the “Fund”); his investment represents less than 1% of the Fund’s assets.

**Paulo Basilio** became Global Chief Financial Officer in September 2019. Prior to that role, Mr. Basilio served as Chief Business Planning and Development Officer from July 2019 to September 2019 and served as President of the U.S. Commercial Business from October 2017 to June 2019. Mr. Basilio previously served as Executive Vice President and Chief Financial Officer upon the closing of the 2015 Merger until October 2017. He had previously served as Chief Financial Officer of Heinz since June 2013. Previously, Mr. Basilio served as Chief Executive Officer of América Latina Logística (“ALL”), a logistics company, from September 2010 to June 2012, after having served in various roles at ALL, including Chief Operating Officer and Chief Financial Officer. Mr. Basilio has also been a partner of 3G Capital since July 2012.

**Carlos Abrams-Rivera** joined Kraft Heinz as U.S. Zone President on February 3, 2020. Prior to joining Kraft Heinz, Mr. Abrams-Rivera served as Executive Vice President and President, Campbell Snacks of Campbell Soup Company (“Campbell”), a multinational food company, since May 2019. Prior to that role, Mr. Abrams-Rivera served as President, Campbell Snacks from 2018 to May 2019 and President of Campbell’s Pepperidge Farm subsidiary from 2015 to 2018. Prior to joining Campbell, Mr. Abrams-Rivera held various leadership roles at Mondelēz International and Kraft Foods.

**Nina Barton** became Chief Growth Officer in September 2019. Prior to assuming her current role, Ms. Barton served as Zone President of Canada and President of Digital Growth from January 2019 to August 2019. Prior to that role, Ms. Barton served as President, Global Digital and Online Growth since October 2017, and from July 2015 through October 2017, she served as Senior Vice President of Marketing, Innovation and Research & Development for the U.S. business. From July 2013 through July 2015, she served as Vice President, Marketing at Kraft Foods Group, Inc. and managed the total coffee portfolio including the *Maxwell House*, *Gevalia*, and *McCafe* brands. Ms. Barton joined Kraft Foods in 2011 as Senior Marketing Director responsible for growing the *Philadelphia* cream cheese brand. Prior to that, Ms. Barton served in a variety of marketing and brand-building roles in the consumer products industry.

**Bruno Keller** assumed his current role as Zone President of Canada in September 2019. Previously, Mr. Keller had served as Head of Category Development for Canada since June 2018. From April 2017 to June 2018, he served as Managing Director for South Europe, and from June 2015 to April 2017, he served as Managing Director of Italy. Mr. Keller joined Kraft Heinz in 2014 as Director of Trade Marketing and Revenue Management in Italy. Prior to joining Kraft Heinz, Mr. Keller held management roles at AB InBev, Philip Morris, Pepsico, and Unilever.

**Rashida La Lande** joined Kraft Heinz as Senior Vice President, Global General Counsel and Corporate Secretary in January 2018. In October 2018, Ms. La Lande's responsibilities expanded to include leadership of our corporate social responsibility and government affairs functions, and she was later appointed Head of Corporate Social Responsibility and Government Affairs in addition to her role as Senior Vice President, Global General Counsel and Corporate Secretary. Prior to joining Kraft Heinz, Ms. La Lande was a partner at the law firm of Gibson, Dunn & Crutcher, where she practiced from October 2000 to January 2018, and where she advised clients with respect to mergers and acquisitions, leveraged buyouts, private equity deals, and joint ventures. Throughout Ms. La Lande's career, she has advised companies and private equity sponsors in the consumer products, retail, financial services, and technology industries.

**Rafael Oliveira** assumed his current role as Zone President International in July 2019. Prior to that role, he served as Zone President of EMEA from October 2016 to June 2019 after serving as the Managing Director of Kraft Heinz UK & Ireland. Mr. Oliveira joined Kraft Heinz in July 2014 and served as President of Kraft Heinz Australia, New Zealand, and Papua New Guinea until September 2016. Prior to joining Kraft Heinz, Mr. Oliveira spent 17 years in the financial industry, the final 10 of which he held a variety of leadership positions with Goldman Sachs.

**Flavio Torres** joined Kraft Heinz as Head of Global Operations in January 2020. Prior to joining Kraft Heinz, Mr. Torres served as Global Operations VP of AB InBev, a multinational drink and brewing holdings company, from 2017 to 2019. Prior to that role, Mr. Torres served as Supply Chain VP at Ambev S.A., a subsidiary of AB InBev, from 2014 to 2016. Mr. Torres joined AB InBev in 1994 and served in positions of increasing responsibility during his tenure.

#### **Available Information**

Our website address is [www.kraftheinzcompany.com](http://www.kraftheinzcompany.com). The information on our website is not, and shall not be deemed to be, a part of this Annual Report on Form 10-K or incorporated into any other filings we make with the Securities and Exchange Commission (the "SEC"). Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, (the "Exchange Act") are available free of charge on our website as soon as reasonably practicable after we electronically file them with, or furnish them to, the SEC. In addition, the SEC maintains a website at [www.sec.gov](http://www.sec.gov) that contains reports, proxy and information statements, and other information regarding issuers, including Kraft Heinz, that are electronically filed with the SEC.

#### **Item 1A. Risk Factors.**

##### **Industry Risks**

###### ***We operate in a highly competitive industry.***

The food and beverage industry is highly competitive across all of our product offerings. Our principal competitors in these categories are manufacturers, as well as retailers with their own branded and private label products. We compete based on product innovation, price, product quality, nutritional value, service, taste, convenience, brand recognition and loyalty, effectiveness of marketing and distribution, promotional activity, and the ability to identify and satisfy changing consumer preferences.

We may need to reduce our prices in response to competitive and customer pressures, including pressures in relation to private label products that are generally sold at lower prices. These pressures have restricted and may in the future continue to restrict our ability to increase prices in response to commodity and other cost increases. Failure to effectively assess, timely change and set proper pricing, promotions, or trade incentives may negatively impact the achievement of our objectives.

The rapid emergence of new distribution channels, particularly e-commerce, may create consumer price deflation, affecting our retail customer relationships and presenting additional challenges to increasing prices in response to commodity or other cost increases. We may also need to increase or reallocate spending on marketing, retail trade incentives, materials, advertising, and new product or channel innovation to maintain or increase market share. These expenditures are subject to risks, including uncertainties about trade and consumer acceptance of our efforts. If we are unable to compete effectively, our profitability, financial condition, and operating results may decline.

***Our success depends on 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.***

Consumer preferences for food and beverage products change continually and rapidly. Our success depends on our ability to predict, identify, and interpret the tastes and dietary habits of consumers and to offer products that appeal to consumer preferences, including with respect to health and wellness. If we do not offer products that appeal to consumers, our sales and market share will decrease, which could materially and adversely affect our product sales, financial condition, and operating results.

We must distinguish between short-term trends and long-term changes in consumer preferences. If we do not accurately predict which shifts in consumer preferences will be long-term, or if we fail to introduce new and improved products to satisfy those preferences, our sales could decline. In addition, because of our varied consumer base, we must offer an array of products that satisfy a broad spectrum of consumer preferences. If we fail to expand our product offerings successfully across product categories, or if we do not rapidly develop products in faster-growing or more profitable categories, demand for our products could decrease, which could materially and adversely affect our product sales, financial condition, and operating results.

Prolonged negative perceptions concerning the health implications of certain food and beverage products (including as they relate to obesity or other health concerns) could influence consumer preferences and acceptance of some of our products and marketing programs. We strive to respond to consumer preferences and social expectations, but we may not be successful in our efforts. Continued negative perceptions and failure to satisfy consumer preferences could materially and adversely affect our product sales, financial condition, and operating results.

In addition, achieving growth depends on our successful development, introduction, and marketing of innovative new products and line extensions. There are inherent risks associated with new product or packaging introductions, including uncertainties about trade and consumer acceptance or potential impacts on our existing product offerings. We may be required to increase expenditures for new product development. Successful innovation depends on our ability to correctly anticipate customer and consumer acceptance, to obtain, protect, and maintain necessary intellectual property rights, and to avoid infringing upon the intellectual property rights of others. We must also be able to respond successfully to technological advances by and intellectual property rights of our competitors, and failure to do so could compromise our competitive position and impact our product sales, financial condition, and operating results.

***Changes in the retail landscape or the loss of key retail customers could adversely affect our financial performance.***

Retail customers, such as supermarkets, warehouse clubs, and food distributors in our major markets, may continue to consolidate, resulting in fewer but larger customers for our business across various channels. Consolidation also produces larger retail customers that may seek to leverage their positions to improve their profitability by demanding improved efficiency, lower pricing, more favorable terms, increased promotional programs, or specifically-tailored product offerings. In addition, larger retailers have scale to develop supply chains that permit them to operate with reduced inventories or to develop and market their own private label products. Retail consolidation and increasing retailer power could materially and adversely affect our product sales, financial condition, and operating results.

Retail consolidation also increases the risk that adverse changes in our customers' business operations or financial performance may have a corresponding material and adverse effect on us. For example, if our customers cannot access sufficient funds or financing, then they may delay, decrease, or cancel purchases of our products, or delay or fail to pay us for previous purchases, which could materially and adversely affect our product sales, financial condition, and operating results.

In addition, technology-based systems, which give consumers the ability to shop through e-commerce websites and mobile commerce applications, are also significantly altering the retail landscape in many of our markets. If we are unable to adjust to developments in these changing landscapes, we may be disadvantaged in key channels and with certain consumers, which could materially and adversely affect our product sales, financial condition, and operating results.

***Changes in our relationships with significant customers, suppliers, or other business relationships could adversely impact us.***

We derive significant portions of our sales from certain significant customers (see *Sales and Customers* within Item 1, *Business*). There can be no assurance that all of our significant customers will continue to purchase our products in the same mix or quantities or on the same terms as in the past, particularly as increasingly powerful retailers may demand lower pricing and focus on developing their own brands. The loss of a significant customer or a material reduction in sales or a change in the mix of products we sell to a significant customer could materially and adversely affect our product sales, financial condition, and operating results.

Disputes with significant suppliers, including disputes related to pricing or performance, could adversely affect our ability to supply products to our customers and could materially and adversely affect our product sales, financial condition, and operating results. In addition, terminations of relationships with other significant contractual counterparties, including licensors, could adversely affect our portfolio, product sales, financial condition, and operating results.

In addition, the financial condition of such customers, suppliers, and other significant contractual counterparties are affected in large part by conditions and events that are beyond our control. Significant deteriorations in the financial conditions of significant customers, suppliers, and other business relationships could materially and adversely affect our product sales, financial condition, and operating results.

***Maintaining, extending, and expanding our reputation and brand image are essential to our business success.***

We have many iconic brands with long-standing consumer recognition across the globe. Our success depends on our ability to maintain brand image for our existing products, extend our brands to new platforms, and expand our brand image with new product offerings.

We seek to maintain, extend, and expand our brand image through marketing investments, including advertising and consumer promotions, and product innovation. Negative perceptions on the role of food and beverage marketing could adversely affect our brand image or lead to stricter regulations and scrutiny of marketing practices. Moreover, adverse publicity about legal or regulatory action against us, our quality and safety, our environmental or social impacts, our products becoming unavailable to consumers, or our suppliers and, in some cases, our competitors, could damage our reputation and brand image, undermine our customers' confidence, and reduce demand for our products, even if the regulatory or legal action is unfounded or not material to our operations. Furthermore, existing or increased legal or regulatory restrictions on our advertising, consumer promotions, and marketing, or our response to those restrictions, could limit our efforts to maintain, extend, and expand our brands.

In addition, our success in maintaining, extending, and expanding our brand image depends on our ability to adapt to a rapidly changing media environment. We increasingly rely on social media and online dissemination of advertising campaigns. The growing use of social and digital media increases the speed and extent that information, including misinformation, and opinions can be shared. Negative posts or comments about us, our brands or our products, or our suppliers and, in some cases, our competitors, on social or digital media, whether or not valid, could seriously damage our brands and reputation. In addition, we might fail to appropriately target our marketing efforts, anticipate consumer preferences, or invest sufficiently in maintaining, extending, and expanding our brand image. If we do not maintain, extend, and expand our reputation or brand image, then our product sales, financial condition, and operating results could be materially and adversely affected.

***We must leverage our brand value to compete against private label products.***

In nearly all of our product categories, we compete with branded products as well as private label products, which are typically sold at lower prices. Our products must provide higher value and/or quality to our consumers than alternatives, particularly during periods of economic uncertainty. Consumers may not buy our products if relative differences in value and/or quality between our products and private label products change in favor of competitors' products or if consumers perceive this type of change. If consumers prefer private label products, then we could lose market share or sales volumes or shift our product mix to lower margin offerings. A change in consumer preferences could also cause us to increase capital, marketing, and other expenditures, which could materially and adversely affect our product sales, financial condition, and operating results.

***We may be unable 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.***

Our future results will depend on our ability to drive revenue growth in our key product categories and growth in the food and beverage industry in the countries in which we operate. Our future results will also depend on our ability to enhance our portfolio by adding innovative new products in faster-growing and more profitable categories and our ability to increase market share in our existing product categories. Our failure to drive revenue growth, limit market share decreases in our key product categories, or develop innovative products for new and existing categories could materially and adversely affect our product sales, financial condition, and operating results.

***Product recalls or other product liability claims could materially and adversely affect us.***

Selling products for human consumption involves inherent legal and other risks, including product contamination, spoilage, product tampering, allergens, or other adulteration. We have decided and could in the future decide to, and have been or could in the future be required to, recall products due to suspected or confirmed product contamination, adulteration, product mislabeling or misbranding, tampering, undeclared allergens, or other deficiencies. Product recalls or market withdrawals could result in significant losses due to their costs, the destruction of product inventory, and lost sales due to the unavailability of the product for a period of time.

We could be adversely affected if consumers lose confidence in the safety and quality of certain food products or ingredients, or the food safety system generally. Adverse attention about these types of concerns, whether or not valid, may damage our reputation, discourage consumers from buying our products, or cause production and delivery disruptions that could negatively impact our net sales and financial condition.

We may also suffer losses if our products or operations violate applicable laws or regulations, or if our products cause injury, illness, or death. In addition, our marketing could face claims of false or deceptive advertising or other criticism. A significant product liability or other legal judgment or a related regulatory enforcement action against us, or a significant product recall, may materially and adversely affect our reputation and profitability. Moreover, even if a product liability or fraud claim is unsuccessful, has no merit, or is not pursued, the negative publicity surrounding assertions against our products or processes could materially and adversely affect our product sales, financial condition, and operating results.

***Unanticipated business disruptions could adversely affect our ability to provide our products to our customers.***

We have a complex network of suppliers, owned and leased manufacturing locations, co-manufacturing locations, distribution networks, and information systems that support our ability to consistently provide our products to our customers. Factors that are hard to predict or beyond our control, such as weather, raw material shortages, natural disasters, fires or explosions, political unrest, terrorism, generalized labor unrest, or health pandemics, such as the new coronavirus that originated in China, could damage or disrupt our operations or our suppliers', co-manufacturers' or distributors' operations. These disruptions may require additional resources to restore our supply chain or distribution network. If we cannot respond to disruptions in our operations, whether by finding alternative suppliers or replacing capacity at key manufacturing or distribution locations, or if we are unable to quickly repair damage to our information, production, or supply systems, we may be late in delivering, or be unable to deliver, products to our customers and may also be unable to track orders, inventory, receivables, and payables. If that occurs, our customers' confidence in us and long-term demand for our products could decline. Any of these events could materially and adversely affect our product sales, financial condition, and operating results.

**Business Risks**

***We may not successfully identify, complete, or realize the benefits from strategic acquisitions, alliances, divestitures, joint ventures, or other investments.***

From time to time, we have evaluated and may continue to evaluate acquisition candidates, alliances, joint ventures, or other investments that may strategically fit our business objectives, and we have divested and may consider divesting businesses that do not meet our strategic objectives or growth or profitability targets. These activities may present financial, managerial, and operational risks including, but not limited to, diversion of management's attention from existing core businesses, difficulties integrating or separating personnel and financial and other systems, inability to effectively and immediately implement control environment processes across a diverse employee population, adverse effects on existing or acquired customer and supplier business relationships, and potential disputes with buyers, sellers, or partners. Activities in such areas are regulated by numerous antitrust and competition laws in the United States, Canada, the European Union, and other jurisdictions, and we may be required to obtain the approval of these transactions by competition authorities, as well as to satisfy other legal requirements.

To the extent we undertake acquisitions, alliances, joint ventures, investments, or other developments outside our core regions or in new categories, we may face additional risks related to such developments. For example, risks related to foreign operations include compliance with U.S. laws affecting operations outside of the United States, such as the FCPA, currency rate fluctuations, compliance with foreign regulations and laws, including tax laws, and exposure to politically and economically volatile developing markets. Any of these factors could materially and adversely affect our product sales, financial condition, and operating results.

To the extent we undertake divestitures, we may face additional risks related to such activity. For example, risks related to our ability to find appropriate buyers, to execute transactions on favorable terms, to separate divested businesses from our remaining operations, and to effectively manage any transitional service arrangements. Any of these factors could materially and adversely affect our financial condition and operating results.

***We may be unable to realize the anticipated benefits from prior or future streamlining actions to reduce fixed costs, simplify or improve processes, and improve our competitiveness.***

We have implemented a number of cost savings initiatives, including our multi-year program announced following the 2015 Merger, that we believe are important to position our business for future success and growth. We have evaluated and continue to evaluate changes to our organizational structure to enable us to reduce costs, simplify or improve processes, and improve our competitiveness. Our future success may depend upon our ability to realize the benefits of these or other cost savings initiatives. In addition, certain of our initiatives may lead to increased costs in other aspects of our business such as increased conversion, outsourcing, or distribution costs. We must accurately predict costs and be efficient in executing any plans to achieve cost savings and operate efficiently in the highly competitive food and beverage industry, particularly in an environment of increased competitive activity. To capitalize on our efforts, we must carefully evaluate investments in our business, and execute in those areas with the most potential return on investment. If we are unable to realize the anticipated benefits from any cost-saving efforts, we could be cost disadvantaged in the marketplace, and our competitiveness, production, profitability, financial condition, and operating results could be adversely affected.

***We may not be able to successfully execute our strategic initiatives.***

We plan to continue to conduct strategic initiatives in various markets. Consumer demands, behaviors, tastes and purchasing trends may differ in these markets and, as a result, our sales may not be successful or meet expectations, or the margins on those sales may be less than currently anticipated. We may also face difficulties integrating new business operations with our current sourcing, distribution, information technology systems, and other operations. Any of these challenges could hinder our success in new markets or new distribution channels. We may also face difficulties divesting business operations with minimal impact to the retained businesses. There can be no assurance that we will successfully complete any planned strategic initiatives, that any new business will be profitable or meet our expectations, or that any divestiture will be completed without disruption, which could adversely affect our results of operations and financial condition.

***Our international operations subject us to additional risks and costs and may cause our profitability to decline.***

We are a global company with sales and operations in numerous countries within developed and emerging markets. Approximately 29% of our 2019 net sales were generated outside of the United States. As a result, we are subject to risks inherent in global operations. These risks, which can vary substantially by market, are described in many of the risk factors discussed in this section and also include:

- compliance with U.S. laws affecting operations outside of the United States, including anti-bribery laws such as the FCPA;
- changes in the mix of earnings in countries with differing statutory tax rates, changes in the valuation of deferred tax assets and liabilities, changes in tax laws or their interpretations, or tax audit implications;
- the imposition of increased or new tariffs, quotas, trade barriers, or similar restrictions on our sales or imports, trade agreements, regulations, taxes, or policies that might negatively affect our sales or costs;
- currency devaluations or fluctuations in currency values;
- compliance with antitrust and competition laws, data privacy laws, and a variety of other local, national, and multi-national regulations and laws in multiple jurisdictions;
- discriminatory or conflicting fiscal policies in or across foreign jurisdictions;
- changes in capital controls, including currency exchange controls, government currency policies, or other limits on our ability to import raw materials or finished product into various countries or repatriate cash from outside the United States;
- challenges associated with cross-border product distribution;
- changes in local regulations and laws, the uncertainty of enforcement of remedies in foreign jurisdictions, and foreign ownership restrictions and the potential for nationalization or expropriation of property or other resources;
- risks and costs associated with political and economic instability, corruption, anti-American sentiment, and social and ethnic unrest in the countries in which we operate;
- the risks of operating in developing or emerging markets in which there are significant uncertainties regarding the interpretation, application, and enforceability of laws and regulations and the enforceability of contract rights and intellectual property rights;
- risks arising from the significant and rapid fluctuations in currency exchange markets and the decisions made and positions taken to hedge such volatility;
- changing labor conditions and difficulties in staffing our operations;
- greater risk of uncollectible accounts and longer collection cycles;
- and

- design, implementation, and use of effective control environment processes across our diverse operations and employee base.

In addition, political and economic changes or volatility, geopolitical conflicts, terrorist activity, political unrest, civil strife, acts of war, public corruption, expropriation, and other economic or political uncertainties could interrupt and negatively affect our business operations or customer demand. Slow economic growth or high unemployment in the markets in which we operate could constrain consumer spending, and declining consumer purchasing power could adversely impact our profitability. All of these factors could result in increased costs or decreased sales, and could materially and adversely affect our product sales, financial condition, and results of operations.

***Our performance may be adversely affected by economic and political conditions in the United States and in various other nations where we do business.***

Our performance has been in the past and may continue in the future to be impacted by economic and political conditions in the United States and in other nations where we do business. Economic and financial uncertainties in our international markets, including uncertainties surrounding the legal and regulatory effects of Brexit in the transition period and beyond, changes to major international trade arrangements (e.g., the United States-Mexico-Canada Agreement), and the imposition of tariffs by certain foreign governments, including China and Canada, could negatively impact our operations and sales. Though the United Kingdom formally withdrew from the European Union on January 31, 2020, the uncertainties around the impacts of Brexit remain during the transition period and while a new trade agreement is negotiated. As a result, we continue to evaluate the risks associated with the withdrawal, including the potential for supply chain disruptions and foreign currency volatility. Other factors impacting our operations in the United States and in international locations where we do business include export and import restrictions, currency exchange rates, currency devaluation, cash repatriation restrictions, recessionary conditions, foreign ownership restrictions, nationalization, the impact of hyperinflationary environments, terrorist acts, and political unrest. Such factors in either domestic or foreign jurisdictions, and our responses to them, could materially and adversely affect our product sales, financial condition, and operating results. For further information on Venezuela, see Note 15, *Venezuela - Foreign Currency and Inflation*, in Item 8, *Financial Statements and Supplementary Data*.

***We rely on our management team and other key personnel and may be unable to hire or retain key personnel or a highly skilled and diverse global workforce.***

We depend on the skills, working relationships, and continued services of key personnel, including our experienced management team. In addition, our ability to achieve our operating goals depends on our ability to identify, hire, train, and retain qualified individuals. We compete with other companies both within and outside of our industry for talented personnel, and we may lose key personnel or fail to attract, train, and retain other talented personnel and a diverse global workforce with the skills and in the locations we need to operate and grow our business. Unplanned turnover, failure to attract and develop personnel with key emerging capabilities such as e-commerce and digital marketing skills, or failure to develop adequate succession plans for leadership positions, including the Chief Executive Officer position, could deplete our institutional knowledge base and erode our competitiveness. Changes in immigration laws and policies could also make it more difficult for us to recruit or relocate skilled employees. Any such loss, failure, or limitation could adversely affect our product sales, financial condition, and operating results.

***We are significantly dependent on information technology, and we may be unable to protect our information systems against service interruption, misappropriation of data, or breaches of security.***

We rely on information technology networks and systems, including the Internet, to process, transmit, and store electronic and financial information, to manage a variety of business processes and activities, and to comply with regulatory, legal, and tax requirements. We also depend on our information technology infrastructure for digital marketing activities and for electronic communications among our locations, personnel, customers, and suppliers. These information technology systems, some of which are managed by third parties, may be susceptible to damage, invasions, disruptions, or shutdowns due to hardware failures, computer viruses, hacker attacks and other cybersecurity risks, telecommunication failures, user errors, catastrophic events or other factors. If our information technology systems suffer severe damage, disruption, or shutdown, by unintentional or malicious actions of employees and contractors or by cyberattacks, and our business continuity plans do not effectively resolve the issues in a timely manner, we could experience business disruptions, reputational damage, transaction errors, processing inefficiencies, the leakage of confidential information, and the loss of customers and sales, causing our product sales, financial condition, and operating results to be adversely affected and the reporting of our financial results to be delayed.

In addition, if we are unable to prevent security breaches or disclosure of non-public information, we may suffer financial and reputational damage, litigation or remediation costs, fines, or penalties because of the unauthorized disclosure of confidential information belonging to us or to our partners, customers, consumers, or suppliers.

Misuse, leakage, or falsification of information could result in violations of data privacy laws and regulations, damage to our reputation and credibility, loss of opportunities to acquire or divest of businesses or brands, and loss of ability to commercialize products developed through research and development efforts and, therefore, could have a negative impact on net sales. In addition, we may suffer financial and reputational damage because of lost or misappropriated confidential information belonging to us, our current or former employees, or to our suppliers or consumers, and may become subject to legal action and increased regulatory oversight. We could also be required to spend significant financial and other resources to remedy the damage caused by a security breach or to repair or replace networks and information systems.

We are also subject to various laws and regulations that are continuously evolving and developing regarding privacy, data protection, and data security, including those related to the collection, storage, handling, use, disclosure, transfer, and security of personal data. Such laws and regulations, as well as their interpretation and application, may vary from jurisdiction to jurisdiction, which can result in inconsistent or conflicting requirements. The European Union's General Data Protection Regulation ("GDPR"), which became effective in May 2018, adds a broad array of requirements with respect to personal data, including the public disclosure of significant data breaches, and imposes substantial penalties for non-compliance. The California Consumer Privacy Act ("CCPA"), which became effective on January 1, 2020, among other things, imposes additional requirements with respect to disclosure and deletion of personal information of California residents. The CCPA provides civil penalties for violations, as well as a private right of action for data breaches. GDPR, CCPA, and other privacy and data protection laws may increase our costs of compliance and risks of non-compliance, which could result in substantial penalties.

***Our results of operations could be affected by natural events in the locations in which we or our customers, suppliers, distributors, or regulators operate.***

We have been and may in the future be impacted by severe weather and other geological events, including hurricanes, earthquakes, floods, or tsunamis that could disrupt our operations or the operations of our customers, suppliers, distributors, or regulators. Natural disasters or other disruptions at any of our facilities or our suppliers' or distributors' facilities may impair or delay the delivery of our products. Influenza or other pandemics, such as the new coronavirus that originated in China, could disrupt production of our products, reduce demand for certain of our products, or disrupt the marketplace in the foodservice or retail environment with consequent material adverse effects on our results of operations. While we insure against many of these events and certain business interruption risks and have policies and procedures to manage business continuity planning, we cannot provide any assurance that such insurance will compensate us for any losses incurred as a result of natural or other disasters or that our business continuity plans will effectively resolve the issues in a timely manner. To the extent we are unable to, or cannot, financially mitigate the likelihood or potential impact of such events, or effectively manage such events if they occur, particularly when a product is sourced from a single location, there could be a material adverse effect on our business and results of operations, and additional resources could be required to restore our supply chain.

***The Sponsors have substantial control over us and may have conflicts of interest with us in the future.***

As of December 28, 2019, the Sponsors own approximately 47% of our common stock. Three of our current 11 directors had been directors of Heinz prior to the closing of the 2015 Merger and remained directors of Kraft Heinz pursuant to the merger agreement. In addition, the Board elected Joao M. Castro-Neves, a partner of 3G Capital, one of the Sponsors, effective June 12, 2019. Furthermore, Paulo Basilio, our Chief Financial Officer, is a partner of 3G Capital. As a result, the Sponsors have the potential to exercise influence over management and have substantial control over decisions of our Board of Directors as well as over any action requiring the approval of the holders of our common stock, including adopting any amendments to our charter, electing directors, and approving mergers or sales of substantially all of our capital stock or our assets. In addition, to the extent that the Sponsors were to collectively hold a majority of our common stock, they together would have the power to take shareholder action by written consent to adopt amendments to our charter or take other actions, such as corporate transactions, that require the vote of holders of a majority of our outstanding common stock. The directors designated by the Sponsors may have significant authority to effect decisions affecting our capital structure, including the issuance of additional capital stock, the incurrence of additional indebtedness, the implementation of stock repurchase programs, and the decision of whether to declare dividends and the amount of any such dividends. Additionally, the Sponsors are in the business of making investments in companies and may from time to time acquire and hold interests in businesses that compete directly or indirectly with us. The Sponsors may also pursue acquisition opportunities that may be complementary to our business, and, as a result, those acquisition opportunities may not be available to us. So long as the Sponsors continue to own a significant amount of our equity, they will continue to be able to strongly influence or effectively control our decisions.



## Financial Risks

*Our level of indebtedness, as well as our ability to comply with covenants under our debt instruments, could adversely affect our business and financial condition.*

We have a substantial amount of indebtedness, and are permitted to incur a substantial amount of additional indebtedness, including secured debt. Our existing debt, together with any incurrence of additional indebtedness, could have important consequences, including, but not limited to:

- increasing our vulnerability to general adverse economic and industry conditions;
- limiting our ability to obtain additional financing for working capital, capital expenditures, research and development, debt service requirements, acquisitions, and general corporate or other purposes;
- resulting in a downgrade to our credit rating, which could adversely affect our cost of funds, including our commercial paper programs; liquidity; and access to capital markets;
- restricting us from making strategic acquisitions or causing us to make non-strategic divestitures;
- limiting our ability to adjust to changing market conditions and place us at a competitive disadvantage compared to our competitors who are not as highly leveraged;
- making it more difficult for us to make payments on our existing indebtedness;
- requiring a substantial portion of cash flows from operations to be dedicated to the payment of principal and interest on our indebtedness, thereby reducing our ability to use our cash flow to fund our operations, payments of dividends, capital expenditures, and future business opportunities;
- exposing us to risks related to fluctuations in foreign currency, as we earn profits in a variety of currencies around the world and the majority of our debt is denominated in U.S. dollars; and
- in the case of any additional indebtedness, exacerbating the risks associated with our substantial financial leverage.

In addition, there can be no assurance that we will generate sufficient cash flow from operations or that future debt or equity financings will be available to us to enable us to pay our indebtedness or to fund other needs. As a result, we may need to refinance all or a portion of our indebtedness on or before maturity. There is no assurance that we will be able to refinance any of our indebtedness on favorable terms, or at all. Any inability to generate sufficient cash flow or to refinance our indebtedness on favorable terms could have a material adverse effect on our financial condition.

Our indebtedness instruments contain customary representations, warranties and covenants, including a financial covenant in our senior unsecured revolving credit facility (the "Senior Credit Facility") to maintain a minimum shareholders' equity (excluding accumulated other comprehensive income/(losses)). The creditors who hold our debt could accelerate amounts due in the event that we default, which could potentially trigger a default or acceleration of the maturity of our other debt. If our operating performance declines, or if we are unable to comply with any covenant, such as our ability to timely prepare and file our periodic reports with the SEC, we have in the past and may in the future need to obtain waivers from the required creditors under our indebtedness instruments to avoid being in default.

If we breach any covenants under our indebtedness instruments and seek a waiver, we may not be able to obtain a waiver from the required creditors, or we may not be able to remedy compliance within the terms of any waivers approved by the required creditors. If this occurs, we would be in default under our indebtedness instruments and unable to access our Senior Credit Facility. In addition, certain creditors could exercise their rights, as described above, and we could be forced into bankruptcy or liquidation.

***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, 11 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, 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 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 which could negatively affect our operating results or net worth. We are currently actively reviewing the enterprise strategy for the Company. As part of this strategic review, we expect to develop updates to the five-year operating plan in 2020, which could impact the allocation of investments among reporting units and brands and impact growth expectations and fair value estimates. Additionally, as a result of this strategic review process, we could decide to divest certain non-strategic assets. As a result, the ongoing development of the enterprise strategy and underlying detailed business plans could lead to the impairment of one or more of our reporting units or brands in the future.

As a result of our annual and interim impairment tests, we recognized 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 \$1.2 billion and indefinite-lived intangible asset impairment losses of \$687 million in 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 their latest 2019 impairment testing 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 \$32.4 billion as of their latest 2019 impairment testing date and included U.S. Grocery, U.S. Refrigerated, U.S. Foodservice, Canada Retail, Canada Foodservice, Latin America Exports, and EMEA East. Reporting units with between 10-20% fair value over carrying amount had an aggregate goodwill carrying amount of \$676 million as of their latest 2019 impairment testing date and included Continental Europe and Northeast Asia. 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 their latest 2019 impairment testing date. Brands with 10% or less fair value over carrying amount had an aggregate carrying amount after impairment of \$26.2 billion as of their latest 2019 impairment testing date and included: *Kraft*, *Philadelphia*, *Velveeta*, *Lunchables*, *Miracle Whip*, *Planters*, *Maxwell House*, *Cool Whip*, and *ABC*. Brands with between 10-20% fair value over carrying amount had an aggregate carrying amount of \$3.7 billion as of their latest 2019 impairment testing date and included *Oscar Mayer*, *Jet Puffed*, *Wattie's*, and *Quero*. The aggregate carrying amount of brands with fair value over carrying amount between 20-50% was \$4.2 billion as of their latest 2019 impairment testing date. Although the remaining brands have more than 50% excess fair value over carrying amount as of their latest 2019 impairment testing 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 estimates, market factors, or assumptions, including those related to our enterprise strategy or business plans, change in the future, these amounts are also susceptible to impairments.

***Our net sales and net income may be exposed to foreign exchange rate fluctuations.***

We derive a substantial portion of our net sales from international operations. We hold assets and incur liabilities, earn revenue, and pay expenses in a variety of currencies other than the U.S. dollar, primarily the British pound sterling, euro, Australian dollar, Canadian dollar, New Zealand dollar, Brazilian real, Indonesian rupiah, Chinese renminbi, and Indian rupee. Since our consolidated financial statements are reported in U.S. dollars, fluctuations in exchange rates from period to period will have an impact on our reported results. We have implemented currency hedges intended to reduce our exposure to changes in foreign currency exchange rates. However, these hedging strategies may not be successful, and any of our unhedged foreign exchange exposures will continue to be subject to market fluctuations. In addition, in certain circumstances, we may incur costs in one currency related to services or products for which we are paid in a different currency. As a result, factors associated with international operations, including changes in foreign currency exchange rates, could significantly affect our results of operations and financial condition.

***Commodity, energy, and other input prices are volatile and could negatively affect our consolidated operating results.***

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, wheat products, cucumbers, onions, other fruits and vegetables, spices, cocoa products, and flour to manufacture our products. In addition, we purchase and use significant quantities of resins, metals, cardboard, glass, plastic, paper, fiberboard, and other materials to package our products, and we use other inputs, such as natural gas and water, to operate our facilities. We are also exposed to changes in oil prices, which influence both our packaging and transportation costs. Prices for commodities, energy, and other supplies are volatile and can fluctuate due to conditions that are difficult to predict, including global competition for resources, currency fluctuations, severe weather or global climate change, crop failures, or shortages due to plant disease or insect and other pest infestation, consumer, industrial, or investment demand, and changes in governmental regulation and trade, tariffs, alternative energy, including increased demand for biofuels, and agricultural programs. Additionally, we may be unable to maintain favorable arrangements with respect to the costs of procuring raw materials, packaging, services, and transporting products, which could result in increased expenses and negatively affect our operations. Furthermore, the cost of raw materials and finished products may fluctuate due to movements in cross-currency transaction rates. Rising commodity, energy, and other input costs could materially and adversely affect our cost of operations, including the manufacture, transportation, and distribution of our products, which could materially and adversely affect our financial condition and operating results.

Although we monitor our exposure to commodity prices as an integral part of our overall risk management program, and seek to hedge against input price increases to the extent we deem appropriate, we do not fully hedge against changes in commodity prices, and our hedging strategies may not protect us from increases in specific raw materials costs. For example, hedging our costs for one of our key commodities, dairy products, is difficult because dairy futures markets are not as developed as many other commodities futures markets. Continued volatility or sustained increases in the prices of commodities and other supplies we purchase could increase the costs of our products, and our profitability could suffer. Moreover, increases in the prices of our products to cover these increased costs may result in lower sales volumes, or we may be constrained from increasing the prices of our products by competitive and consumer pressures. If we are not successful in our hedging activities, or if we are unable to price our products to cover increased costs, then commodity and other input price volatility or increases could materially and adversely affect our financial condition and operating results.

***Volatility in the market value of all or a portion of the derivatives we use to manage exposures to fluctuations in commodity prices may cause volatility in our gross profit and net income.***

We use commodity futures, options, and swaps to economically hedge the price of certain input costs, including dairy products, meat products, coffee beans, sugar, vegetable oils, wheat products, corn products, cocoa products, packaging products, diesel fuel, and natural gas. We recognize gains and losses based on changes in the values of these commodity derivatives. We recognize these gains and losses in cost of products sold in our consolidated statements of income to the extent we utilize the underlying input in our manufacturing process. We recognize these gains and losses in general corporate expenses in our segment operating results until we sell the underlying products, at which time we reclassify the gains and losses to segment operating results. Accordingly, changes in the values of our commodity derivatives may cause volatility in our gross profit and net income.

***Our results could be adversely impacted as a result of increased pension, labor, and people-related expenses.***

Inflationary pressures and any shortages in the labor market could increase labor costs, which could have a material adverse effect on our consolidated operating results or financial condition. Our labor costs include the cost of providing employee benefits in the United States, Canada, and other foreign jurisdictions, including pension, health and welfare, and severance benefits. Any declines in market returns could adversely impact the funding of pension plans, the assets of which are invested in a diversified portfolio of equity and fixed-income securities and other investments. Additionally, the annual costs of benefits vary with increased costs of health care and the outcome of collectively-bargained wage and benefit agreements.

Furthermore, we may be subject to increased costs or experience adverse effects to our operating results if we are unable to renew collectively bargained agreements on satisfactory terms. Our financial condition and ability to meet the needs of our customers could be materially and adversely affected if strikes or work stoppages and interruptions occur as a result of delayed negotiations with union-represented employees both in and outside of the United States.

## **Regulatory Risks**

***Compliance with laws, regulations, and related interpretations and related legal claims or other regulatory enforcement actions could impact our business, and we face additional risks and uncertainties related to any potential actions resulting from the SEC's ongoing investigation, as well as potential additional subpoenas, litigation, and regulatory proceedings.***

As a large, global food and beverage company, we operate in a highly-regulated environment with constantly-evolving legal and regulatory frameworks. Various laws and regulations govern production, storage, distribution, sales, advertising, labeling, including on-pack claims, information or disclosures, marketing, licensing, trade, labor, tax, environmental matters, privacy, as well as health and safety and data protection practices. Government authorities regularly change laws and regulations and their interpretations. In particular, Brexit could result in a new regulatory regime in the United Kingdom that may or may not follow that of the European Union, and the creation of new and divergent laws and regulations could increase the cost and complexity of our compliance. In addition, this shift in regime could create a number of legal and accounting complexities with respect to existing relationships, including uncertainty regarding the continuity of contracts entered into by entities in the United Kingdom or the European Union. Our compliance with new or revised laws and regulations, or the interpretation and application of existing laws and regulations, could materially and adversely affect our product sales, financial condition, and results of operations. As a consequence of the legal and regulatory environment in which we operate, we are faced with a heightened risk of legal claims and regulatory enforcement actions.

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. The SEC has issued additional subpoenas seeking information related to our financial reporting, internal controls, disclosures, our assessment of goodwill and intangible asset impairments, our communications with certain shareholders, and other procurement-related information and materials in connection with its investigation. The United States Attorney's Office for the Northern District of Illinois ("USAO") is also reviewing this matter. We and certain of our current and former officers and directors are currently defendants in a consolidated securities class action lawsuit, a class action lawsuit brought under the Employee Retirement Income Security Act ("ERISA"), a consolidated stockholder derivative action pending in federal court, and eight stockholder derivative actions pending in the Delaware Court of Chancery.

We are cooperating with the SEC and USAO, and intend to vigorously defend the civil lawsuits. We are unable, at this time, to estimate our potential liability in these matters. In connection with the securities and ERISA class action lawsuits and the stockholder derivative actions, we may be required to pay judgments, settlements, or other penalties and incur other costs and expenses. See Item 3, *Legal Proceedings*, and Note 17, *Commitments and Contingencies*, in Item 8, *Financial Statements and Supplementary Data*, for additional information.

In connection with the SEC and USAO investigations, we could be required to pay significant civil or criminal penalties and become subject to injunctions, cease and desist orders, and other equitable remedies. The SEC and USAO investigations have not been resolved as of the filing of this Annual Report on Form 10-K. We can provide no assurances as to the outcome or timing of any governmental or regulatory investigation.

We have incurred, and may continue to incur, significant expenses related to legal, accounting, and other professional services in connection with the internal investigation, the SEC investigation, and related legal and regulatory matters. These expenses have adversely affected, and could continue to adversely affect, our business, financial condition, and cash flows.

As a result of matters associated with the internal investigation related to the SEC investigation and various lawsuits, we are exposed to greater risks associated with litigation, regulatory proceedings, and government enforcement actions and additional subpoenas. Any future investigations or additional lawsuits may have a material adverse effect on our business, financial condition, results of operations, and cash flows.

***We identified material weaknesses in our internal control over financial reporting. If we are unable to remediate these material weaknesses, or if we experience additional material weaknesses or other deficiencies in the future or otherwise fail to maintain an effective system of internal controls, we may not be able to accurately and timely report our financial results, in which case our business may be harmed, investors may lose confidence in the accuracy and completeness of our financial reports, and the price of our common stock may decline.***

Our management is responsible for establishing and maintaining adequate internal control over financial reporting and for evaluating and reporting on the effectiveness of our system of internal control. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). As a public company, we are required to comply with the Sarbanes-Oxley Act and other rules that govern public companies. In particular, we are required to certify our compliance with Section 404 of the Sarbanes-Oxley Act, which requires us to furnish annually a report by management on the effectiveness of our internal control over financial reporting. In addition, our independent registered public accounting firm is required to report on the effectiveness of our internal control over financial reporting.

Consistent with the prior year and in connection with our 2019 year-end assessment of internal control over financial reporting, we determined that, as of December 28, 2019, we did not maintain effective internal control over financial reporting because of a material weakness in our risk assessment process related to designing and maintaining controls sufficient to appropriately respond to changes in our business environment. This material weakness in risk assessment also contributed to a material weakness arising from supplier contracts and related arrangements, and we have taken and are taking certain remedial steps to improve our internal control over financial reporting. For further discussion of the material weaknesses identified and our remedial efforts, see Item 9A, *Controls and Procedures*.

Remediation efforts place a significant burden on management and add increased pressure to our financial resources and processes. As a result, we may not be successful in making the improvements necessary to remediate the material weaknesses identified by management, be able to do so in a timely manner, or be able to identify and remediate additional control deficiencies, including material weaknesses, in the future.

If we are unable to successfully remediate our existing or any future material weaknesses or other deficiencies in our internal control over financial reporting, the accuracy and timing of our financial reporting may be adversely affected; our liquidity, our access to capital markets, the perceptions of our creditworthiness, and our ability to complete acquisitions may be adversely affected; we may be unable to maintain compliance with applicable securities laws, The Nasdaq Stock Market LLC (“Nasdaq”) listing requirements, and the covenants under our debt instruments or derivative arrangements regarding the timely filing of periodic reports; we may be subject to regulatory investigations and penalties; investors may lose confidence in our financial reporting; we may suffer defaults, accelerations, or cross-accelerations under our debt instruments or derivative arrangements to the extent we are unable to obtain waivers from the required creditors or counterparties or are unable to cure any breaches; and our stock price may decline.

***Our failure to prepare and timely file our periodic reports with the SEC limits our access to the public markets to raise debt or equity capital.***

We did not file our Annual Report on Form 10-K for the year ended December 29, 2018 or our Quarterly Report on Form 10-Q for the fiscal quarter ended March 30, 2019 within each respective timeframe required by the SEC, meaning we did not remain current in our reporting requirements with the SEC. As such, we are not currently eligible to use a registration statement on Form S-3 that would allow us to continuously incorporate by reference our SEC reports into the registration statement, or to use “shelf” registration statements to conduct offerings, until we have maintained our status as a current filer for approximately one year. This limits our ability to access the public markets to raise debt or equity capital, which could prevent us from pursuing transactions or implementing business strategies that we might otherwise believe are beneficial to our business. If we wish to pursue a public offering now, we would be required to file a registration statement on Form S-1 and have it reviewed and declared effective by the SEC. Doing so would likely take significantly longer than using a registration statement on Form S-3 and increase our transaction costs, and the necessity of using a Form S-1 for a public offering of registered securities could, to the extent we are not able to conduct offerings using alternative methods, adversely impact our ability to raise capital or complete acquisitions of other companies in a timely manner.

***We restated certain of our previously issued consolidated financial statements, which resulted in unanticipated costs and may affect investor confidence and raise reputational issues.***

As discussed in the Explanatory Note, in Note 2, *Restatement of Previously Issued Consolidated Financial Statements*, and in Note 23, *Quarterly Financial Data (Unaudited)*, in our Annual Report on Form 10-K for the year ended December 29, 2018, we restated our consolidated financial statements and related disclosures for the years ended December 30, 2017 and December 31, 2016 and restated each of the quarterly and year-to-date periods for the nine months ended September 29, 2018 and for fiscal year 2017, following the identification of misstatements as a result of the internal investigation conducted. We do not believe that the misstatements were 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 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. As a result, we incurred unanticipated costs for accounting and legal fees in connection with or related to the restatement, and have become subject to a number of additional risks and uncertainties, which may affect investor confidence in the accuracy of our financial disclosures and may raise reputational issues for our business.

***Our intellectual property rights are valuable, and any inability to protect them could reduce the value of our products and brands.***

We consider our intellectual property rights, particularly and most notably our trademarks, but also our patents, trade secrets, trade dress, copyrights, and licensing agreements, to be a significant and valuable aspect of our business. We attempt to protect our intellectual property rights through a combination of patent, trademark, copyright, trade secret, and trade dress laws, as well as licensing agreements, third-party nondisclosure and assignment agreements, and policing of third-party misuses of our intellectual property. Our failure to develop or adequately protect our trademarks, products, new features of our products, or our technology, or any change in law or other changes that serve to lessen or remove the current legal protections of our intellectual property, may diminish our competitiveness and could materially harm our business and financial condition. We also license certain intellectual property, most notably trademarks, from third parties. To the extent that we are not able to contract with these third parties on favorable terms or maintain our relationships with these third parties, our rights to use certain intellectual property could be impacted.

We may be unaware of intellectual property rights of others that may cover some of our technology, brands, or products. Any litigation regarding patents or other intellectual property could be costly and time-consuming and could divert the attention of our management and key personnel from our business operations. Third-party claims of intellectual property infringement might also require us to enter into costly license agreements. We also may be subject to significant damages or injunctions against development and sale of certain products.

***Changes in tax laws and interpretations could adversely affect our business.***

We are subject to income and other taxes in the United States and in numerous foreign jurisdictions. Our domestic and foreign tax liabilities are dependent on the jurisdictions in which profits are determined to be earned and taxed. Additionally, the amount of taxes paid is subject to our interpretation of applicable tax laws in the jurisdictions in which we operate. A number of factors influence our effective tax rate, including changes in tax laws and treaties as well as the interpretation of existing laws and rules. Federal, state, and local governments and administrative bodies within the United States, which represents the majority of our operations, and other foreign jurisdictions have implemented, or are considering, a variety of broad tax, trade, and other regulatory reforms that may impact us. For example, the Tax Cuts and Jobs Act (the "U.S. Tax Reform") enacted on December 22, 2017 resulted in changes in our corporate tax rate, our deferred income taxes, and the taxation of foreign earnings. Relatedly, changes in tax laws resulting from the Organization for Economic Co-operation and Development's ("OECD") multi-jurisdictional plan of action to address base erosion and profit sharing ("BEPS") could impact our effective tax rate. It is not currently possible to accurately determine the potential comprehensive impact of these or future changes, but these changes could have a material impact on our business and financial condition.

Significant judgment, knowledge, and experience are required in determining our worldwide provision for income taxes. Our future effective tax rate is impacted by a number of factors including changes in the valuation of our deferred tax assets and liabilities, changes in geographic mix of income, increases in expenses not deductible for tax, including impairment of goodwill, and changes in available tax credits. In the ordinary course of our business, there are many transactions and calculations where the ultimate tax determination is uncertain. We are also regularly subject to audits by tax authorities. Although we believe our tax estimates are reasonable, the final determination of tax audits and any related litigation could be materially different from our historical income tax provisions and accruals. Economic and political pressures to increase tax revenue in various jurisdictions may make resolving tax disputes more difficult. The results of an audit or litigation could adversely affect our financial statements in the period or periods for which that determination is made.

#### **Registered Securities Risks**

##### ***Sales of our common stock in the public market could cause volatility in the price of our common stock or cause the share price to fall.***

Sales of a substantial number of shares of our common stock in the public market, sales of our common stock by the Sponsors, or the perception that these sales might occur, could depress the market price of our common stock, and could impair our ability to raise capital through the sale of additional equity securities. A sustained depression in the market price of our common stock has happened (which was a contributing factor to our decision to perform interim impairment tests for certain reporting units and brands in 2018 and 2019, for which we ultimately recorded impairment losses) and could in the future happen, which could also reduce our market capitalization below the book value of net assets, which could increase the likelihood of recognizing goodwill or indefinite-lived intangible asset impairment losses that could negatively affect our financial condition and results of operations.

Kraft Heinz, 3G Capital, and Berkshire Hathaway entered into a registration rights agreement requiring us to register for resale under the Securities Act all registrable shares held by 3G Capital and Berkshire Hathaway, which represents all shares of our common stock held by the Sponsors as of the date of the closing of the 2015 Merger. As of December 28, 2019, registrable shares represented approximately 47% of all outstanding shares of our common stock. Although the registrable shares are subject to certain holdback and suspension periods, the registrable shares are not subject to a “lock-up” or similar restriction under the registration rights agreement. Accordingly, offers and sales of a large number of registrable shares may be made pursuant to an effective registration statement under the Securities Act in accordance with the terms of the registration rights agreement. Sales of our common stock by the Sponsors to other persons would likely result in an increase in the number of shares being traded in the public market and may increase the volatility of the price of our common stock.

##### ***Our ability to pay regular dividends to our shareholders and the amounts of any such dividends are subject to the discretion of the Board of Directors and may be limited by our financial condition, debt agreements, or limitations under Delaware law.***

Although it is currently anticipated that we will continue to pay regular quarterly dividends, any such determination to pay dividends and the amounts thereof will be at the discretion of the Board of Directors and will be dependent on then-existing conditions, including our financial condition, income, legal requirements, including limitations under Delaware law, debt agreements, and other factors the Board of Directors deems relevant. The Board of Directors has decided, and may in the future decide, in its sole discretion, to change the amount or frequency of dividends or discontinue the payment of dividends entirely. For these reasons, shareholders will not be able to rely on dividends to receive a return on investment. Accordingly, realization of any gain on shares of our common stock may depend on the appreciation of the price of our common stock, which may never occur.

##### ***Volatility of capital markets or macroeconomic factors could adversely affect our business.***

Changes in financial and capital markets, including market disruptions, limited liquidity, uncertainty regarding Brexit in the transition period and beyond, and interest rate volatility, may increase the cost of financing as well as the risks of refinancing maturing debt. Our U.S. dollar variable rate debt uses LIBOR as a benchmark for determining interest rates and the Financial Conduct Authority in the United Kingdom intends to phase out LIBOR by the end of 2021. While we do not expect that the transition from LIBOR, including any legal or regulatory changes made in response to its future phase out, or the risks related to its discontinuance will have a material effect on our financing costs, the impact is uncertain at this time.

Some of our customers and counterparties are highly leveraged. Consolidations in some of the industries in which our customers operate have created larger customers, some of which are highly leveraged and facing increased competition and continued credit market volatility. These factors have caused some customers to be less profitable, increasing our exposure to credit risk. A significant adverse change in the financial and/or credit position of a customer or counterparty could require us to assume greater credit risk relating to that customer or counterparty and could limit our ability to collect receivables. This could have an adverse impact on our financial condition and liquidity.

***A downgrade in our credit rating could adversely impact interest costs or access to future borrowings.***

Our borrowing costs can be affected by short and long-term credit ratings assigned by rating organizations. A decrease in these credit ratings could limit our access to capital markets and increase our borrowing costs, which could materially and adversely affect our financial condition and operating results. On February 14, 2020, Moody's Investor Services, Inc. ("Moody's") affirmed our long-term credit rating of Baa3 with a negative outlook and Fitch Ratings ("Fitch") and S&P Global Ratings ("S&P") downgraded our long-term credit rating from BBB- to BB+ with a stable outlook from Fitch and a negative outlook from S&P. The downgrades by Fitch and S&P reduce our senior debt below investment grade, potentially resulting in higher borrowing costs on future financings and potentially limiting access to our commercial paper program and other sources of funding which may result in us having to use more expensive sources of liquidity, such as our Senior Credit Facility. These downgrades do not constitute a default or event of default under our debt instruments. However, as two ratings agencies have downgraded our long-term credit rating to below investment grade status, we are subject to certain financial covenants in our 4.875% Second Lien Senior Secured Notes due February 15, 2025 (the "2025 Notes").

**Item 1B. Unresolved Staff Comments.**

None.

**Item 2. Properties.**

Our corporate co-headquarters are located in Pittsburgh, Pennsylvania and Chicago, Illinois. Our co-headquarters are leased and house certain executive offices, our U.S. business units, and our administrative, finance, legal, and human resource functions. We maintain additional owned and leased offices throughout the regions in which we operate.

We manufacture our products in our network of manufacturing and processing facilities located throughout the world. As of December 28, 2019, we operated 83 manufacturing and processing facilities. We own 80 and lease three of these facilities. Our manufacturing and processing facilities count by segment as of December 28, 2019 was:

|               | Owned | Leased |
|---------------|-------|--------|
| United States | 40    | 1      |
| Canada        | 1     | 1      |
| EMEA          | 13    | —      |
| Rest of World | 26    | 1      |

We maintain all of our manufacturing and processing facilities in good condition and believe they are suitable and are adequate for our present needs. We also enter into co-manufacturing arrangements with third parties if we determine it is advantageous to outsource the production of any of our products.

In 2019, we divested certain assets and operations, predominantly in Canada and India, including one owned manufacturing facility in Canada and one owned and one leased facility in India. See Note 4, *Acquisitions and Divestitures*, in Item 8, *Financial Statements and Supplementary Data*, for additional information on these transactions.

**Item 3. Legal Proceedings.**

See Note 17, *Commitments and Contingencies*, in Item 8, *Financial Statements and Supplementary Data*.

**Item 4. Mine Safety Disclosures.**

Not applicable.

**PART II**

**Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.**

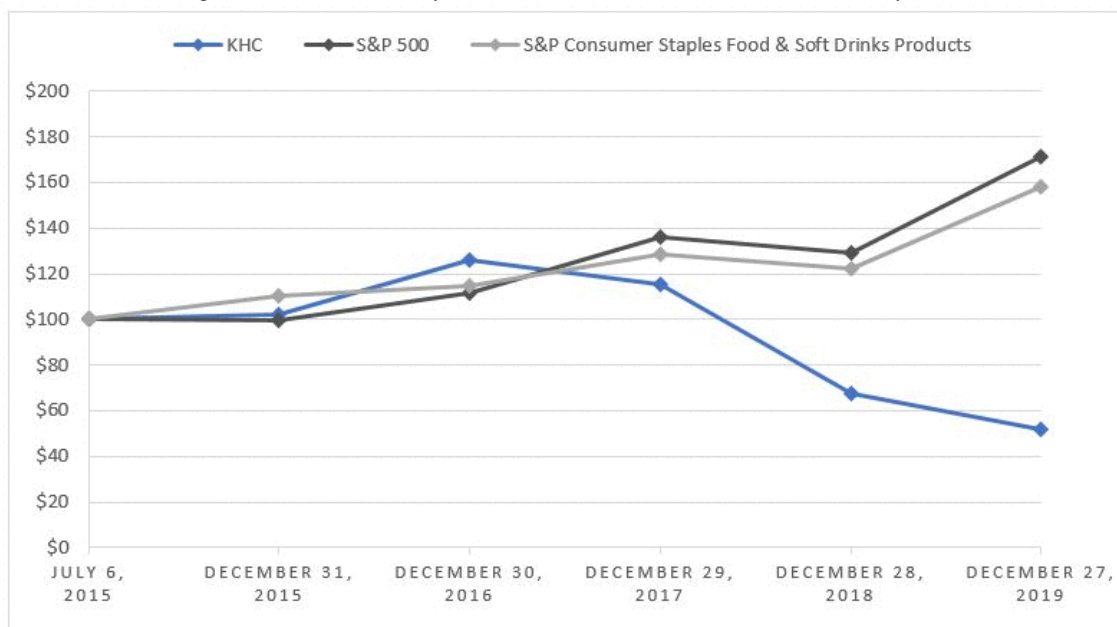
Our common stock is listed on Nasdaq under the ticker symbol "KHC". At February 8, 2020, there were approximately 47,000 holders of record of our common stock.

See *Equity and Dividends* in Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations*, for a discussion of cash dividends declared on our common stock.

**Comparison of Cumulative Total Return**



The following graph compares the cumulative total return on our common stock with the cumulative total return of the Standard & Poor's ("S&P") 500 Index and the S&P Consumer Staples Food and Soft Drink Products, which we consider to be our peer group. Companies included in the S&P Consumer Staples Food and Soft Drink Products index change periodically and are presented on the basis of the index as it is comprised on December 28, 2019. This graph covers the period from July 6, 2015 (the first day our common stock began trading on Nasdaq) through December 27, 2019 (the last trading day of our fiscal year 2019). The graph shows total shareholder return assuming \$100 was invested on July 6, 2015 and the dividends were reinvested on a daily basis.



|                   | Kraft Heinz | S&P 500   | S&P Consumer Staples<br>Food and Soft Drink<br>Products |
|-------------------|-------------|-----------|---|
| July 6, 2015      | \$ 100.00   | \$ 100.00 | \$ 100.00   |
| December 31, 2015 | 102.07      | 99.85     | 110.18  |
| December 30, 2016 | 125.99      | 111.79    | 114.98  |
| December 29, 2017 | 115.44      | 136.20    | 128.53  |
| December 28, 2018 | 67.49       | 129.11    | 121.93  |
| December 27, 2019 | 51.78       | 171.50    | 157.80  |

The above performance graph shall not be deemed to be "soliciting material" or to be "filed" with the SEC or subject to Regulation 14A or 14C, or to the liabilities of Section 18 of the Exchange Act.

## Issuer Purchases of Equity Securities During the Three Months Ended December 28, 2019

Our share repurchase activity in the three months ended December 28, 2019 was:

|                        | Total Number of Shares Purchased <sup>(a)</sup> | Average Price Paid Per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs <sup>(b)</sup> | Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs |
|------------------------|---|------------------------------|---|--|
| 9/29/2019 - 11/2/2019  | 15,166  | \$ 27.84                     | —   | \$ —   |
| 11/3/2019 - 11/30/2019 | 128,625   | 32.19                        | —   | —  |
| 12/1/2019 - 12/28/2019 | 43,491  | 31.48                        | —   | —  |
| Total                  | 187,282   |                              | —   |  |

<sup>(a)</sup> 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.

<sup>(b)</sup> We do not have any publicly announced share repurchase plans or programs.

### Item 6. Selected Financial Data.

The following table presents selected consolidated financial data for the last five fiscal years. Our fiscal years 2019, 2018, 2017, and 2016 include a full year of Kraft Heinz results. Our fiscal year 2015 includes a full year of Heinz results and post-merger Kraft results.

|  | December 28,<br>2019<br>(52 weeks) | December 29,<br>2018<br>(52 weeks) | December 30,<br>2017<br>(52 weeks) | December 31,<br>2016<br>(52 weeks) <sup>(a)</sup> | (Unaudited)<br>January 3,<br>2016<br>(53 weeks) |
|--|------------------------------------|------------------------------------|------------------------------------|---|---|
| (in millions, except per share data)                                   |                                    |                                    |                                    |   |   |
| <b>Period Ended:</b>   |                                    |                                    |                                    |   |   |
| Net sales <sup>(a)</sup>   | \$ 24,977                          | \$ 26,268                          | \$ 26,076                          | \$ 26,300   | \$ 18,318                                       |
| Income/(loss) <sup>(b)(c)(d)</sup>                                     | 1,933                              | (10,254)                           | 10,932                             | 3,606   | 614   |
| Income/(loss) attributable to common shareholders <sup>(b)(c)(d)</sup> | \$ 1,935                           | (10,192)                           | 10,941                             | 3,416   | (299)   |
| Income/(loss) per common share:  |                                    |                                    |                                    |   |   |
| Basic <sup>(b)(c)(d)</sup>   | \$ 1.59                            | (8.36)                             | 8.98                               | 2.81  | (0.38)  |
| Diluted <sup>(b)(c)(d)</sup>   | 1.58                               | (8.36)                             | 8.91                               | 2.78  | (0.38)  |

|   | December 28,<br>2019 | December 29,<br>2018 | December 30,<br>2017 | December 31,<br>2016 | (Unaudited)<br>January 3,<br>2016 |
|---|----------------------|----------------------|----------------------|----------------------|-----------------------------------|
| (in millions, except per share data)      |                      |                      |                      |                      |                                   |
| <b>As of:</b>                             |                      |                      |                      |                      |                                   |
| Total assets <sup>(c)</sup>               | 101,450              | 103,461              | 120,092              | 120,617              | 123,110                           |
| Long-term debt <sup>(e)</sup>             | 28,216               | 30,770               | 28,308               | 29,712               | 25,148                            |
| Redeemable preferred stock <sup>(f)</sup> | —                    | —                    | —                    | —                    | 8,320                             |
| Cash dividends per common share           | 1.60                 | 2.50                 | 2.45                 | 2.35                 | 1.70                              |

(a) The increase in net sales in 2016 compared to the prior year was primarily driven by the 2015 Merger.

(b) The increases in income/(loss), income/(loss) attributable to common shareholders, and basic and diluted income/(loss) per common share in 2017 compared to 2016 were primarily driven by U.S. Tax Reform, which was enacted in December 2017. See Note 10, *Income Taxes*, in Item 8, *Financial Statements and Supplementary Data*, for additional information.

(c) The decreases in income/(loss), income/(loss) attributable to common shareholders, and basic and diluted income/(loss) per common share in 2018 compared to 2017, and the decrease in total assets from December 30, 2017 to December 29, 2018, were primarily driven by non-cash impairment losses in 2018. See Note 9, *Goodwill and Intangible Assets*, in Item 8, *Financial Statements and Supplementary Data*, for additional information.

(d) The increases in income/(loss), income/(loss) attributable to common shareholders, and basic and diluted income/(loss) per common share in 2019 compared to 2018, were primarily driven by higher non-cash impairment losses in 2018. See Note 9, *Goodwill and Intangible Assets*, in Item 8, *Financial Statements and Supplementary Data*, for additional information.

(e) Amounts exclude the current portion of long-term debt.

(f) On June 7, 2016, we redeemed all outstanding shares of our 9.00% cumulative compounding preferred stock, Series A. See *Equity and Dividends* in Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations*, along with Note 19, *Debt*, and Note 20, *Capital Stock*, in Item 8, *Financial Statements and Supplementary Data*, in our Annual Report on Form 10-K for the year ended December 29, 2018 for additional information.

(g) On December 9, 2016, our Board of Directors approved a change to our fiscal year end from Sunday to Saturday. Effective December 31, 2016, we operate on a 52- or 53-week fiscal year ending on the last Saturday in December in each calendar year. In prior years, we operated on a 52- or 53-week fiscal year ending the Sunday closest to December 31. As a result, we occasionally have a 53rd week in a fiscal year. Our 2015 fiscal year includes a 53rd week of activity.

## Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

### Overview

#### 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.

During the third quarter of 2019, certain organizational changes were announced that will impact our future internal reporting and reportable segments. As a result of these changes, we plan to combine our EMEA, Latin America, and APAC zones to form the International zone. The International zone will be a reportable segment along with the United States and Canada in 2020. We also plan to move our Puerto Rico business from the Latin America zone to the United States zone to consolidate and streamline the management of our product categories and supply chain. These changes will be effective in the first quarter of 2020.

See Note 22, *Segment Reporting*, in Item 8, *Financial Statements and Supplementary Data*, to the consolidated financial statements for our financial information by segment.

See below for discussion and analysis of our financial condition and results of operations for 2019 compared to 2018. See Item 7, *Management’s Discussions 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 detailed discussion of our financial condition and results of operations for 2018 compared to 2017.

### Items Affecting Comparability of Financial Results

#### Impairment Losses:

Our 2019 results of operations reflect goodwill impairment losses of \$1.2 billion and intangible asset impairment losses of \$702 million compared to goodwill impairment losses of \$7.0 billion and intangible asset impairment losses of \$8.9 billion in 2018. See Note 9, *Goodwill and Intangible Assets*, in Item 8, *Financial Statements and Supplementary Data*, 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:

|   | December 28, 2019                    | December 29, 2018 | % Change |
|---|--------------------------------------|-------------------|----------|
|   | (in millions, except per share data) |                   |          |
| Net sales   | \$ 24,977                            | \$ 26,268         | (4.9)%   |
| Operating income/(loss)                               | 3,070                                | (10,205)          | 130.1 %  |
| Net income/(loss) attributable to common shareholders | 1,935                                | (10,192)          | 119.0 %  |
| Diluted EPS   | 1.58                                 | (8.36)            | 118.9 %  |

**Net Sales:**

|                      | December 28, 2019 | December 29, 2018 | % Change |
|----------------------|-------------------|-------------------|----------|
|                      | (in millions)     |                   |          |
| Net sales            | \$ 24,977         | \$ 26,268         | (4.9)%   |
| Organic Net Sales(a) | 24,961            | 25,393            | (1.7)%   |

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

**Fiscal Year 2019 Compared to Fiscal Year 2018:**

Net sales decreased 4.9% to \$25.0 billion in 2019 compared to \$26.3 billion in 2018 primarily due to the unfavorable impacts of foreign currency (1.9 pp) and acquisitions and divestitures (1.3 pp). Organic Net Sales decreased 1.7% to \$25.0 billion in 2019 compared to \$25.4 billion in 2018 due to unfavorable volume/mix (1.8 pp), partially offset by higher pricing (0.1 pp). Volume/mix was unfavorable in the United States, Rest of World, and EMEA, which was partially offset by growth in Canada. Higher pricing in the United States and Rest of World was partially offset by lower pricing in Canada, while pricing in EMEA was flat.

**Net Income/(Loss):**

|   | December 28, 2019 | December 29, 2018 | % Change |
|---|-------------------|-------------------|----------|
|   | (in millions)     |                   |          |
| Operating income/(loss)                               | \$ 3,070          | \$ (10,205)       | 130.1 %  |
| Net income/(loss) attributable to common shareholders | 1,935             | (10,192)          | 119.0 %  |
| Adjusted EBITDA(a)                                    | 6,064             | 7,024             | (13.7)%  |

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

**Fiscal Year 2019 Compared to Fiscal Year 2018:**

Operating income/(loss) increased 130.1% to income of \$3.1 billion in 2019 compared to a loss of \$10.2 billion in 2018. This increase was primarily driven by lower impairment losses in the current year. Impairment losses were \$1.9 billion in 2019 compared to \$15.9 billion in 2018. Excluding the impact of these impairment losses, operating income/(loss) decreased by \$762 million primarily due to lower Organic Net Sales, higher supply chain costs, the unfavorable impact of foreign currency (0.8 pp), higher general corporate expenses, and the unfavorable impact of divestitures, partially offset by lower restructuring expenses in the current period. See Note 9, *Goodwill and Intangible Assets*, in Item 8, *Financial Statements and Supplementary Data*, for additional information on our impairment losses.

Net income/(loss) attributable to common shareholders increased 119.0% to income of \$1.9 billion in 2019 compared to a loss of \$10.2 billion in 2018. This change was driven by the operating income/(loss) factors described above (primarily lower impairment losses in 2019 compared to 2018) and favorable impacts in other expense/(income), partially offset by a higher effective tax rate and higher interest expense, detailed as follows.

- Other expense/(income) was \$952 million of income in 2019 compared to \$168 million of income in 2018. This increase was primarily driven by a \$420 million net gain on sales of businesses in 2019 compared to a \$15 million loss on sale of our South Africa subsidiary in 2018, a \$162 million non-cash settlement charge in the prior year related to the wind-up of our Canadian salaried and Canadian hourly defined benefit pension plans and a \$136 million decrease in nonmonetary currency devaluation losses related to our Venezuelan operations as compared to the prior year period. The \$420 million net gain on sales of businesses in 2019 consisted of a \$249 million gain on the sale of Heinz India Private Limited (“Heinz India”) (“Heinz India Transaction”), a \$242 million gain on the sale of certain assets in our natural cheese business in Canada (“Canada Natural Cheese Transaction”), and a \$71 million loss on an anticipated sale of a subsidiary within our Rest of World segment.
- The effective tax rate was 27.4% in 2019 on pre-tax income compared to 9.4% in 2018 on a pre-tax loss. The 2019 effective tax rate was higher primarily driven by lower non-deductible goodwill impairments, partially offset by a more favorable geographic mix of pre-tax income in various non-U.S. jurisdictions and a decrease in unfavorable rate reconciling items. Current year unfavorable impacts primarily related to non-deductible goodwill impairments, the impact of the federal tax on global intangible low-taxed income (“GILTI”), an increase in uncertain tax position reserves, the establishment of certain state valuation allowance reserves, and the tax impacts from the Heinz India and Canada Natural Cheese Transactions. These impacts were partially offset by the reversal of certain withholding tax obligations and changes in estimates of certain 2018 U.S. income and deductions.

- Interest expense was \$1.4 billion in 2019 compared to \$1.3 billion in 2018. This increase was primarily driven by a \$98 million loss on extinguishment of debt recognized in connection with our debt tender offers and redemptions completed in 2019. Excluding the impact of the loss on extinguishment of debt, interest expense was generally flat as compared to the prior year period.

Adjusted EBITDA decreased 13.7% to \$6.1 billion in 2019 compared to \$7.0 billion in 2018. This decrease was primarily due to lower Organic Net Sales, higher supply chain costs, the unfavorable impact of foreign currency (2.8 pp), higher general corporate expenses, and the unfavorable impact of divestitures.

**Diluted EPS:**

|                             | December 28, 2019                    | December 29, 2018 | % Change |
|-----------------------------|--------------------------------------|-------------------|----------|
|                             | (in millions, except per share data) |                   |          |
| Diluted EPS                 | \$ 1.58                              | \$ (8.36)         | 118.9 %  |
| Adjusted EPS <sup>(a)</sup> | 2.85                                 | 3.51              | (18.8)%  |

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

**Fiscal Year 2019 Compared to Fiscal Year 2018:**

Diluted EPS increased 118.9% to earnings of \$1.58 in 2019 compared to a loss of \$8.36 in 2018 primarily driven by the net income/(loss) attributable to common shareholders factors discussed above.

|   | December 28, 2019 | December 29, 2018 | \$ Change | % Change |
|---|-------------------|-------------------|-----------|----------|
| Diluted EPS   | \$ 1.58           | \$ (8.36)         | \$ 9.94   | 118.9 %  |
| Integration and restructuring expenses                        | 0.07              | 0.32              | (0.25)    |          |
| Deal costs  | 0.02              | 0.02              | —         |          |
| Unrealized losses/(gains) on commodity hedges                 | (0.04)            | 0.01              | (0.05)    |          |
| Impairment losses   | 1.38              | 11.28             | (9.90)    |          |
| Losses/(gains) on sale of business                            | (0.23)            | 0.01              | (0.24)    |          |
| Other losses/(gains) related to acquisitions and divestitures | —                 | 0.02              | (0.02)    |          |
| Nonmonetary currency devaluation                              | 0.01              | 0.12              | (0.11)    |          |
| Debt prepayment and extinguishment costs                      | 0.06              | —                 | 0.06      |          |
| U.S. Tax Reform discrete income tax expense/(benefit)         | —                 | 0.09              | (0.09)    |          |
| Adjusted EPS <sup>(a)</sup>                                   | \$ 2.85           | \$ 3.51           | \$ (0.66) | (18.8)%  |

**Key drivers of change in Adjusted EPS<sup>(a)</sup>:**

|                                |           |
|--------------------------------|-----------|
| Results of operations          | \$ (0.64) |
| Results of divested operations | (0.05)    |
| Interest expense               | 0.01      |
| Other expense/(income)         | 0.02      |
|                                | \$ (0.66) |

(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 18.8% to \$2.85 in 2019 compared to \$3.51 in 2018 primarily due to lower Adjusted EBITDA and higher depreciation and amortization expenses, partially offset by favorable changes in other expense/(income) and lower interest expense.

## 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, 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 financial statements of a subsidiary are remeasured into our reporting currency (U.S. dollars) based on the legally available exchange rate at which we expect to settle the underlying transactions. Exchange gains and losses from the remeasurement of monetary assets and liabilities are reflected in net income/(loss), rather than accumulated other comprehensive income/(losses) on the balance sheet, until such time as the economy is no longer considered highly inflationary. The exchange gains and losses from remeasurement are recorded in current net income/(loss) and are classified within other expense/(income), as nonmonetary currency devaluation. See Note 15, *Venezuela - Foreign Currency and Inflation*, and Note 2, *Significant Accounting Policies*, in Item 8, *Financial Statements and Supplementary Data*, for additional information.

### Net Sales:

|                 | December 28, 2019 | December 29, 2018 |
|-----------------|-------------------|-------------------|
|                 | (in millions)     |                   |
| Net sales:      |                   |                   |
| United States   | \$ 17,756         | \$ 18,122         |
| Canada          | 1,882             | 2,173             |
| EMEA            | 2,551             | 2,718             |
| Rest of World   | 2,788             | 3,255             |
| Total net sales | <u>\$ 24,977</u>  | <u>\$ 26,268</u>  |

### Organic Net Sales:

|                         | December 28, 2019 | December 29, 2018 |
|-------------------------|-------------------|-------------------|
|                         | (in millions)     |                   |
| Organic Net Sales(a):   |                   |                   |
| United States           | \$ 17,756         | \$ 18,122         |
| Canada                  | 1,700             | 1,732             |
| EMEA                    | 2,666             | 2,697             |
| Rest of World           | 2,839             | 2,842             |
| Total Organic Net Sales | <u>\$ 24,961</u>  | <u>\$ 25,393</u>  |

(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 were:

|                              | Net Sales | Currency  | Acquisitions and<br>Divestitures | Organic Net Sales | Price    | Volume/Mix |
|------------------------------|-----------|-----------|----------------------------------|-------------------|----------|------------|
| <b>2019 Compared to 2018</b> |           |           |                                  |                   |          |            |
| United States                | (2.0)%    | 0.0 pp    | 0.0 pp                           | (2.0)%            | 0.4 pp   | (2.4) pp   |
| Canada                       | (13.4)%   | (2.1) pp  | (9.4) pp                         | (1.9)%            | (3.4) pp | 1.5 pp     |
| EMEA                         | (6.2)%    | (4.3) pp  | (0.7) pp                         | (1.2)%            | 0.0 pp   | (1.2) pp   |
| Rest of World                | (14.3)%   | (10.3) pp | (3.9) pp                         | (0.1)%            | 1.2 pp   | (1.3) pp   |
| Kraft Heinz                  | (4.9)%    | (1.9) pp  | (1.3) pp                         | (1.7)%            | 0.1 pp   | (1.8) pp   |

**Adjusted EBITDA:**

|  | December 28, 2019 | December 29, 2018  |
|--|-------------------|--------------------|
|  | (in millions)     |                    |
| <b>Segment Adjusted EBITDA:</b>  |                   |                    |
| United States  | \$ 4,809          | \$ 5,218           |
| Canada   | 487               | 608                |
| EMEA   | 661               | 724                |
| Rest of World  | 363               | 635                |
| General corporate expenses   | (256)             | (161)              |
| Depreciation and amortization (excluding integration and restructuring expenses)     | (985)             | (919)              |
| Integration and restructuring expenses   | (102)             | (297)              |
| Deal costs   | (19)              | (23)               |
| Unrealized gains/(losses) on commodity hedges  | 57                | (21)               |
| Impairment losses  | (1,899)           | (15,936)           |
| Equity award compensation expense (excluding integration and restructuring expenses) | (46)              | (33)               |
| Operating income   | 3,070             | (10,205)           |
| Interest expense   | 1,361             | 1,284              |
| Other expense/(income)   | (952)             | (168)              |
| Income/(loss) before income taxes  | <u>\$ 2,661</u>   | <u>\$ (11,321)</u> |

**United States:**

|                                  | December 28, 2019 | December 29, 2018 | % Change |
|----------------------------------|-------------------|-------------------|----------|
|                                  | (in millions)     |                   |          |
| Net sales                        | \$ 17,756         | \$ 18,122         | (2.0)%   |
| Organic Net Sales <sup>(a)</sup> | 17,756            | 18,122            | (2.0)%   |
| Segment Adjusted EBITDA          | 4,809             | 5,218             | (7.8)%   |

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

**Fiscal Year 2019 Compared to Fiscal Year 2018:**

Net sales and Organic Net Sales both decreased 2.0% to \$17.8 billion in 2019 compared to \$18.1 billion in 2018. This decrease was primarily due to unfavorable volume/mix (2.4 pp), partially offset by higher pricing (0.4 pp). Unfavorable volume/mix was primarily due to unfavorable changes in retail inventory levels versus the prior year and lower shipments in meat, cheese, and coffee, partially offset by growth in nuts as well as condiments and sauces. Higher pricing was primarily driven by price increases to reflect higher key-commodity costs for meat and cheese, which more than offset lower key-commodity driven pricing on coffee and nuts.

Segment Adjusted EBITDA decreased 7.8% to \$4.8 billion in 2019 compared to \$5.2 billion in 2018. This decrease was primarily due to lower Organic Net Sales, cost inflation in procurement and manufacturing, strategic investments, and supply chain losses.

**Canada:**

|                                  | December 28, 2019 | December 29, 2018 | % Change |
|----------------------------------|-------------------|-------------------|----------|
|                                  | (in millions)     |                   |          |
| Net sales                        | \$ 1,882          | \$ 2,173          | (13.4)%  |
| Organic Net Sales <sup>(a)</sup> | 1,700             | 1,732             | (1.9)%   |
| Segment Adjusted EBITDA          | 487               | 608               | (19.9)%  |

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

*Fiscal Year 2019 Compared to Fiscal Year 2018:*

Net sales decreased 13.4% to \$1.9 billion in 2019 compared to \$2.2 billion in 2018 primarily due to the unfavorable impacts of acquisitions and divestitures (9.4 pp) and foreign currency (2.1 pp). Organic Net Sales decreased 1.9% to \$1.7 billion in 2019 compared to \$1.7 billion in 2018 due to lower pricing (3.4 pp), partially offset by favorable volume/mix (1.5 pp). Pricing was lower across categories, primarily due to higher promotional costs versus the prior year, particularly in condiments and sauces and cheese. Favorable volume/mix was primarily driven by growth in condiments and sauces, spreads, and cheese.

Segment Adjusted EBITDA decreased 19.9% to \$487 million in 2019 compared to \$608 million in 2018 partially due to the unfavorable impact of foreign currency (1.9 pp). Excluding the currency impact, Segment Adjusted EBITDA decreased primarily due to lower Organic Net Sales, the Canada Natural Cheese Transaction which closed on July 2, 2019, and higher input costs.

**EMEA:**

|                         | December 28, 2019 | December 29, 2018 | % Change |
|-------------------------|-------------------|-------------------|----------|
|                         | (in millions)     |                   |          |
| Net sales               | \$ 2,551          | \$ 2,718          | (6.2)%   |
| Organic Net Sales(a)    | 2,666             | 2,697             | (1.2)%   |
| Segment Adjusted EBITDA | 661               | 724               | (8.7)%   |

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

*Fiscal Year 2019 Compared to Fiscal Year 2018:*

Net sales decreased 6.2% to \$2.6 billion in 2019 compared to \$2.7 billion in 2018 driven by the unfavorable impacts of foreign currency (4.3 pp) and acquisitions and divestitures (0.7 pp). Organic Net Sales decreased 1.2% to \$2.7 billion in 2019 compared to \$2.7 billion in 2018 due to unfavorable volume/mix (1.2 pp) while pricing was flat versus 2018. Unfavorable volume/mix was primarily due to the adverse impact of extended negotiations with key retailers, lower shipments of meals, and ongoing weakness in infant nutrition, partially offset by foodservice growth. Pricing was flat primarily due to lower pricing in infant nutrition, partially offset by price increases in meals.

Segment Adjusted EBITDA decreased 8.7% to \$661 million in 2019 compared to \$724 million in 2018, including the unfavorable impact of foreign currency (4.2 pp). Excluding the currency impact, the decrease was primarily due to higher supply chain costs in the current year and the benefit from the postemployment benefits accounting change in the prior year.

**Rest of World:**

|                         | December 28, 2019 | December 29, 2018 | % Change |
|-------------------------|-------------------|-------------------|----------|
|                         | (in millions)     |                   |          |
| Net sales               | \$ 2,788          | \$ 3,255          | (14.3)%  |
| Organic Net Sales(a)    | 2,839             | 2,842             | (0.1)%   |
| Segment Adjusted EBITDA | 363               | 635               | (42.8)%  |

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

*Fiscal Year 2019 Compared to Fiscal Year 2018:*

Net sales decreased 14.3% to \$2.8 billion in 2019 compared to \$3.3 billion in 2018 due to the unfavorable impact of foreign currency (10.3 pp, including 6.9 pp from the devaluation of the Venezuelan bolivar) and the unfavorable impact of acquisitions and divestitures (3.9 pp). Organic Net Sales decreased 0.1% to \$2.8 billion in 2019 compared to \$2.8 billion in 2018 primarily due to unfavorable volume/mix (1.3 pp), partially offset by higher pricing (1.2 pp). Unfavorable volume/mix was due to ongoing weakness in infant nutrition, partially offset by growth in condiments and sauces. Higher pricing was primarily driven by price increases in Brazil and Mexico.

Segment Adjusted EBITDA decreased 42.8% to \$363 million in 2019 compared to \$635 million in 2018, including the unfavorable impact of foreign currency (22.6 pp, including 20.8 pp from the devaluation of the Venezuelan bolivar) and costs not expected to repeat, from a combination of higher labor-related expenses from the impact of the Holidays Act in New Zealand, as well as asset- and inventory-related write-offs in Australia, New Zealand, and Latin America. Excluding these factors, the decrease in Segment Adjusted EBITDA was primarily due to higher supply chain costs and the Heinz India Transaction which closed on January 30, 2019.



## Critical Accounting Estimates

Note 2, *Significant Accounting Policies*, in Item 8, *Financial Statements and Supplementary Data*, includes a summary of the significant accounting policies we used to prepare our consolidated financial statements. The following is a review of the more significant assumptions and estimates as well as accounting policies we used to prepare our consolidated financial statements.

### **Revenue Recognition:**

Our revenues are primarily derived from customer orders for the purchase of our products. We recognize revenues as performance obligations are fulfilled when control passes to our customers. We record revenues net of variable consideration, including consumer incentives and performance obligations related to trade promotions, excluding taxes, and including all shipping and handling charges billed to customers (accounting for shipping and handling charges that occur after the transfer of control as fulfillment costs). We also record a refund liability for estimated product returns and customer allowances as reductions to revenues within the same period that the revenue is recognized. We base these estimates principally on historical and current period experience factors. We recognize costs paid to third party brokers to obtain contracts as expenses as our contracts are generally less than one year.

### **Advertising, Consumer Incentives, and Trade Promotions:**

We promote our products with advertising, consumer incentives, and performance obligations related to trade promotions. Consumer incentives and trade promotions include, but are not limited to, discounts, coupons, rebates, performance-based in-store display activities, and volume-based incentives. Variable consideration related to consumer incentive and trade promotion activities is recorded as a reduction to revenues based on amounts estimated as being due to customers and consumers at the end of a period. We base these estimates principally on historical utilization, redemption rates, and/or current period experience factors. We review and adjust these estimates at least quarterly based on actual experience and other information.

Advertising expenses are recorded in selling, general and administrative expenses ("SG&A"). For interim reporting purposes, we charge advertising to operations as a percentage of estimated full year sales activity and marketing costs. We then review and adjust these estimates each quarter based on actual experience and other information. We recorded advertising expenses of \$534 million in 2019, \$584 million in 2018, and \$629 million in 2017, which represented costs to obtain physical advertisement spots in television, radio, print, digital, and social channels. We also incur other advertising and marketing costs such as shopper marketing, sponsorships, and agency advertisement conception, design, and public relations fees. Total advertising and marketing costs were \$1.1 billion in 2019, 2018, and 2017.

### **Goodwill and Intangible Assets:**

We maintain 19 reporting units, 11 of which comprise our goodwill balance. These 11 reporting units had an aggregate carrying amount of \$35.5 billion as of December 28, 2019. Our indefinite-lived intangible asset balance primarily consists of a number of individual brands, which had an aggregate carrying amount of \$43.4 billion as of December 28, 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 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. We are currently actively reviewing the enterprise strategy for the Company. As part of this strategic review, we expect to develop updates to the five-year operating plan in 2020, which could impact the allocation of investments among reporting units and brands and impact growth expectations and fair value estimates. Additionally, as a result of this strategic review process, we could decide to divest certain non-strategic assets. As a result, the ongoing development of the enterprise strategy and underlying detailed business plans could lead to the impairment of one or more of our reporting units or brands in the future, or a decision to amortize indefinite-lived intangible assets over a defined period of time.

As detailed in Note 9, *Goodwill and Intangible Assets*, in Item 8, *Financial Statements and Supplementary Data*, 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 their latest 2019 impairment testing 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 \$32.4 billion as of their latest 2019 impairment testing date and included U.S. Grocery, U.S. Refrigerated, U.S. Foodservice, Canada Retail, Canada Foodservice, Latin America Exports, and EMEA East. Reporting units with between 10-20% fair value over carrying amount had an aggregate goodwill carrying amount of \$676 million as of their latest 2019 impairment testing date and included Continental Europe and Northeast Asia. 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 their latest 2019 impairment testing date. Brands with 10% or less fair value over carrying amount had an aggregate carrying amount after impairment of \$26.2 billion as of their latest 2019 impairment testing date and included: *Kraft*, *Philadelphia*, *Velveeta*, *Lunchables*, *Miracle Whip*, *Planters*, *Maxwell House*, *Cool Whip*, and *ABC*. Brands with between 10-20% fair value over carrying amount had an aggregate carrying amount of \$3.7 billion as of their latest 2019 impairment testing date and included *Oscar Mayer*, *Jet Puffed*, *Wattie's*, and *Quero*. The aggregate carrying amount of brands with fair value over carrying amount between 20-50% was \$4.2 billion as of their latest 2019 impairment testing date. Although the remaining brands, with a carrying value of \$9.2 billion, have more than 50% excess fair value over carrying amount as of their latest 2019 impairment testing 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 estimates, market factors, or assumptions, including those related to our enterprise strategy or business plans, 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's plans, and guideline companies.

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

The discount rates, long-term growth rates, and royalty rates used to estimate the fair values of our reporting units and brands with 10% or less excess fair value over carrying amount, as well as the goodwill or brand carrying amounts, as of the latest 2019 impairment testing 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                     | \$ 32.4   | 6.8%          | 10.3%   | 1.0%                  | 4.0%    |              |         |
| Brands (excess earnings method)     | 19.4  | 7.7%          | 7.8%    | 0.8%                  | 2.0%    |              |         |
| Brands (relief from royalty method) | 6.8   | 7.0%          | 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 between 10-20% excess fair value over carry amount, as well as the goodwill or brand carrying amounts, as of the latest 2019 impairment testing 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                     | \$ 0.7  | 6.5%          | 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) | 0.4   | 7.6%          | 10.3%   | 1.3%                  | 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 between 10-20% excess fair value over carrying amount. These estimated changes in fair value are not necessarily representative of the actual impairment that would be recorded in the event of a fair value decline.

If we had changed the assumptions used to estimate the fair value of our reporting units and brands with 10% or less excess fair value over carrying amount, as of the latest 2019 impairment testing 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                     | \$ (5.5)       | \$ 6.6   | \$ 2.7                | \$ (2.4) |                 |          |
| 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 between 10-20% excess fair value over carrying amount, as of the latest 2019 impairment testing 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                     | \$ (0.2)       | \$ 0.2   | \$ 0.1                | \$ (0.1) |              |          |
| Brands (excess earnings method)     | (0.3)          | 0.3      | 0.1                   | (0.1)    |              |          |
| Brands (relief from royalty method) | —              | —        | —                     | —        | \$ 0.1       | \$ (0.1) |

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 8, *Financial Statements and Supplementary Data*, for our impairment testing results.

**Postemployment Benefit Plans:**

We maintain various retirement plans for the majority of our employees. These include pension benefits, postretirement health care benefits, and defined contribution benefits. The cost of these plans is charged to expense over an appropriate term based on, among other things, the cost component and whether the plan is active or inactive. Changes in the fair value of our plan assets result in net actuarial gains or losses. These net actuarial gains and losses are deferred into accumulated other comprehensive income/(losses) and amortized within other expense/(income) in future periods using the corridor approach. The corridor is 10% of the greater of the market-related value of the plan's asset or projected benefit obligation. Any actuarial gains and losses in excess of the corridor are then amortized over an appropriate term based on whether the plan is active or inactive.

For our postretirement benefit plans, our 2020 health care cost trend rate assumption will be 6.5%. We established this rate based upon our most recent experience as well as our expectation for health care trend rates going forward. We anticipate the weighted average assumed ultimate trend rate will be 4.9%. The year in which the ultimate trend rate is reached varies by plan, ranging between the years 2020 and 2030. Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A one-percentage-point change in assumed health care cost trend rates would have had the following effects, increase/(decrease) in cost and obligation, as of December 28, 2019 (in millions):

|   | One-Percentage-Point |            |
|---|----------------------|------------|
|   | Increase             | (Decrease) |
| Effect on annual service and interest cost  | \$ 3                 | \$ (2)     |
| Effect on postretirement benefit obligation | 55                   | (47)       |

Our 2020 discount rate assumption will be 3.3% for service cost and 2.7% for interest cost for our postretirement plans. Our 2020 discount rate assumption will be 3.6% for service cost and 3.0% for interest cost for our U.S. pension plans and 2.5% for service cost and 1.8% for interest cost for our non-U.S. pension plans. We model these discount rates using a portfolio of high quality, fixed-income debt instruments with durations that match the expected future cash flows of the plans. Changes in our discount rates were primarily the result of changes in bond yields year-over-year.

Our 2020 expected return on plan assets will be 4.7% (net of applicable taxes) for our postretirement plans. Our 2020 expected rate of return on plan assets will be 4.5% for our U.S. pension plans and 3.8% for our non-U.S. pension plans. We determine our expected rate of return on plan assets from the plan assets' historical long-term investment performance, current and future asset allocation, and estimates of future long-term returns by asset class. We attempt to maintain our target asset allocation by re-balancing between asset classes as we make contributions and monthly benefit payments.

While we do not anticipate further changes in the 2020 assumptions for our U.S. and non-U.S. pension and postretirement benefit plans, as a sensitivity measure, a 100-basis-point change in our discount rate or a 100-basis-point change in the expected rate of return on plan assets would have the following effects, increase/(decrease) in cost (in millions):

|  | U.S. Plans      |          | Non-U.S. Plans  |          |
|--|-----------------|----------|-----------------|----------|
|  | 100-Basis-Point |          | 100-Basis-Point |          |
|  | Increase        | Decrease | Increase        | Decrease |
| Effect of change in discount rate on pension costs                                 | \$ 11           | \$ (27)  | \$ 8            | \$ (5)   |
| Effect of change in expected rate of return on plan assets on pension costs        | (47)            | 47       | (28)            | 28       |
| Effect of change in discount rate on postretirement costs                          | (8)             | 6        | (1)             | (1)      |
| Effect of change in expected rate of return on plan assets on postretirement costs | (11)            | 11       | —               | —        |

**Income Taxes:**

We compute our annual tax rate based on the statutory tax rates and tax planning opportunities available to us in the various jurisdictions in which we earn income. Significant judgment is required in determining our annual tax rate and in evaluating the uncertainty of our tax positions. We recognize a benefit for tax positions that we believe will more likely than not be sustained upon examination. The amount of benefit recognized is the largest amount of benefit that we believe has more than a 50% probability of being realized upon settlement. We regularly monitor our tax positions and adjust the amount of recognized tax benefit based on our evaluation of information that has become available since the end of our last financial reporting period. The annual tax rate includes the impact of these changes in recognized tax benefits. When adjusting the amount of recognized tax benefits, we do not consider information that has become available after the balance sheet date, however we do disclose the effects of new information whenever those effects would be material to our financial statements. Unrecognized tax benefits represent the difference between the amount of benefit taken or expected to be taken in a tax return and the amount of benefit recognized for financial reporting. These unrecognized tax benefits are recorded primarily within other non-current liabilities on the consolidated balance sheets.

We record valuation allowances to reduce deferred tax assets to the amount that is more likely than not to be realized. When assessing the need for valuation allowances, we consider future taxable income and ongoing prudent and feasible tax planning strategies. Should a change in circumstances lead to a change in judgment about the realizability of deferred tax assets in future years, we would adjust related valuation allowances in the period that the change in circumstances occurs, along with a corresponding increase or decrease to income. The resolution of tax reserves and changes in valuation allowances could be material to our results of operations for any period but is not expected to be material to our financial position.

**New Accounting Pronouncements**

See Note 3, *New Accounting Standards*, in Item 8, *Financial Statements and Supplementary Data*, for a discussion of new accounting pronouncements.

**Contingencies**

See Note 17, *Commitments and Contingencies*, in Item 8, *Financial Statements and Supplementary Data*, for a discussion of our contingencies.

**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. In 2019, we experienced cost increases for dairy and meat, while costs for nuts and coffee decreased. 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.

Dairy commodities, primarily milk and cheese, are the most significant cost components of our cheese products. We purchase our dairy raw material requirements from independent third parties, such as agricultural cooperatives and independent processors. Market supply and demand, as well as government programs, significantly influence the prices for milk and other dairy products. Significant cost components of our meat products include pork, beef, and poultry, which we primarily purchase from applicable local markets. Livestock feed costs and the global supply and demand for U.S. meats influence the prices of these meat products. The most significant cost component of our coffee products is coffee beans, which we purchase on global markets. Quality and availability of supply, currency fluctuations, and consumer demand for coffee products impact coffee bean prices. The most significant cost components in our nut products include peanuts, cashews, and almonds, which we purchase on both domestic and global markets, where global market supply and demand is the primary driver of prices.

## Liquidity and Capital Resources

On February 14, 2020, Fitch and S&P downgraded our long-term credit rating from BBB- to BB+ with a stable outlook from Fitch and a negative outlook from S&P. As a result of the downgrades, our ability to borrow under our commercial paper program may be adversely affected for a period of time due to limitations on or elimination of our ability to access the commercial paper market. In addition, we could experience an increase in interest costs as a result of the downgrades. We do not expect any change in our plans to access liquidity over the next year as a result of the downgrades. These downgrades do not constitute a default or event of default under any of our debt instruments. Limitations on or elimination of our ability to access the commercial paper program may require us to borrow under the Senior Credit Facility, if necessary to meet liquidity needs. Our ability to borrow under the Senior Credit Facility is not affected by the downgrades.

We believe that cash generated from our operating activities and 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 for daily funding requirements and access to our Senior Credit Facility, if necessary. 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 our ineligibility to use a registration statement on Form S-3 to have 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 2019 Compared to 2018:**

#### *Net Cash Provided by/Used for Operating Activities:*

Net cash provided by operating activities was \$3.6 billion for the year ended December 28, 2019 compared to \$2.6 billion for the year ended December 29, 2018. This increase was primarily driven by higher collections on trade receivables resulting from the reduction of receivables recorded as a non-cash exchange for sold receivables as we unwound all of our accounts receivable securitization and factoring programs (the "Programs") in 2018 and as our trade receivables balance was 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 Transaction, and increased cash payments for employee bonuses in 2019. See Note 16, *Financing Arrangements*, in Item 8, *Financial Statements and Supplementary Data*, for additional information on our Programs.

#### *Net Cash Provided by/Used for Investing Activities:*

Net cash provided by investing activities was \$1.5 billion for the year ended December 28, 2019 compared to \$288 million for the year ended December 29, 2018. This increase was primarily driven by proceeds from our Canada Natural Cheese Transaction and Heinz India Transaction, proceeds from our net investment hedges, lower capital expenditures, and lower cash payments to acquire businesses year over year. These increases in cash provided by investing activities were partially offset by lower cash collections on previously sold receivables, as we unwound all of our Programs in 2018. We expect 2020 capital expenditures to be approximately \$750 million. See Note 4, *Acquisitions and Divestitures*, in Item 8, *Financial Statements and Supplementary Data*, for additional information on the Canada Natural Cheese Transaction, the Heinz India Transaction, and our acquisitions.

#### *Net Cash Provided by/Used for Financing Activities:*

Net cash used for financing activities was \$3.9 billion for the year ended December 28, 2019 compared to \$3.4 billion for the year ended December 29, 2018. This increase was primarily driven by higher repayments of long-term debt and higher debt prepayment and extinguishment costs, primarily related to our tender offers in September 2019 and debt redemptions in October 2019. These increases to net cash used for financing activities were partially offset by decreased cash distributions related to our dividends and lower net repayments of commercial paper. Proceeds from long-term debt issuances were mostly flat year over year. See Note 18, *Debt*, in Item 8, *Financial Statements and Supplementary Data*, for additional information on our tender offers. See *Equity and Dividends* in this item for additional information on our dividends.

### **Cash Held by International Subsidiaries:**

Of the \$2.3 billion cash and cash equivalents on our consolidated balance sheet at December 28, 2019, \$869 million was held by international subsidiaries.

Subsequent to January 1, 2018, we consider the unremitted earnings of certain international subsidiaries that impose local country taxes on dividends to be indefinitely reinvested. For those undistributed earnings considered to be indefinitely reinvested, our intent is to reinvest these funds in our international operations, and our current plans do not demonstrate a need to repatriate the accumulated earnings to fund our U.S. cash requirements. The amount of unrecognized deferred tax liabilities for local country withholding taxes that would be owed related to our 2018 and 2019 accumulated earnings of certain international subsidiaries is approximately \$70 million.

Our undistributed historic earnings in foreign subsidiaries through December 30, 2017 are currently not considered to be indefinitely reinvested. As of December 28, 2019, we have recorded a deferred tax liability of \$20 million on approximately \$300 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 in our deferred tax liability and historic earnings are primarily due to repatriation. Related to these distributions, we reduced our historic earnings by approximately \$700 million and recorded tax expenses of approximately \$40 million and reduced the deferred tax liability accordingly. Additionally, we reduced our historic earnings by approximately \$110 million following the ratification of the U.S. tax treaty with Spain, which eliminated withholding tax on Spanish distributions and resulted in a tax benefit of approximately \$11 million and a corresponding decrease in our deferred tax liability. Finally, we reduced our historic earnings by approximately \$30 million related to a held for sale business in our Rest of World segment, which resulted in a tax benefit of approximately \$6 million.

***Trade Payables Programs:***

In order to manage our cash flow and related liquidity, we work with our suppliers to optimize our terms and conditions, which include the extension of payment terms. Our current payment terms with our suppliers, which we deem to be commercially reasonable, generally range from 0 to 200 days. We also maintain agreements with third party administrators that allow participating suppliers to track payment obligations from us, and, at the sole discretion of the supplier, sell one or more of those payment obligations to participating financial institutions. We have no economic interest in a supplier's decision to enter into these agreements and no direct financial relationship with the financial institutions. Our obligations to our suppliers, including amounts due and scheduled payment terms, are not impacted. Supplier participation in these agreements is voluntary. We estimate that the amounts outstanding under these programs were \$370 million at December 28, 2019 and \$440 million at December 29, 2018.

***Borrowing Arrangements:***

We have historically obtained funding through our U.S. and European commercial paper programs. We had no commercial paper outstanding at December 28, 2019 or at December 29, 2018. The maximum amount of commercial paper outstanding during the year ended December 28, 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 December 28, 2019, at December 29, 2018, or during the years ended December 28, 2019, December 29, 2018, and December 30, 2017. 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 as of December 28, 2019.

***Long-Term Debt:***

Our long-term debt, including the current portion, was \$29.2 billion at December 28, 2019 and \$31.1 billion at December 29, 2018. This decrease was primarily related to the \$2.9 billion aggregate principal amount of certain senior notes and second lien senior secured notes that were validly tendered in September 2019, the redemption of approximately \$1.5 billion aggregate principal amount of senior notes in October 2019, and the repayment of \$350 million aggregate principal amount of senior notes that matured in August 2019. These decreases to long-term debt were partially offset by the \$3.0 billion aggregate principal amount of senior notes issued in September 2019. We used the proceeds from the issuance of these senior notes, together with cash on hand, to fund our tender offers in September 2019 and to pay fees and expenses in connection therewith, and to fund the partial redemption of \$1.3 billion aggregate principal amount of our 2.800% senior notes due July 2020 and 300 million Canadian dollar senior notes due July 2020.

We repaid approximately \$405 million aggregate principal amount of senior notes on February 10, 2020. We have aggregate principal amount of senior notes of approximately 500 million Canadian dollars and \$200 million maturing in July 2020. We expect to fund these long-term debt repayments primarily with cash on hand and cash generated from our operating activities.

Our long-term debt contains customary representations, covenants, and events of default. We were in compliance with all financial covenants as of December 28, 2019.

See Note 18, *Debt*, in Item 8, *Financial Statements and Supplementary Data*, for additional information related to our long-term debt.

**Off-Balance Sheet Arrangements and Aggregate Contractual Obligations**

***Off-Balance Sheet Arrangements:***

We do not have guarantees or other off-balance sheet financing arrangements that we believe are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenue or expenses, results of operations, liquidity, capital expenditures, or capital resources.

We have utilized accounts receivable securitization and factoring 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.

See Note 16, *Financing Arrangements*, in Item 8, *Financial Statements and Supplementary Data*, for a discussion of our Programs and other financing arrangements.

**Aggregate Contractual Obligations:**

The following table summarizes our contractual obligations at December 28, 2019 (in millions):

|                                | Payments Due |           |           |                     |        |
|--------------------------------|--------------|-----------|-----------|---------------------|--------|
|                                | 2020         | 2021-2022 | 2023-2024 | 2025 and Thereafter | Total  |
| Long-term debt(a)              | 2,222        | 5,394     | 4,434     | 35,773              | 47,823 |
| Finance leases(b)              | 33           | 96        | 17        | 80                  | 226    |
| Operating leases(c)            | 163          | 210       | 108       | 156                 | 637    |
| Purchase obligations(d)        | 1,324        | 1,038     | 493       | 89                  | 2,944  |
| Other long-term liabilities(e) | 47           | 87        | 125       | 155                 | 414    |
| Total                          | 3,789        | 6,825     | 5,177     | 36,253              | 52,044 |

(a) Amounts represent the expected cash payments of our long-term debt, including interest on variable and fixed rate long-term debt. Interest on variable rate long-term debt is calculated based on interest rates at December 28, 2019.

(b) Amounts represent the expected cash payments of our finance leases, including expected cash payments of interest expense.

(c) Operating leases represent the minimum rental commitments under non-cancellable operating leases net of sublease income.

(d) We have purchase obligations for materials, supplies, property, plant and equipment, and co-packing, storage, and distribution services based on projected needs to be utilized in the normal course of business. Other purchase obligations include commitments for marketing, advertising, capital expenditures, information technology, and professional services. Arrangements are considered purchase obligations if a contract specifies all significant terms, including fixed or minimum quantities to be purchased, a pricing structure, and approximate timing of the transaction. Several of these obligations are long-term and are based on minimum purchase requirements. Certain purchase obligations contain variable pricing components, and, as a result, actual cash payments are expected to fluctuate based on changes in these variable components. Due to the proprietary nature of some of our materials and processes, certain supply contracts contain penalty provisions for early terminations. We do not believe that a material amount of penalties is reasonably likely to be incurred under these contracts based upon historical experience and current expectations. We exclude amounts reflected on the consolidated balance sheet as accounts payable and accrued liabilities from the table above.

(e) Other long-term liabilities primarily consist of estimated payments for the one-time toll charge related to U.S. Tax Reform, as well as postretirement benefit commitments. Certain other long-term liabilities related to income taxes, insurance accruals, and other accruals included on the consolidated balance sheet are excluded from the above table as we are unable to estimate the timing of payments for these items.

Pension plan contributions were \$19 million in 2019. We estimate that 2020 pension plan contributions will be approximately \$19 million. Beyond 2020, we are unable to reliably estimate the timing of contributions to our pension plans. 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. As such, estimated pension plan contributions for 2020 have been excluded from the above table.

Postretirement benefit plan contributions were \$12 million in 2019. We estimate that 2020 postretirement benefit plan contributions will be approximately \$15 million. Beyond 2020, we are unable to reliably estimate the timing of contributions to our postretirement benefit plans. 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. As such, estimated postretirement benefit plan contributions for 2020 have been excluded from the above table.

At December 28, 2019, the amount of net unrecognized tax benefits for uncertain tax positions, including an accrual of related interest and penalties along with positions only impacting the timing of tax benefits, was approximately \$468 million. The timing of payments will depend on the progress of examinations with tax authorities. We do not expect a significant tax payment related to these obligations within the next year. We are unable to make a reasonably reliable estimate as to if or when any significant cash settlements with taxing authorities may occur; therefore, we have excluded the amount of net unrecognized tax benefits from the above table.



## Equity and Dividends

We paid common stock dividends of \$2.0 billion in 2019, \$3.2 billion in 2018, and \$2.9 billion in 2017. Additionally, on February 13, 2020, our Board of Directors declared a cash dividend of \$0.40 per share of common stock, which is payable on March 27, 2020 to shareholders of record on March 13, 2020.

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.

## 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 earnings per common share ("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 highly inflationary subsidiaries, 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, 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), debt prepayment and extinguishment costs, 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<br>Divestitures | Organic Net<br>Sales | Price    | Volume/Mix |
|------------------------------------|------------------|-----------------|----------------------------------|----------------------|----------|------------|
| <b>2019</b>                        |                  |                 |                                  |                      |          |            |
| United States                      | \$ 17,756        | \$ —            | \$ —                             | \$ 17,756            |          |            |
| Canada                             | 1,882            | (45)            | 227                              | 1,700                |          |            |
| EMEA                               | 2,551            | (115)           | —                                | 2,666                |          |            |
| Rest of World                      | 2,788            | (102)           | 51                               | 2,839                |          |            |
| Kraft Heinz                        | <u>\$ 24,977</u> | <u>\$ (262)</u> | <u>\$ 278</u>                    | <u>\$ 24,961</u>     |          |            |
| <b>2018</b>                        |                  |                 |                                  |                      |          |            |
| United States                      | \$ 18,122        | \$ —            | \$ —                             | \$ 18,122            |          |            |
| Canada                             | 2,173            | —               | 441                              | 1,732                |          |            |
| EMEA                               | 2,718            | —               | 21                               | 2,697                |          |            |
| Rest of World                      | 3,255            | 243             | 170                              | 2,842                |          |            |
| Kraft Heinz                        | <u>\$ 26,268</u> | <u>\$ 243</u>   | <u>\$ 632</u>                    | <u>\$ 25,393</u>     |          |            |
| <b>Year-over-year growth rates</b> |                  |                 |                                  |                      |          |            |
| United States                      | (2.0)%           | 0.0 pp          | 0.0 pp                           | (2.0)%               | 0.4 pp   | (2.4) pp   |
| Canada                             | (13.4)%          | (2.1) pp        | (9.4) pp                         | (1.9)%               | (3.4) pp | 1.5 pp     |
| EMEA                               | (6.2)%           | (4.3) pp        | (0.7) pp                         | (1.2)%               | 0.0 pp   | (1.2) pp   |
| Rest of World                      | (14.3)%          | (10.3) pp       | (3.9) pp                         | (0.1)%               | 1.2 pp   | (1.3) pp   |
| Kraft Heinz                        | (4.9)%           | (1.9) pp        | (1.3) pp                         | (1.7)%               | 0.1 pp   | (1.8) pp   |

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

|                                    | Net Sales        | Currency       | Acquisitions and<br>Divestitures | Organic Net<br>Sales | Price    | Volume/Mix |
|------------------------------------|------------------|----------------|----------------------------------|----------------------|----------|------------|
| <b>2018</b>                        |                  |                |                                  |                      |          |            |
| United States                      | \$ 18,122        | \$ —           | \$ —                             | \$ 18,122            |          |            |
| Canada                             | 2,173            | (5)            | 443                              | 1,735                |          |            |
| EMEA                               | 2,718            | 66             | 19                               | 2,633                |          |            |
| Rest of World                      | 3,255            | (75)           | 334                              | 2,996                |          |            |
| Kraft Heinz                        | <u>\$ 26,268</u> | <u>\$ (14)</u> | <u>\$ 796</u>                    | <u>\$ 25,486</u>     |          |            |
| <b>2017</b>                        |                  |                |                                  |                      |          |            |
| United States                      | \$ 18,230        | \$ —           | \$ —                             | \$ 18,230            |          |            |
| Canada                             | 2,177            | —              | 430                              | 1,747                |          |            |
| EMEA                               | 2,585            | —              | 56                               | 2,529                |          |            |
| Rest of World                      | 3,084            | 144            | 165                              | 2,775                |          |            |
| Kraft Heinz                        | <u>\$ 26,076</u> | <u>\$ 144</u>  | <u>\$ 651</u>                    | <u>\$ 25,281</u>     |          |            |
| <b>Year-over-year growth rates</b> |                  |                |                                  |                      |          |            |
| United States                      | (0.6)%           | 0.0 pp         | 0.0 pp                           | (0.6)%               | (0.9) pp | 0.3 pp     |
| Canada                             | (0.2)%           | (0.3) pp       | 0.7 pp                           | (0.6)%               | (0.4) pp | (0.2) pp   |
| EMEA                               | 5.1 %            | 2.5 pp         | (1.5) pp                         | 4.1 %                | 0.9 pp   | 3.2 pp     |
| Rest of World                      | 5.6 %            | (7.6) pp       | 5.2 pp                           | 8.0 %                | 6.1 pp   | 1.9 pp     |
| Kraft Heinz                        | 0.7 %            | (0.6) pp       | 0.5 pp                           | 0.8 %                | 0.0 pp   | 0.8 pp     |

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

|  | December 28, 2019 | December 29, 2018 | December 30, 2017 |
|--|-------------------|-------------------|-------------------|
| Net income/(loss)  | \$ 1,933          | \$ (10,254)       | \$ 10,932         |
| Interest expense   | 1,361             | 1,284             | 1,234             |
| Other expense/(income)   | (952)             | (168)             | (627)             |
| Provision for/(benefit from) income taxes  | 728               | (1,067)           | (5,482)           |
| Operating income/(loss)  | 3,070             | (10,205)          | 6,057             |
| Depreciation and amortization (excluding integration and restructuring expenses)     | 985               | 919               | 907               |
| Integration and restructuring expenses   | 102               | 297               | 583               |
| Deal costs   | 19                | 23                | —                 |
| Unrealized losses/(gains) on commodity hedges  | (57)              | 21                | 19                |
| Impairment losses  | 1,899             | 15,936            | 49                |
| Equity award compensation expense (excluding integration and restructuring expenses) | 46                | 33                | 49                |
| Adjusted EBITDA  | <u>\$ 6,064</u>   | <u>\$ 7,024</u>   | <u>\$ 7,664</u>   |

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

|  | December 28, 2019 | December 29, 2018 | December 30, 2017 |
|--|-------------------|-------------------|-------------------|
| Diluted EPS  | \$ 1.58           | \$ (8.36)         | \$ 8.91           |
| Integration and restructuring expenses <sup>(a)</sup>                        | 0.07              | 0.32              | 0.24              |
| Deal costs <sup>(b)</sup>  | 0.02              | 0.02              | —                 |
| Unrealized losses/(gains) on commodity hedges <sup>(c)</sup>                 | (0.04)            | 0.01              | 0.01              |
| Impairment losses <sup>(d)</sup>   | 1.38              | 11.28             | 0.03              |
| Losses/(gains) on sale of business <sup>(e)</sup>                            | (0.23)            | 0.01              | —                 |
| Other losses/(gains) related to acquisitions and divestitures <sup>(f)</sup> | —                 | 0.02              | —                 |
| Nonmonetary currency devaluation <sup>(g)</sup>                              | 0.01              | 0.12              | 0.03              |
| Debt prepayment and extinguishment costs <sup>(h)</sup>                      | 0.06              | —                 | —                 |
| U.S. Tax Reform discrete income tax expense/(benefit) <sup>(i)</sup>         | —                 | 0.09              | (5.72)            |
| Adjusted EPS   | <u>\$ 2.85</u>    | <u>\$ 3.51</u>    | <u>\$ 3.50</u>    |

(a) Gross expenses included in integration and restructuring expenses were \$108 million in 2019 (\$83 million after-tax), \$460 million in 2018 (\$396 million after-tax) and \$434 million in 2017 (\$305 million after-tax) and were recorded in the following income statement line items:

- Cost of products sold included \$48 million in 2019, \$194 million in 2018, and \$464 million in 2017;
- SG&A included \$54 million in 2019, \$103 million in 2018, and \$119 million in 2017; and
- Other expense/(income) included expense of \$6 million in 2019, expense of \$163 million in 2018, and income of \$149 million in 2017.

(b) Gross expenses included in deal costs were \$19 million in 2019 (\$18 million after-tax) and \$23 million in 2018 (\$19 million after-tax) and were recorded in the following income statement line items:

- Cost of products sold included \$4 million in 2018; and
- SG&A included \$19 million in 2019 and \$19 million in 2018.

(c) Gross expenses/(income) included in unrealized losses/(gains) on commodity hedges were income of \$57 million in 2019 (\$43 million after-tax) and expenses of \$21 million in 2018 (\$16 million after-tax) and \$19 million in 2017 (\$12 million after-tax) 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 \$1.2 billion in 2019 (\$1.2 billion after-tax) and \$7.0 billion in 2018 (\$7.0 billion after-tax); and
- Intangible asset impairment losses of \$702 million in 2019 (\$537 million after-tax), \$8.9 billion in 2018 (\$6.8 billion after-tax), and \$49 million in 2017 (\$36 million after-tax).

(e) Gross expenses/(income) included in losses/(gains) on sale of business were income of \$420 million in 2019 (\$275 million after-tax) and losses of \$15 million in 2018 (\$15 million after-tax) and were recorded in other expense/(income).

(f) Gross expenses/(income) included in other losses/(gains) related to acquisitions and divestitures were income of \$5 million in 2019 (\$5 million after-tax) and expenses of \$27 million in 2018 (\$15 million after-tax) and were recorded in the following income statement line items:

- Interest expense included \$1 million in 2019 and \$3 million in 2018;
- Other expense/(income) included income of \$6 million in 2019 and expenses of \$17 million in 2018; and
- Provision for/(benefit from) income taxes included \$7 million in 2018.

(g) Gross expenses included in nonmonetary currency devaluation were \$10 million in 2019 (\$10 million after-tax), \$146 million in 2018 (\$146 million after-tax), and \$36 million in 2017 (\$36 million after-tax) and were recorded in other expense/(income).

(h) Gross expenses included in debt prepayment and extinguishment costs were \$98 million in 2019 (\$73 million after-tax) and were recorded in interest expense.

(i) U.S. Tax Reform discrete income tax expense/(benefit) was an expense of \$104 million in 2018 and a benefit of \$7.0 billion in 2017. Expenses in 2018 primarily related to the revaluation of our deferred tax balances due to changes in state tax laws following U.S. Tax Reform. These expenses were partially offset by net benefits related to changes in U.S. tax reserves, U.S. Tax Reform measurement period adjustments, changes in estimates of certain 2017 U.S. income tax deductions, and the release of valuation allowances related to foreign tax credits. The benefit in 2017 was related to the enactment of U.S. Tax Reform. See Note 10, *Income Taxes*, in Item 8, *Financial Statements and Supplementary Data*, for additional information.

## Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

We are exposed to market risks from adverse changes in commodity prices, foreign exchange rates, and interest rates. We monitor and manage these exposures as part of our overall risk management program. Our risk management program focuses on the unpredictability of financial markets and seeks to reduce the potentially adverse effects that volatility in these markets may have on our operating results. We maintain risk management policies that principally use derivative financial instruments to reduce significant, unanticipated fluctuations in earnings and cash flows that may arise from variations in commodity prices, foreign currency exchange rates, and interest rates. We manage market risk by incorporating parameters within our risk management strategy that limit the types of derivative instruments, the derivative strategies we use, and the degree of market risk that we hedge with derivative instruments. See Note 2, *Significant Accounting Policies*, and Note 13, *Financial Instruments*, in Item 8, *Financial Statements and Supplementary Data*, for details of our market risk management policies and the financial instruments used to hedge those exposures.

When we use financial instruments, we are exposed to credit risk that a counterparty might fail to fulfill its performance obligations under the terms of our agreement. We minimize our credit risk by entering into transactions with counterparties with investment grade credit ratings, limiting the amount of exposure we have with each counterparty, and monitoring the financial condition of our counterparties. We maintain a policy of requiring that all significant, non-exchange traded derivative contracts are governed by an International Swaps and Derivatives Association master agreement. By policy, we do not engage in speculative or leveraged transactions, nor do we hold or issue financial instruments for trading purposes.

### *Effect of Hypothetical 10% Fluctuation in Market Prices:*

The potential gain or loss on the fair value of our outstanding commodity contracts, foreign exchange contracts, and cross-currency swap contracts, assuming a hypothetical 10% fluctuation in commodity prices and foreign currency exchange rates, would have been (in millions):

|                               | December 28,<br>2019 | December 29,<br>2018 |
|-------------------------------|----------------------|----------------------|
| Commodity contracts           | \$ 43                | \$ 38                |
| Foreign currency contracts    | 73                   | 100                  |
| Cross-currency swap contracts | 412                  | 402                  |

It should be noted that any change in the fair value of our derivative contracts, real or hypothetical, would be significantly offset by an inverse change in the value of the underlying hedged items. In relation to foreign currency contracts, this hypothetical calculation assumes that each exchange rate would change in the same direction relative to the U.S. dollar. Our utilization of financial instruments in managing market risk exposures described above is consistent with the prior year. Changes in our portfolio of financial instruments are a function of our results of operations, debt repayments and debt issuances, market effects on debt and foreign currency, and our acquisition and divestiture activities.

### *Effect of Hypothetical 1% Fluctuation in LIBOR and CDOR:*

Based on our current variable rate debt balance as of December 28, 2019, a hypothetical 1% increase in LIBOR and CDOR would increase our annual interest expense by approximately \$12 million. The Financial Conduct Authority in the United Kingdom intends to phase out LIBOR by the end of 2021. Given our current variable rate debt outstanding, we do not anticipate a significant impact to our annual interest expense as a result of the transition.

## Item 8. Financial Statements and Supplementary Data.

### Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of The Kraft Heinz Company

#### *Opinions on the Financial Statements and Internal Control over Financial Reporting*

We have audited the accompanying consolidated balance sheets of The Kraft Heinz Company and its subsidiaries (the “Company”) as of December 28, 2019 and December 29, 2018, and the related consolidated statements of income, of comprehensive income, of equity and of cash flows for each of the three years in the period ended December 28, 2019, including the related notes and financial statement schedule listed in the index appearing under Item 15(a) (collectively referred to as the “consolidated financial statements”). We also have audited the Company's internal control over financial reporting as of December 28, 2019, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 28, 2019 and December 29, 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 28, 2019 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company did not maintain, in all material respects, effective internal control over financial reporting as of December 28, 2019, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO because material weaknesses in internal control over financial reporting existed as of that date related to the risk assessment component of internal control, as the Company did not appropriately design controls in response to the risk of material misstatement due to changes in their business environment. The risk assessment material weakness gave rise to an additional material weakness as the Company did not design and maintain effective controls over the accounting for supplier contracts and related arrangements.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis. The material weaknesses referred to above are described in Management’s Report on Internal Control Over Financial Reporting appearing under Item 9A. We considered these material weaknesses in determining the nature, timing, and extent of audit tests applied in our audit of the 2019 consolidated financial statements, and our opinion regarding the effectiveness of the Company’s internal control over financial reporting does not affect our opinion on those consolidated financial statements.

#### *Change in Accounting Principle*

As discussed in Note 3 to the consolidated financial statements, the Company changed the manner in which it accounts for leases in 2019.

#### *Basis for Opinions*

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in management's report referred to above. Our responsibility is to express opinions on the Company’s consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by

management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

#### ***Definition and Limitations of Internal Control over Financial Reporting***

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

#### ***Critical Audit Matters***

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that (i) relate to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

#### ***Goodwill Impairment Assessment***

As described in Notes 2 and 9 to the consolidated financial statements, the Company's consolidated goodwill balance was \$35.5 billion as of December 28, 2019. Management tests reporting units for impairment annually as of the first day of the 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. Management recognized non-cash impairment losses in selling, general and administrative costs (SG&A) of \$1.2 billion for the year ended December 28, 2019. Reporting units are tested for impairment by comparing the estimated fair value of each reporting unit with its carrying amount. If the carrying amount of a reporting unit exceeds its estimated fair value, an impairment loss is recorded based on the difference between the fair value and carrying amount, not to exceed the associated carrying amount of goodwill. Management generally utilizes the discounted cash flow method under the income approach to estimate the fair value of reporting units. Estimating the fair value of reporting units requires the use of estimates and assumptions, including estimated future annual net cash flows (including net sales, cost of products sold, SG&A, depreciation and amortization, working capital, and capital expenditures), income tax rates, discount rates, long-term growth rates and other market factors.

The principal considerations for our determination that performing procedures relating to the goodwill impairment assessment is a critical audit matter are there was significant judgment by management when developing the fair value measurement of the reporting units. This in turn led to a high degree of auditor judgment, subjectivity, and effort in performing our procedures and in evaluating management's cash flow projections and significant assumptions, including net sales, cost of products sold, SG&A, discount rates and long-term growth rates. In addition, the audit effort involved the use of professionals with specialized skill and knowledge to assist in performing these procedures and evaluating the audit evidence obtained.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to management's goodwill impairment assessment, including controls over the valuation of the Company's reporting units. These procedures also included, among others (i) testing management's process for developing the fair value estimates, (ii) evaluating the appropriateness of the discounted cash flow method, (iii) testing the completeness and accuracy of underlying data used in



the fair value estimates, and (iv) evaluating management's cash flow projections and significant assumptions including net sales, cost of products sold, SG&A, discount rates and long-term growth rates. Evaluating management's assumptions related to net sales, cost of products sold, SG&A, discount rates and long-term growth rates involved evaluating whether the assumptions used were reasonable considering (i) the current and past performance of the reporting unit, (ii) the consistency with market data, and (iii) whether these assumptions were consistent with evidence obtained in other areas of the audit. Professionals with specialized skill and knowledge were used to assist in the evaluation of the Company's discounted cash flow method and certain significant assumptions, including the discount rates and long-term growth rates.

#### *Indefinite-Lived Intangible Assets Impairment Assessment*

As described in Notes 2 and 9 to the consolidated financial statements, the Company's consolidated indefinite-lived intangible assets balance, which consists primarily of individual brands, was \$43.4 billion as of December 28, 2019. Management conducts an impairment test annually as of the first day of the 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. Management recognized non-cash impairment losses of \$687 million in SG&A for the year ended December 28, 2019. Brands are tested for impairment by comparing the estimated fair value of each brand with its carrying amount. If the carrying amount of a brand exceeds its estimated fair value, an impairment loss is recorded based on the difference between the fair value and carrying amount. Management utilizes either an excess earnings method or relief from royalty method to estimate the fair value of its brands. The determination of fair value using the excess earnings method requires the use of estimates and assumptions including 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, discount rates and other market factors. The determination of fair value using the relief from royalty method requires the use of estimates and assumptions including estimated future annual net sales for each brand, royalty rates, income tax considerations, long-term growth rates, discount rates and other market factors.

The principal considerations for our determination that performing procedures relating to the indefinite-lived intangible assets impairment assessment is a critical audit matter are there was significant judgment by management when developing the fair value measurement of the brands. This in turn led to a high degree of auditor judgment, subjectivity, and effort in performing our procedures related to indefinite-lived intangible assets and in evaluating management's cash flow projections and significant assumptions, including net sales, cost of products sold, SG&A, long-term growth rates and discount rates for the excess earnings method and net sales, royalty rates, long-term growth rates and discount rates for the relief from royalty method. In addition, the audit effort involved the use of professionals with specialized skill and knowledge to assist in performing these procedures and evaluating the audit evidence obtained. As previously disclosed by management, a material weakness existed during the year related to this matter.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to management's indefinite-lived intangible assets impairment assessment, including controls over the valuation of the Company's indefinite-lived intangible assets. These procedures also included, among others (i) testing management's process for developing the fair value estimates, (ii) evaluating the appropriateness of the excess earnings and relief from royalty methods, (iii) testing the completeness and accuracy of underlying data used in the fair value estimates, and (iv) evaluating management's cash flow projections and significant assumptions including net sales, cost of products sold, SG&A, long-term growth rates and discount rates for the excess earnings method and net sales, royalty rates, long-term growth rates and discount rates for the relief from royalty method. Evaluating management's assumptions related to net sales, cost of products sold, SG&A, long-term growth rates and discount rates for the excess earnings method and net sales, royalty rates, long-term growth rates and discount rates for the relief from royalty method involved evaluating whether the assumptions used were reasonable considering (i) the current and past performance of the brand, (ii) the consistency with market data, and (iii) whether these assumptions were consistent with evidence obtained in other areas of the audit. Professionals with specialized skill and knowledge were used to assist in the evaluation of the Company's excess earnings and relief from royalty methods and certain significant assumptions, including the royalty rates, long-term growth rates and discount rates.

/s/ PricewaterhouseCoopers LLP  
Chicago, Illinois  
February 14, 2020

We have served as the Company's or its predecessors' auditor since 1979.

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

|   | December 28, 2019 | December 29, 2018 | December 30, 2017 |
|---|-------------------|-------------------|-------------------|
| Net sales   | \$ 24,977         | \$ 26,268         | \$ 26,076         |
| Cost of products sold   | 16,830            | 17,347            | 17,043            |
| Gross profit  | 8,147             | 8,921             | 9,033             |
| Selling, general and administrative expenses, excluding impairment losses | 3,178             | 3,190             | 2,927             |
| Goodwill impairment losses  | 1,197             | 7,008             | —                 |
| Intangible asset impairment losses  | 702               | 8,928             | 49                |
| Selling, general and administrative expenses                              | 5,077             | 19,126            | 2,976             |
| Operating income/(loss)   | 3,070             | (10,205)          | 6,057             |
| Interest expense  | 1,361             | 1,284             | 1,234             |
| Other expense/(income)  | (952)             | (168)             | (627)             |
| Income/(loss) before income taxes   | 2,661             | (11,321)          | 5,450             |
| Provision for/(benefit from) income taxes                                 | 728               | (1,067)           | (5,482)           |
| Net income/(loss)   | 1,933             | (10,254)          | 10,932            |
| Net income/(loss) attributable to noncontrolling interest                 | (2)               | (62)              | (9)               |
| Net income/(loss) attributable to common shareholders                     | \$ 1,935          | \$ (10,192)       | \$ 10,941         |
| Per share data applicable to common shareholders:                         |                   |                   |                   |
| Basic earnings/(loss)   | \$ 1.59           | \$ (8.36)         | \$ 8.98           |
| Diluted earnings/(loss)   | 1.58              | (8.36)            | 8.91              |

See accompanying notes to the consolidated financial statements.

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

|  | <u>December 28, 2019</u> | <u>December 29, 2018</u> | <u>December 30, 2017</u> |
|--|--------------------------|--------------------------|--------------------------|
| Net income/(loss)  | \$ 1,933                 | \$ (10,254)              | \$ 10,932                |
| Other comprehensive income/(loss), net of tax:   |                          |                          |                          |
| Foreign currency translation adjustments   | 246                      | (1,187)                  | 1,185                    |
| Net deferred gains/(losses) on net investment hedges                                   | 1                        | 284                      | (353)                    |
| Amounts excluded from the effectiveness assessment of net investment hedges            | 22                       | 7                        | —                        |
| Net deferred losses/(gains) on net investment hedges reclassified to net income/(loss) | (16)                     | (7)                      | —                        |
| Net deferred gains/(losses) on cash flow hedges  | (10)                     | 99                       | (113)                    |
| Amounts excluded from the effectiveness assessment of cash flow hedges                 | 29                       | 2                        | —                        |
| Net deferred losses/(gains) on cash flow hedges reclassified to net income/(loss)      | (41)                     | (44)                     | 85                       |
| Net actuarial gains/(losses) arising during the period                                 | (70)                     | 58                       | 69                       |
| Prior service credits/(costs) arising during the period                                | 1                        | 3                        | 17                       |
| Net postemployment benefit losses/(gains) reclassified to net income/(loss)            | (234)                    | (118)                    | (309)                    |
| Total other comprehensive income/(loss)  | <u>(72)</u>              | <u>(903)</u>             | <u>581</u>               |
| Total comprehensive income/(loss)  | <u>1,861</u>             | <u>(11,157)</u>          | <u>11,513</u>            |
| Comprehensive income/(loss) attributable to noncontrolling interest                    | 5                        | (76)                     | (3)                      |
| Comprehensive income/(loss) attributable to common shareholders                        | <u>\$ 1,856</u>          | <u>\$ (11,081)</u>       | <u>\$ 11,516</u>         |

See accompanying notes to the consolidated financial statements.

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

|  | December 28, 2019 | December 29, 2018 |
|--|-------------------|-------------------|
| <b>ASSETS</b>  |                   |                   |
| Cash and cash equivalents  | \$ 2,279          | \$ 1,130          |
| Trade receivables (net of allowances of \$33 at December 28, 2019 and \$24 at December 29, 2018)   | 1,973             | 2,129             |
| Income taxes receivable  | 173               | 152               |
| Inventories  | 2,721             | 2,667             |
| Prepaid expenses   | 384               | 400               |
| Other current assets   | 445               | 1,221             |
| Assets held for sale   | 122               | 1,376             |
| Total current assets   | <u>8,097</u>      | <u>9,075</u>      |
| Property, plant and equipment, net   | 7,055             | 7,078             |
| Goodwill   | 35,546            | 36,503            |
| Intangible assets, net   | 48,652            | 49,468            |
| Other non-current assets   | 2,100             | 1,337             |
| TOTAL ASSETS   | <u>\$ 101,450</u> | <u>\$ 103,461</u> |
| <b>LIABILITIES AND EQUITY</b>  |                   |                   |
| Commercial paper and other short-term debt   | \$ 6              | \$ 21             |
| Current portion of long-term debt  | 1,022             | 377               |
| Trade payables   | 4,003             | 4,153             |
| Accrued marketing  | 647               | 722               |
| Interest payable   | 384               | 408               |
| Other current liabilities  | 1,804             | 1,767             |
| Liabilities held for sale  | 9                 | 55                |
| Total current liabilities  | <u>7,875</u>      | <u>7,503</u>      |
| Long-term debt   | 28,216            | 30,770            |
| Deferred income taxes  | 11,878            | 12,202            |
| Accrued postemployment costs   | 273               | 306               |
| Other non-current liabilities  | 1,459             | 902               |
| TOTAL LIABILITIES  | <u>49,701</u>     | <u>51,683</u>     |
| Commitments and Contingencies (Note 17)  |                   |                   |
| Redeemable noncontrolling interest   | —                 | 3                 |
| Equity:  |                   |                   |
| Common stock, \$0.01 par value (5,000 shares authorized; 1,224 shares issued and 1,221 shares outstanding at December 28, 2019; 1,224 shares issued and 1,220 shares outstanding at December 29, 2018) | 12                | 12                |
| Additional paid-in capital   | 56,828            | 58,723            |
| Retained earnings/(deficit)  | (3,060)           | (4,853)           |
| Accumulated other comprehensive income/(losses)  | (1,886)           | (1,943)           |
| Treasury stock, at cost (3 shares at December 28, 2019 and 4 shares at December 29, 2018)  | (271)             | (282)             |
| Total shareholders' equity   | <u>51,623</u>     | <u>51,657</u>     |
| Noncontrolling interest  | 126               | 118               |
| TOTAL EQUITY   | <u>51,749</u>     | <u>51,775</u>     |
| TOTAL LIABILITIES AND EQUITY   | <u>\$ 101,450</u> | <u>\$ 103,461</u> |

See accompanying notes to the consolidated financial statements.

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

|  | Common Stock | Additional Paid-in Capital | Retained Earnings/(Deficit) | Accumulated Other Comprehensive Income/(Losses) | Treasury Stock, at Cost | Noncontrolling Interest | Total Equity |
|--|--------------|----------------------------|-----------------------------|---|-------------------------|-------------------------|--------------|
| <b>Balance at December 31, 2016</b>                                  | \$ 12        | \$ 58,516                  | \$ 552                      | \$ (1,629)                                      | \$ (207)                | \$ 216                  | \$ 57,460    |
| Net income/(loss) excluding redeemable noncontrolling interest       | —            | —                          | 10,941                      | —   | —                       | (5)                     | 10,936       |
| Other comprehensive income/(loss)                                    | —            | —                          | —                           | 575   | —                       | 6                       | 581          |
| Dividends declared-common stock (\$2.45 per share)                   | —            | —                          | (2,988)                     | —   | —                       | —                       | (2,988)      |
| Dividends declared-noncontrolling interest (\$52.75 per share)       | —            | —                          | —                           | —   | —                       | (10)                    | (10)         |
| Exercise of stock options, issuance of other stock awards, and other | —            | 118                        | (10)                        | —   | (17)                    | —                       | 91           |
| <b>Balance at December 30, 2017</b>                                  | 12           | 58,634                     | 8,495                       | (1,054)   | (224)                   | 207                     | 66,070       |
| Net income/(loss) excluding redeemable noncontrolling interest       | —            | —                          | (10,192)                    | —   | —                       | (50)                    | (10,242)     |
| Other comprehensive income/(loss)                                    | —            | —                          | —                           | (889)   | —                       | (14)                    | (903)        |
| Dividends declared-common stock (\$2.50 per share)                   | —            | —                          | (3,048)                     | —   | —                       | —                       | (3,048)      |
| Dividends declared-noncontrolling interest (\$174.76 per share)      | —            | —                          | —                           | —   | —                       | (12)                    | (12)         |
| Cumulative effect of accounting standards adopted in the period      | —            | —                          | (97)                        | —   | —                       | —                       | (97)         |
| Exercise of stock options, issuance of other stock awards, and other | —            | 89                         | (11)                        | —   | (58)                    | (13)                    | 7            |
| <b>Balance at December 29, 2018</b>                                  | 12           | 58,723                     | (4,853)                     | (1,943)   | (282)                   | 118                     | 51,775       |
| Net income/(loss) excluding redeemable noncontrolling interest       | —            | —                          | 1,935                       | —   | —                       | 6                       | 1,941        |
| Other comprehensive income/(loss)                                    | —            | —                          | —                           | (79)  | —                       | 7                       | (72)         |
| Dividends declared-common stock (\$1.60 per share)                   | —            | (1,959)                    | —                           | —   | —                       | —                       | (1,959)      |
| Dividends declared-noncontrolling interest (\$75.63 per share)       | —            | —                          | —                           | —   | —                       | (5)                     | (5)          |
| Cumulative effect of accounting standards adopted in the period      | —            | —                          | (136)                       | 136   | —                       | —                       | —            |
| Exercise of stock options, issuance of other stock awards, and other | —            | 64                         | (6)                         | —   | 11                      | —                       | 69           |
| <b>Balance at December 28, 2019</b>                                  | \$ 12        | \$ 56,828                  | \$ (3,060)                  | \$ (1,886)                                      | \$ (271)                | \$ 126                  | \$ 51,749    |

See accompanying notes to the consolidated financial statements.

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

|  | December 28, 2019 | December 29, 2018 | December 30, 2017 |
|--|-------------------|-------------------|-------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>                                   |                   |                   |                   |
| Net income/(loss)  | \$ 1,933          | \$ (10,254)       | \$ 10,932         |
| Adjustments to reconcile net income/(loss) to operating cash flows:            |                   |                   |                   |
| Depreciation and amortization  | 994               | 983               | 1,031             |
| Amortization of postretirement benefit plans prior service costs/(credits)     | (306)             | (339)             | (328)             |
| Equity award compensation expense  | 46                | 33                | 46                |
| Deferred income tax provision/(benefit)  | (293)             | (1,967)           | (6,495)           |
| Postemployment benefit plan contributions                                      | (32)              | (76)              | (1,659)           |
| Goodwill and intangible asset impairment losses                                | 1,899             | 15,936            | 49                |
| Nonmonetary currency devaluation   | 10                | 146               | 36                |
| Loss/(gain) on sale of business  | (420)             | 15                | —                 |
| Other items, net   | (46)              | 160               | 253               |
| Changes in current assets and liabilities:                                     |                   |                   |                   |
| Trade receivables  | 140               | (2,280)           | (2,629)           |
| Inventories  | (277)             | (251)             | (236)             |
| Accounts payable   | (58)              | (23)              | 441               |
| Other current assets   | 52                | (146)             | (64)              |
| Other current liabilities  | (90)              | 637               | (876)             |
| Net cash provided by/(used for) operating activities                           | <u>3,552</u>      | <u>2,574</u>      | <u>501</u>        |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>                                   |                   |                   |                   |
| Cash receipts on sold receivables  | —                 | 1,296             | 2,286             |
| Capital expenditures   | (768)             | (826)             | (1,194)           |
| Payments to acquire business, net of cash acquired                             | (199)             | (248)             | —                 |
| Proceeds from net investment hedges  | 590               | 24                | 6                 |
| Proceeds from sale of business, net of cash disposed                           | 1,875             | 18                | —                 |
| Other investing activities, net  | 13                | 24                | 79                |
| Net cash provided by/(used for) investing activities                           | <u>1,511</u>      | <u>288</u>        | <u>1,177</u>      |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>                                   |                   |                   |                   |
| Repayments of long-term debt   | (4,795)           | (2,713)           | (2,641)           |
| Proceeds from issuance of long-term debt                                       | 2,967             | 2,990             | 1,496             |
| Debt prepayment and extinguishment costs                                       | (99)              | —                 | —                 |
| Proceeds from issuance of commercial paper                                     | 557               | 2,784             | 6,043             |
| Repayments of commercial paper   | (557)             | (3,213)           | (6,249)           |
| Dividends paid   | (1,953)           | (3,183)           | (2,888)           |
| Other financing activities, net  | (33)              | (28)              | 18                |
| Net cash provided by/(used for) financing activities                           | <u>(3,913)</u>    | <u>(3,363)</u>    | <u>(4,221)</u>    |
| Effect of exchange rate changes on cash, cash equivalents, and restricted cash | <u>(6)</u>        | <u>(132)</u>      | <u>57</u>         |
| Cash, cash equivalents, and restricted cash                                    |                   |                   |                   |
| Net increase/(decrease)  | 1,144             | (633)             | (2,486)           |
| Balance at beginning of period   | 1,136             | 1,769             | 4,255             |
| Balance at end of period   | <u>\$ 2,280</u>   | <u>\$ 1,136</u>   | <u>\$ 1,769</u>   |
| <b>NON-CASH INVESTING ACTIVITIES:</b>  |                   |                   |                   |
| Beneficial interest obtained in exchange for securitized trade receivables     | \$ —              | \$ 938            | \$ 2,519          |
| <b>CASH PAID DURING THE PERIOD FOR:</b>  |                   |                   |                   |
| Interest   | \$ 1,306          | \$ 1,322          | \$ 1,269          |
| Income taxes   | 974               | 543               | 1,206             |

See accompanying notes to the consolidated financial statements.

The Kraft Heinz Company  
Notes to Consolidated Financial Statements

**Note 1. Basis of Presentation**

**Organization**

On July 2, 2015 (the “2015 Merger Date”) through a series of transactions, we consummated the merger of Kraft Foods Group, Inc. (“Kraft”) with and into a wholly-owned subsidiary of H.J. Heinz Holding Corporation (“Heinz”) (the “2015 Merger”). At the closing of the 2015 Merger, Heinz was renamed The Kraft Heinz Company (“Kraft Heinz”). Before the consummation of the 2015 Merger, Heinz was controlled by Berkshire Hathaway Inc. and 3G Global Food Holdings, L.P. (“3G Capital”), following their acquisition of H. J. Heinz Company on June 7, 2013.

**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”).

During the third quarter of 2019, certain organizational changes were announced that will impact our future internal reporting and reportable segments. As a result of these changes, we plan to combine our EMEA, Latin America, and APAC zones to form the International zone. The International zone will be a reportable segment along with the United States and Canada in 2020. We also plan to move our Puerto Rico business from the Latin America zone to the United States zone to consolidate and streamline the management of our product categories and supply chain. These changes will be effective in the first quarter of 2020.

**Use of Estimates**

We prepare our consolidated financial statements in accordance with accounting principles generally accepted in the United States of America (“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 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 consolidated financial statements.

**Reclassifications**

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

**Held for Sale**

At December 29, 2018, we had classified certain assets and liabilities as held for sale in our consolidated balance sheet primarily relating to the previously announced divestiture of our equity interests in a subsidiary in India and our divestiture of certain assets and operations in Canada, which closed in 2019. At December 28, 2019, the assets and liabilities identified as held for sale in our consolidated balance sheet primarily relate to a business in our Rest of World segment, as well as certain other assets that are held for sale globally. See Note 4, *Acquisitions and Divestitures*, for additional information.

## **Note 2. Significant Accounting Policies**

### ***Revenue Recognition:***

Our revenues are primarily derived from customer orders for the purchase of our products. We recognize revenues as performance obligations are fulfilled when control passes to our customers. We record revenues net of variable consideration, including consumer incentives and performance obligations related to trade promotions, excluding taxes, and including all shipping and handling charges billed to customers (accounting for shipping and handling charges that occur after the transfer of control as fulfillment costs). We also record a refund liability for estimated product returns and customer allowances as reductions to revenues within the same period that the revenue is recognized. We base these estimates principally on historical and current period experience factors. We recognize costs paid to third party brokers to obtain contracts as expenses as our contracts are generally less than one year.

### ***Advertising, Consumer Incentives, and Trade Promotions:***

We promote our products with advertising, consumer incentives, and performance obligations related to trade promotions. Consumer incentives and trade promotions include, but are not limited to, discounts, coupons, rebates, performance-based in-store display activities, and volume-based incentives. Variable consideration related to consumer incentive and trade promotion activities is recorded as a reduction to revenues based on amounts estimated as being due to customers and consumers at the end of a period. We base these estimates principally on historical utilization, redemption rates, and/or current period experience factors. We review and adjust these estimates at least quarterly based on actual experience and other information.

Advertising expenses are recorded in selling, general and administrative expenses ("SG&A"). For interim reporting purposes, we charge advertising to operations as a percentage of estimated full year sales activity and marketing costs. We then review and adjust these estimates each quarter based on actual experience and other information. We recorded advertising expenses of \$534 million in 2019, \$584 million in 2018, and \$629 million in 2017, which represented costs to obtain physical advertisement spots in television, radio, print, digital, and social channels. We also incur other advertising and marketing costs such as shopper marketing, sponsorships, and agency advertisement conception, design, and public relations fees. Total advertising and marketing costs were \$1.1 billion in 2019, 2018, and 2017.

### ***Research and Development Expense:***

We expense costs as incurred for product research and development within SG&A. Research and development expenses were approximately \$112 million in 2019, \$109 million in 2018, and \$93 million in 2017.

### ***Stock-Based Compensation:***

We recognize compensation costs related to equity awards on a straight-line basis over the vesting period of the award, which is generally three to five years, or on a straight-line basis over the requisite service period for each separately vesting portion of the awards. These costs are primarily recognized within SG&A. We estimate expected forfeitures rather than recognizing forfeitures as they occur in determining our equity award compensation costs. We classify equity award compensation costs primarily within general corporate expenses. See Note 11, *Employees' Stock Incentive Plans*, for additional information.

### ***Postemployment Benefit Plans:***

We maintain various retirement plans for the majority of our employees. These include pension benefits, postretirement health care benefits, and defined contribution benefits. The cost of these plans is charged to expense over an appropriate term based on, among other things, the cost component and whether the plan is active or inactive. Changes in the fair value of our plan assets result in net actuarial gains or losses. These net actuarial gains and losses are deferred into accumulated other comprehensive income/(losses) and amortized within other expense/(income) in future periods using the corridor approach. The corridor is 10% of the greater of the market-related value of the plan's asset or projected benefit obligation. Any actuarial gains and losses in excess of the corridor are then amortized over an appropriate term based on whether the plan is active or inactive. See Note 12, *Postemployment Benefits*, for additional information.

### ***Income Taxes:***

We recognize income taxes based on amounts refundable or payable for the current year and record deferred tax assets or liabilities for any difference between the financial reporting and tax basis of our assets and liabilities. We also recognize deferred tax assets for temporary differences, operating loss carryforwards, and tax credit carryforwards. Inherent in determining our annual tax rate are judgments regarding business plans, planning opportunities, and expectations about future outcomes. Realization of certain deferred tax assets, primarily net operating loss and other carryforwards, is dependent upon generating sufficient taxable income in the appropriate jurisdiction prior to the expiration of the carryforward periods.

We apply a more-likely-than-not threshold to the recognition and derecognition of uncertain tax positions. Accordingly, we recognize the amount of tax benefit that has a greater than 50 percent likelihood of being ultimately realized upon settlement.



Future changes in judgment related to the expected ultimate resolution of uncertain tax positions will affect our results in the quarter of such change.

We record valuation allowances to reduce deferred tax assets to the amount that is more likely than not to be realized. When assessing the need for valuation allowances, we consider future taxable income and ongoing prudent and feasible tax planning strategies. Should a change in circumstances lead to a change in judgment about the realizability of deferred tax assets in future years, we would adjust related valuation allowances in the period that the change in circumstances occurs, along with a corresponding adjustment to our provision for/(benefit from) income taxes. The resolution of tax reserves and changes in valuation allowances could be material to our results of operations for any period, but is not expected to be material to our financial position.

***Common Stock and Preferred Stock Dividends:***

Dividends are recorded as a reduction to retained earnings. When we have an accumulated deficit, dividends are recorded as a reduction of additional paid-in capital.

***Cash and Cash Equivalents:***

Cash equivalents include demand deposits with banks and all highly liquid investments with original maturities of three months or less. Cash and cash equivalents that are legally restricted as to withdrawal or usage is classified in other current assets or other non-current assets, as applicable, on the consolidated balance sheets.

***Inventories:***

Inventories are stated at the lower of cost or net realizable value. We value inventories primarily using the average cost method.

***Property, Plant and Equipment:***

Property, plant and equipment are stated at historical cost and depreciated on the straight-line method over the estimated useful lives of the assets. Machinery and equipment are depreciated over periods ranging from three years to 20 years and buildings and improvements over periods up to 40 years. Capitalized software costs are included in property, plant and equipment and amortized on a straight-line basis over the estimated useful lives of the software, which do not exceed seven years. We review long-lived assets for impairment when conditions exist that indicate the carrying amount of the assets may not be fully 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 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 assets to be disposed of, if any, are based on the estimated proceeds to be received, less costs of disposal.

***Goodwill and Intangible Assets:***

We maintain 19 reporting units, 11 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, 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 the associated carrying amount of goodwill.

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*, for additional information.

**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.

Certain 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.

**Financial Instruments:**

As we source our commodities on global markets and periodically enter into financing or other arrangements abroad, we use a variety of risk management strategies and financial instruments to manage commodity price, foreign currency exchange rate, and interest rate risks. Our risk management program focuses on the unpredictability of financial markets and seeks to reduce the potentially adverse effects that the volatility of these markets may have on our operating results. One way we do this is through actively hedging our risks through the use of derivative instruments. As a matter of policy, we do not use highly leveraged derivative instruments, nor do we use financial instruments for speculative purposes.

Derivatives are recorded on our consolidated balance sheets as assets or liabilities at fair value, which fluctuates based on changing market conditions.

Certain derivatives are designated as cash flow hedges and qualify for hedge accounting treatment, while others are not designated as hedging instruments and are marked to market through net income/(loss). The gains and losses on cash flow hedges are deferred as a component of accumulated other comprehensive income/(losses) and are recognized in net income/(loss) at the time the hedged item affects net income/(loss), in the same line item as the underlying hedged item. The excluded component on cash flow hedges is recognized in net income/(loss) over the life of the hedging relationship in the same income statement line item as the underlying hedged item. We also designate certain derivatives and non-derivatives as net investment hedges to hedge the net assets of certain foreign subsidiaries which are exposed to volatility in foreign currency exchange rates. Changes in the value of these derivatives and remeasurements of our non-derivatives designated as net investment hedges are calculated each period using the spot method, with changes reported in foreign currency translation adjustment within accumulated other comprehensive income/(losses). Such amounts will remain in accumulated other comprehensive income/(losses) until the complete or substantially complete liquidation of our investment in the underlying foreign operations. The excluded component on derivatives designated as net investment hedges is recognized in net income/(loss) within interest expense. The income statement classification of gains and losses related to derivative instruments not designated as hedging instruments is determined based on the underlying intent of the contracts. Cash flows related to the settlement of derivative instruments designated as net investment hedges of foreign operations are classified in the consolidated statements of cash flows within investing activities. All other cash flows related to derivative instruments are classified in the same line item as the cash flows of the related hedged item, which is generally within operating activities.

To qualify for hedge accounting, a specified level of hedging effectiveness between the hedging instrument and the item being hedged must be achieved at inception and maintained throughout the hedged period. When a hedging instrument no longer meets the specified level of hedging effectiveness, we reclassify the related hedge gains or losses previously deferred into other comprehensive income/(losses) to net income/(loss) within other expense/(income). We formally document our risk management objectives, our strategies for undertaking the various hedge transactions, the nature of and relationships between the hedging instruments and hedged items, and the method for assessing hedge effectiveness. Additionally, for qualified hedges of forecasted transactions, we specifically identify the significant characteristics and expected terms of the forecasted transactions. If it becomes probable that a forecasted transaction will not occur, the hedge will no longer be effective and all of the derivative gains or losses would be recognized in net income/(loss) in the current period.

Unrealized gains and losses on our commodity derivatives not designated as hedging instruments are recorded in cost of products sold and are included within general corporate expenses until realized. Once realized, the gains and losses are included within the applicable segment operating results. See Note 13, *Financial Instruments*, for additional information.

Our designated and undesignated derivative contracts include:

- *Net investment hedges.* We have numerous investments in our foreign subsidiaries, the net assets of which are exposed to volatility in foreign currency exchange rates. We manage this risk by utilizing derivative and non-derivative instruments, including cross-currency swap contracts, foreign exchange contracts, and certain foreign denominated debt designated as net investment hedges. We exclude the interest accruals on cross-currency swap contracts and the forward points on foreign exchange forward contracts from the assessment and measurement of hedge effectiveness. We recognize the interest accruals on cross-currency swap contracts in net income/(loss) within interest expense. We amortize the forward points on foreign exchange contracts into net income/(loss) within interest expense over the life of the hedging relationship.
- *Foreign currency cash flow hedges.* We use various financial instruments to mitigate our exposure to changes in exchange rates from third-party and intercompany actual and forecasted transactions. Our principal foreign currency exposures that are hedged include the British pound sterling, euro, and Canadian dollar. These instruments include cross-currency swap contracts and foreign exchange forward and option contracts. Substantially all of these derivative instruments are highly effective and qualify for hedge accounting treatment. We exclude the interest accruals on cross-currency swap contracts and the forward points and option premiums or discounts on foreign exchange contracts from the assessment and measurement of hedge effectiveness and amortize such amounts into net income/(loss) in the same line item as the underlying hedged item over the life of the hedging relationship.
- *Interest rate cash flow hedges.* From time to time, we have used derivative instruments, including interest rate swaps, as part of our interest rate risk management strategy. We have primarily used interest rate swaps to hedge the variability of interest payment cash flows on a portion of our future debt obligations.
- *Commodity derivatives.* We are exposed to price risk related to forecasted purchases of certain commodities that we primarily use as raw materials. We enter into commodity purchase contracts primarily for dairy products, meat products, coffee beans, sugar, vegetable oils, wheat products, corn products, and cocoa products. These commodity purchase contracts generally are not subject to the accounting requirements for derivative instruments and hedging activities under the normal purchases and normal sales exception. We also use commodity futures, options, and swaps to economically hedge the price of certain commodity costs, including the commodities noted above, as well as packaging products, diesel fuel, and natural gas. We do not designate these commodity contracts as hedging instruments. We also occasionally use futures to economically cross hedge a commodity exposure.

***Translation of Foreign Currencies:***

For all significant foreign operations, the functional currency is the local currency. Assets and liabilities of these operations are translated at the exchange rate in effect at each period end. Income statement accounts are translated at the average rate of exchange prevailing during the period. Translation adjustments arising from the use of differing exchange rates from period to period are included as a component of accumulated other comprehensive income/(losses) on the balance sheet. Gains and losses from foreign currency transactions are included in net income/(loss) for the period.

**Highly Inflationary Accounting:**

We apply highly inflationary accounting if the cumulative inflation rate in an economy for a three-year period meets or exceeds 100%. Under highly inflationary accounting, the financial statements of a subsidiary are remeasured into our reporting currency (U.S. dollars) based on the legally available exchange rate at which we expect to settle the underlying transactions. Exchange gains and losses from the remeasurement of monetary assets and liabilities are reflected in net income/(loss), rather than accumulated other comprehensive income/(losses) on the balance sheet, until such time as the economy is no longer considered highly inflationary. Certain non-monetary assets and liabilities are recorded at the applicable historical exchange rates. We apply highly inflationary accounting to the results of our subsidiaries in Venezuela and Argentina. The net monetary assets of our subsidiary in Argentina were approximately \$1 million at December 28, 2019. See Note 15, *Venezuela - Foreign Currency and Inflation*, for additional information related to our subsidiary in Venezuela.

**Note 3. 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 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 consolidated statements of income or our cash flows. See Note 2, *Significant Accounting Policies*, for our lease accounting policy and Note 19, *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. We do not expect this guidance to have a significant impact on our financial statements and related disclosures.

### ***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*. There was no other impact to our financial statement disclosures as a result of early adopting the provisions related to removing disclosures.

### ***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 with our Annual Report on Form 10-K for the year ended December 26, 2020. This guidance must be applied on a retrospective basis to all periods presented.

### ***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. This guidance may be adopted either retrospectively or prospectively to all implementation costs incurred after the date of adoption. We will prospectively adopt this guidance and do not expect that it will have a significant impact on our financial statements and related disclosures.

### ***Simplifying the Accounting for Income Taxes:***

In December 2019, the FASB issued ASU 2019-12 to simplify the accounting in ASC 740, *Income Taxes*. This guidance removes certain exceptions related to the approach for intraperiod tax allocation, the methodology for calculating income taxes in an interim period, and the recognition of deferred tax liabilities for outside basis differences. This guidance also clarifies and simplifies other areas of ASC 740. This ASU will be effective beginning in the first quarter of our fiscal year 2021. Early adoption is permitted. Certain amendments in this update must be applied on a prospective basis, certain amendments must be applied on a retrospective basis, and certain amendments must be applied on a modified retrospective basis through a cumulative-effect adjustment to retained earnings/(deficit) in the period 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.

#### **Note 4. 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 consolidated financial statements for the year ended December 28, 2019. We have not included unaudited pro forma results 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 \$201 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 fair value estimates of the assets acquired and liabilities assumed were subject to adjustment during the measurement period (up to one year from the Primal Acquisition Date). The purchase price allocation for the Primal Acquisition was final as of September 28, 2019.

The final 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        |    | 124 |
| Total consideration            | \$ | 201 |

The Primal Acquisition resulted in \$124 million of non tax deductible goodwill relating principally to planned expansion of the *Primal Kitchen* brand into new channels and categories. This goodwill was allocated to the United States segment as shown in Note 9, *Goodwill and Intangible Assets*.

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

|                           | Fair Value<br>(in millions of<br>dollars) | Weighted Average<br>Life<br>(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’s 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.

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

|                                    |    |      |
|------------------------------------|----|------|
| Cash                               | \$ | 23   |
| Other current assets               |    | 65   |
| Property, plant and equipment, net |    | 75   |
| Identifiable intangible assets     |    | 100  |
| Trade and other payables           |    | (41) |
| Other non-current liabilities      |    | (3)  |
| Net assets acquired                |    | 219  |
| Goodwill on acquisition            |    | 25   |
| Total consideration                | \$ | 244  |

The Cerebos Acquisition resulted in \$25 million of non tax deductible goodwill relating principally to planned expansion of Cerebos brands into new categories and markets. This goodwill was allocated to Rest of World as shown in Note 9, *Goodwill and Intangible Assets*.

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

|                           | Fair Value<br>(in millions of<br>dollars) | Weighted Average<br>Life<br>(in years) |
|---------------------------|---|--|
| Definite-lived trademarks | \$ 87                                     | 22                                     |
| Customer-related assets   | 13  | 12                                     |
| Total                     | \$ 100                                    |  |

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

We used carrying values as of the Acquisition Date to value trade receivables and payables, as well as certain other current and non-current assets and liabilities, as we determined that they represented the fair value of those items at the Acquisition Date.

We valued finished goods and work-in-process inventory using a net realizable value approach. Raw materials and packaging inventory was valued using the replacement cost approach.

We valued property, plant and equipment using a combination of the income approach, the market approach, and the cost approach, which is based on the current replacement and/or reproduction cost of the asset as new, less depreciation attributable to physical, functional, and economic factors.

**Other Acquisitions:**

In the third quarter of 2018, we had two additional acquisitions of businesses, including The Ethical Bean Coffee Company Ltd., a Canadian-based coffee roaster, and Wellio, Inc., a full-service meal planning and preparation technology start-up in the U.S. The aggregate consideration paid related to these acquisitions was \$27 million.

**Deal Costs:**

Related to our acquisitions, we incurred aggregate deal costs of \$2 million in 2019 and \$20 million in 2018. We recognized these deal costs primarily in SG&A. We did not incur any deal costs in 2017.

## Divestitures

### Potential Disposition:

As of December 28, 2019, we were in negotiations with a prospective buyer for 100% of the equity interests in a subsidiary within our Rest of World segment for cash of approximately \$55 million. This subsidiary generated approximately \$1 million of net income in 2019. The aggregate carrying value of net assets to be transferred and accumulated foreign currency losses to be released is expected to be approximately \$126 million. As a result, we recorded a loss of approximately \$71 million in 2019 related to this transaction. This loss was included in other expense/(income). In addition, we have classified the related assets and liabilities as held for sale on the consolidated balance sheet at December 28, 2019. We expect this transaction to close in the first half of 2020.

### 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 in the first quarter of 2019. Additionally, in the third quarter of 2019, we recognized a recovery of local India taxes of \$3 million, which was classified as gain on sale of business. As a result, we recognized pre-tax gains of \$249 million in 2019. These pre-tax gains were included in other expense/(income).

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                               |    | (3)   |
| Pre-tax gain on sale of Heinz India | \$ | 249   |

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 consolidated balance sheet as of the Heinz India Closing Date. We also recorded a corresponding \$48 million reduction of the gain on the Heinz India Transaction within other expense/(income) in our consolidated statement of income in the first quarter of 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 first quarter of 2019, and were partially offset by the local India tax recovery in the third quarter of 2019.

### Canada Natural Cheese Transaction:

In November 2018, we entered into a definitive agreement with a third-party, Parmalat SpA (“Parmalat”), to sell certain assets in our natural cheese business in Canada for approximately 1.6 billion Canadian dollars (approximately \$1.2 billion at July 2, 2019) (the “Canada Natural Cheese Transaction”). In connection with the Canada Natural Cheese Transaction, we transferred 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 recognized a pre-tax gain of \$242 million, which was included in other expense/(income) in 2019.

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

|   |    |       |
|---|----|-------|
| Proceeds  | \$ | 1,236 |
| Less carrying value of Canada Natural Cheese net assets       |    | (995) |
| Other   |    | 1     |
| Pre-tax gain resulting from Canada Natural Cheese Transaction | \$ | 242   |



**South Africa Transaction:**

In May 2018, we sold our 50.1% interest in our South African subsidiary to our minority interest partner. This transaction included proceeds of \$18 million. 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 consolidated statement of income for 2018.

**Deal Costs:**

Related to our divestitures, we incurred aggregate deal costs of \$17 million in 2019 and \$3 million in 2018. We recognized these deal costs in SG&A. We did not incur any deal costs in 2017.

**Held for Sale**

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

|                                    | <u>December 28, 2019</u> | <u>December 29, 2018</u> |
|------------------------------------|--------------------------|--------------------------|
| <b>ASSETS</b>                      |                          |                          |
| Cash and cash equivalents          | \$ 27                    | \$ —                     |
| Inventories                        | 21                       | 92                       |
| Property, plant and equipment, net | 25                       | 139                      |
| Goodwill                           | —                        | 669                      |
| Intangible assets, net             | 23                       | 437                      |
| Other                              | 26                       | 39                       |
| Total assets held for sale         | \$ 122                   | \$ 1,376                 |
| <b>LIABILITIES</b>                 |                          |                          |
| Trade payables                     | \$ 3                     | \$ 16                    |
| Other                              | 6                        | 39                       |
| Total liabilities held for sale    | \$ 9                     | \$ 55                    |

The change in assets and liabilities held for sale in 2019 was primarily related to the Heinz India Transaction closing on January 30, 2019 and the Canada Natural Cheese Transaction closing on July 2, 2019. The balances held for sale at December 28, 2019 primarily relate to a business in our Rest of World segment, as well as certain manufacturing equipment and land use rights across the globe.

**Note 5. 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. In 2019, we eliminated approximately 400 positions related to these programs. As of December 28, 2019, we expect to eliminate approximately 550 additional positions related to these programs primarily outside the U.S. due to the planned formation of the International zone in 2020. These programs resulted in expenses of \$108 million in 2019, including \$15 million of severance and employee benefit costs, \$37 million of non-cash asset-related costs, and \$55 million of other implementation costs, and \$1 million of other exit costs. Restructuring expenses totaled \$368 million in 2018 and \$118 million in 2017.

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<br>Employee Benefit<br>Costs | Other Exit Costs | Total        |
|------------------------------|--|------------------|--------------|
| Balance at December 29, 2018 | \$ 32                                      | \$ 33            | \$ 65        |
| Charges/(credits)            | 15   | 1                | 16           |
| Cash payments                | (21)                                       | (10)             | (31)         |
| Non-cash utilization         | (4)  | —                | (4)          |
| Balance at December 28, 2019 | <u>\$ 22</u>                               | <u>\$ 24</u>     | <u>\$ 46</u> |

We expect the liability for severance and employee benefit costs as of December 28, 2019 to be paid by the end of 2020. 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 2020 and 2026.

**Integration Program:**

At the end of 2017, we had substantially completed our multi-year program announced following 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 reportable segments.

We incurred pre-tax costs related to the Integration Program of \$92 million in 2018 and \$316 million in 2017. No such expenses were incurred in 2019.

**Total Expenses:**

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

|   | December 28, 2019 | December 29, 2018 | December 30, 2017 |
|---|-------------------|-------------------|-------------------|
| Severance and employee benefit costs - COGS                   | \$ (3)            | \$ 12             | \$ 9              |
| Severance and employee benefit costs - SG&A                   | 14                | 32                | 26                |
| Severance and employee benefit costs - Other expense/(income) | 4                 | 6                 | (149)             |
| Asset-related costs - COGS                                    | 29                | 59                | 191               |
| Asset-related costs - SG&A                                    | 8                 | 36                | 26                |
| Other costs - COGS  | 22                | 123               | 264               |
| Other costs - SG&A  | 32                | 35                | 67                |
| Other costs - Other expense/(income)                          | 2                 | 157               | —                 |
|   | <u>\$ 108</u>     | <u>\$ 460</u>     | <u>\$ 434</u>     |

We do not include our restructuring activities, including the Integration Program, within Segment Adjusted EBITDA (as defined in Note 22, *Segment Reporting*). The pre-tax impact of allocating such expenses to our segments would have been (in millions):

|                            | December 28, 2019 | December 29, 2018 | December 30, 2017 |
|----------------------------|-------------------|-------------------|-------------------|
| United States              | \$ 37             | \$ 205            | \$ 270            |
| Canada                     | 18                | 176               | 34                |
| EMEA                       | 16                | 16                | 56                |
| Rest of World              | 13                | 25                | 13                |
| General corporate expenses | 24                | 38                | 61                |
|                            | <u>\$ 108</u>     | <u>\$ 460</u>     | <u>\$ 434</u>     |

#### **Note 6. Restricted Cash**

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

|  | December 28, 2019 | December 29, 2018 |
|--|-------------------|-------------------|
| Cash and cash equivalents                            | \$ 2,279          | \$ 1,130          |
| Restricted cash included in other current assets     | 1                 | 1                 |
| Restricted cash included in other non-current assets | —                 | 5                 |
| Cash, cash equivalents, and restricted cash          | <u>\$ 2,280</u>   | <u>\$ 1,136</u>   |

At December 28, 2019, cash and cash equivalents excluded amounts classified as held for sale. See Note 4, *Acquisitions and Divestitures*, for additional information.

#### **Note 7. Inventories**

Inventories consisted of the following (in millions):

|                           | December 28, 2019 | December 29, 2018 |
|---------------------------|-------------------|-------------------|
| Packaging and ingredients | \$ 511            | \$ 510            |
| Work in process           | 364               | 343               |
| Finished product          | 1,846             | 1,814             |
| Inventories               | <u>\$ 2,721</u>   | <u>\$ 2,667</u>   |

At December 28, 2019 and December 29, 2018, inventories excluded amounts classified as held for sale. See Note 4, *Acquisitions and Divestitures*, for additional information.

#### **Note 8. Property, Plant and Equipment**

Property, plant and equipment consisted of the following (in millions):

|                                    | December 28, 2019 | December 29, 2018 |
|------------------------------------|-------------------|-------------------|
| Land                               | \$ 210            | \$ 218            |
| Buildings and improvements         | 2,447             | 2,375             |
| Equipment and other                | 6,552             | 5,904             |
| Construction in progress           | 1,033             | 1,165             |
|                                    | <u>10,242</u>     | <u>9,662</u>      |
| Accumulated depreciation           | (3,187)           | (2,584)           |
| Property, plant and equipment, net | <u>\$ 7,055</u>   | <u>\$ 7,078</u>   |

At December 28, 2019 and December 29, 2018, property, plant and equipment, net, excluded amounts classified as held for sale. See Note 4, *Acquisitions and Divestitures*, for additional information. Depreciation expense was \$708 million in 2019, \$693 million in 2018, and \$753 million in 2017.

## Note 9. Goodwill and Intangible Assets

### **Goodwill:**

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

|                                   | <u>United States</u> | <u>Canada</u>   | <u>EMEA</u>     | <u>Rest of World</u> | <u>Total</u>     |
|-----------------------------------|----------------------|-----------------|-----------------|----------------------|------------------|
| Balance at December 29, 2018      | \$ 29,597            | \$ 2,438        | \$ 3,074        | \$ 1,394             | \$ 36,503        |
| Impairment losses                 | (118)                | —               | (292)           | (787)                | (1,197)          |
| Acquisitions                      | 124                  | —               | 6               | —                    | 130              |
| Translation adjustments and other | (2)                  | 106             | 17              | (11)                 | 110              |
| Balance at December 28, 2019      | <u>\$ 29,601</u>     | <u>\$ 2,544</u> | <u>\$ 2,805</u> | <u>\$ 596</u>        | <u>\$ 35,546</u> |

In the first quarter of 2019, we completed the acquisition of Primal Nutrition. Additionally, at December 29, 2018, goodwill excluded amounts classified as held for sale. See Note 4, *Acquisitions and Divestitures*, for additional information related to this acquisition, as well as amounts held for sale.

We maintain 19 reporting units, 11 of which comprise our goodwill balance. These 11 reporting units had an aggregate carrying amount of \$35.5 billion as of December 28, 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 Middle East and Africa 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 was 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 was 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 was \$7.0 billion after the impairment.

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 annual 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 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 as of the annual impairment test date, and there were no reporting units with fair value over carrying amount in excess of 50%.

In the fourth quarter of 2019, in connection with the preparation of our year-end financial statements, we determined that it was more likely than not that the fair values of three of our 19 reporting units (Australia and New Zealand, Latin America Exports, and Northeast Asia) were below their carrying amounts. The factors that led to this determination included: (i) the completion of our fourth quarter 2019 results, which were below management's expectations in these regions due to higher supply chain costs and reduced revenue growth; and (ii) new management of these reporting units coupled with the development and approval of our 2020 annual operating plan, which established revised expectations and priorities for the coming years in response to current market factors, such as lower revenue growth and margin expectations.

We recognized a non-cash impairment loss of \$453 million in SG&A in the fourth quarter of 2019 related to two of the reporting units noted above that are contained within our Rest of World segment. We determined the factors contributing to the impairment loss were the result of circumstances described below that arose during the fourth quarter of 2019.

We recognized a \$357 million non-cash impairment loss in our Australia and New Zealand reporting unit within our Rest of World segment. During the fourth quarter, we observed lower than expected revenue and profitability driven by increased operational costs, portfolio rationalization projects, declines in sales categories within Australia and New Zealand, and reduced market share realization for specific categories in New Zealand. Additionally, we established a new management team in the region that developed a 2020 annual operating plan, which set lower expectations for revenue growth and profit margins in the coming years in response to current market factors. The impairment of the Australia and New Zealand reporting unit represents all of the goodwill of that reporting unit.

We recognized a \$96 million non-cash impairment loss in our Latin America Exports reporting unit within our Rest of World segment. During the fourth quarter, we observed lower than expected revenue and profitability due to higher supply chain costs along with less favorable expansion into new channels and loss of certain significant customers. Additionally, we established a new management team in the region that developed a 2020 annual operating plan, which set lower expectations for revenue growth and profit margins in the coming years in response to current market factors. After the impairment, the goodwill carrying amount of the Latin America Exports reporting unit was approximately \$195 million.

We concluded that an impairment charge was not required for our Northeast Asia reporting unit since declines in expectations for 2020, which were partially offset by lower discount rates, were not substantial enough to cause the fair value of the reporting unit to be below its carrying amount. The goodwill carrying amount of the Northeast Asia reporting unit is approximately \$83 million and the fair value is between 10-20% over carrying amount.

The decline in forecasted cash flows of Australia and New Zealand, Latin America Exports, and Northeast Asia were all partially offset by lower market driven discount rates that limited the declines in fair value. Should market interest rates increase in future periods, the likelihood for further impairment will rise.

During the third quarter of 2019, certain organizational changes were announced that will impact our future internal reporting and reportable segments. As a result of these changes, we plan to combine our EMEA, Latin America, and APAC zones to form the International zone. The International zone will be a reportable segment along with the United States and Canada in 2020. We also plan to move our Puerto Rico business from the Latin America zone to the United States zone to consolidate and streamline the management of our product categories and supply chain. These changes will be effective in the first quarter of 2020. As a result of the transition, we expect to perform impairment testing immediately before and after reorganizing our reporting unit structure. When we perform the transition impairment test associated with the reorganization in the first quarter of 2020, we anticipate that a substantial portion of the remaining goodwill carrying amounts for the Latin America Exports and Northeast Asia reporting units (with carrying amounts of \$195 million and \$83 million, respectively) may be subject to additional impairments.

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 within our Rest of World segment in the second quarter of 2018. This impairment loss was primarily due to margin declines in the region.

For the fourth quarter of 2018, in connection with the preparation of our year-end financial statements, we assessed the changes in circumstances that occurred during the quarter to determine if it was more likely than not that the fair values of any reporting units were below their carrying amounts. As we determined that it was more likely than not that the fair values of seven reporting units were below their carrying amounts, we performed an interim impairment test on these reporting units as of December 29, 2018. As a result of our interim test, we recognized a non-cash impairment loss of \$6.9 billion in SG&A related to five reporting units, including U.S. Refrigerated, Canada Retail, Southeast Asia, Northeast Asia, and Other Latin America. The other two reporting units we tested were determined to not be impaired. See Note 10, *Goodwill and Intangible Assets*, in our Annual Report on Form 10-K for the year ended December 29, 2018 for additional information on these impairment losses.

Accumulated impairment losses to goodwill were \$8.2 billion at December 28, 2019.

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. We are currently actively reviewing the enterprise strategy for the Company. As part of this strategic review, we expect to develop updates to the five-year operating plan in 2020, which could impact the allocation of investments among reporting units and impact growth expectations and fair value estimates. Additionally, as a result of this strategic review process, we could decide to divest certain non-strategic assets. As a result, the ongoing development of the enterprise strategy and underlying detailed business plans could lead to the impairment of one or more of our reporting units 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 their latest 2019 impairment testing 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 their latest 2019 impairment testing 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 estimates, market factors, or assumptions, including those related to our enterprise strategy or business plans, 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                    |    | (687)  |
| Reclassified to assets held for sale |    | (9)    |
| Translation adjustments              |    | 130    |
| Balance at December 28, 2019         | \$ | 43,400 |

At December 28, 2019 and December 29, 2018, indefinite-lived intangible assets excluded amounts classified as held for sale. See Note 4, *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 \$43.4 billion as of December 28, 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 annual 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 annual 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 annual impairment test date.

In the fourth quarter of 2019, in connection with the preparation of our year-end financial statements, we determined that it was more likely than not that the fair values of two of our brands, *Maxwell House* and *Wattie's*, were below their carrying amounts. The factors that led us to the determination to test for impairment were the same fourth quarter considerations outlined in the goodwill impairment discussion above. As we determined that it was more likely than not that the fair values of these two brands were below their carrying amounts, we performed an interim impairment test on these brands as of December 28, 2019.

We recognized a non-cash impairment loss of \$213 million in SG&A in our United States segment, consistent with the ownership of the *Maxwell House* trademark. The reduction in fair value of the *Maxwell House* trademark was driven by expectations of near-term net sales and profitability declines outlined in the 2020 annual operating plan in response to consumer shifts from mainstream coffee brands to premium coffee brands. These shifts in expectations were partially offset by declines in market driven discount rates observed in the fourth quarter of 2019. Should market interest rates increase in future periods, the likelihood for further impairment will increase. We determined the factors contributing to the impairment loss were the result of circumstances that arose during the fourth quarter of 2019. This brand had a carrying value of approximately \$823 million after the recorded impairment.

The *Wattie's* brand was determined to not be impaired. The carrying amount of the *Wattie's* brand is approximately \$94 million and the fair value is between 10-20% over the carrying amount.

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 *Queero* brand in Brazil. The impairment loss was recorded in our Rest of World segment, consistent with the ownership of the trademark.

In the third quarter of 2018, we recognized a non-cash impairment loss of \$215 million in SG&A related to the *Smart Ones* brand. This impairment loss was primarily due to reduced future investment expectations and continued sales declines in the third quarter of 2018. This impairment loss was recorded in our United States segment, consistent with the ownership of the trademark. We transferred the remaining carrying value of *Smart Ones* to definite-lived intangible assets.

For the fourth quarter of 2018, in connection with the preparation of our year-end financial statements, we assessed the changes in circumstances that occurred during the quarter to determine if it was more likely than not that the fair values of any brands were below their carrying amounts. As we determined that it was more likely than not that the fair values of six brands were below their carrying amounts, we performed an interim impairment test on these brands as of December 29, 2018. As a result of our interim test, we recognized a non-cash impairment loss of \$8.6 billion in SG&A related to five brands, including three that were valued using the excess earnings method (*Kraft*, *Oscar Mayer*, and *Philadelphia*) and two that were valued using the relief from royalty method (*Velveeta* and *ABC*). The other brand we tested was determined to not be impaired. The impairment losses for *Kraft*, *Oscar Mayer*, *Philadelphia*, and *Velveeta* were recorded in our United States segment, and the *ABC* impairment loss was recorded in our Rest of World segment, consistent with the ownership of each trademark. See Note 10, *Goodwill and Intangible Assets*, in our Annual Report on Form 10-K for the year ended December 29, 2018 for additional information on these impairment losses.

As a result of our 2017 annual impairment testing, we recognized a non-cash impairment loss of \$49 million in SG&A in the second quarter of 2017. This loss was due to continued declines in nutritional beverages in India. The loss was recorded in our EMEA segment as the related trademark is owned by an Italian subsidiary.

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. We are currently actively reviewing the enterprise strategy for the Company. As part of this strategic review, we expect to develop updates to the five-year operating plan in 2020, which could impact the allocation of investments among brands and impact growth expectations and fair value estimates. Additionally, as a result of this strategic review process, we could decide to divest certain non-strategic assets. As a result, the ongoing development of the enterprise strategy and underlying detailed business plans could lead to the impairment of one or more of our brands 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 their latest 2019 impairment testing 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 their latest 2019 impairment testing 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 estimates, market factors, or assumptions, including those related to our enterprise strategy or business plans, change in the future, these amounts are also susceptible to impairments.

**Definite-lived intangible assets:**

Definite-lived intangible assets were (in millions):

|                         | December 28, 2019 |                          |                 | December 29, 2018 |                          |                 |
|-------------------------|-------------------|--------------------------|-----------------|-------------------|--------------------------|-----------------|
|                         | Gross             | Accumulated Amortization | Net             | Gross             | Accumulated Amortization | Net             |
| Trademarks              | \$ 2,443          | \$ (469)                 | \$ 1,974        | \$ 2,474          | \$ (402)                 | \$ 2,072        |
| Customer-related assets | 4,113             | (845)                    | 3,268           | 4,097             | (681)                    | 3,416           |
| Other                   | 14                | (4)                      | 10              | 18                | (4)                      | 14              |
|                         | <u>\$ 6,570</u>   | <u>\$ (1,318)</u>        | <u>\$ 5,252</u> | <u>\$ 6,589</u>   | <u>\$ (1,087)</u>        | <u>\$ 5,502</u> |



Amortization expense for definite-lived intangible assets was \$286 million in 2019, \$290 million in 2018, and \$278 million in 2017. Aside from amortization expense, the changes in definite-lived intangible assets from December 29, 2018 to December 28, 2019 primarily reflect additions of \$66 million related to purchase accounting for Primal Nutrition, impairment losses of \$15 million, and foreign currency. At December 28, 2019 and December 29, 2018, definite-lived intangible assets excluded amounts classified as held for sale. See Note 4, *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 in 2020 and approximately \$277 million in each of the four years thereafter.

#### **Note 10. Income Taxes**

##### ***U.S. Tax Reform:***

On December 22, 2017, U.S. Tax Reform legislation was enacted by the federal government. The legislation significantly changed U.S. tax laws by, among other things, lowering the federal corporate tax rate from 35.0% to 21.0%, effective January 1, 2018 and imposing a one-time toll charge on deemed repatriated earnings of foreign subsidiaries as of December 30, 2017. In addition, there were many new provisions, including changes to bonus depreciation, revised deductions for executive compensation and interest expense, a tax on global intangible low-taxed income (“GILTI”), the base erosion anti-abuse tax (“BEAT”), and a deduction for foreign-derived intangible income (“FDII”). While the corporate tax rate reduction was effective January 1, 2018, we accounted for this anticipated rate change in 2017, the period of enactment.

Staff Accounting Bulletin No. 118 issued by the Securities and Exchange Commission (the “SEC”) in December 2017 provided us with up to one year to finalize accounting for the impacts of U.S. Tax Reform and allowed for provisional estimates when actual amounts could not be determined. As of December 30, 2017, we had made estimates of our deferred income tax benefit related to the corporate rate change, the toll charge, certain components of the revaluation of deferred tax assets and liabilities, including depreciation and executive compensation, and a change in our indefinite reinvestment assertion. In connection with U.S. Tax Reform, we reassessed our international investment assertion and no longer consider the historic earnings of our foreign subsidiaries as of December 30, 2017 to be indefinitely reinvested. We made an estimate of local country withholding taxes that would be owed when our historic earnings are distributed. Additionally, we elected to account for the tax on GILTI as a period cost and thus did not adjust any of the deferred tax assets and liabilities of our foreign subsidiaries for U.S. Tax Reform.

As of December 29, 2018, we had finalized our accounting for U.S. Tax Reform. The final impact (the majority of which was recorded in 2017, the period of enactment) was a net tax benefit of approximately \$7.1 billion, including a deferred tax benefit of approximately \$7.5 billion related to the corporate rate change, partially offset by tax expense of \$224 million related to the toll charge and \$120 million for other tax expenses, including the deferred tax liability recorded for changing our indefinite reinvestment assertion.

As of December 28, 2019, we have recorded a deferred tax liability of \$20 million on approximately \$300 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 in our deferred tax liability and historic earnings are primarily due to repatriation. Related to these distributions, we reduced our historic earnings by approximately \$700 million and recorded tax expenses of approximately \$40 million and reduced the deferred tax liability accordingly. Additionally, we reduced our historic earnings by approximately \$110 million following the ratification of the U.S. tax treaty with Spain which eliminated withholding tax on Spanish distributions and resulted in a tax benefit of approximately \$11 million and a corresponding decrease in our deferred tax liability. Finally, we reduced our historic earnings by approximately \$30 million related to a held for sale business in our Rest of World segment, which resulted in a tax benefit of approximately \$6 million.

Subsequent to January 1, 2018, we consider the unremitted earnings of certain international subsidiaries that impose local country taxes on dividends to be indefinitely reinvested. For those undistributed earnings considered to be indefinitely reinvested, our intent is to reinvest these funds in our international operations, and our current plans do not demonstrate a need to repatriate the accumulated earnings to fund our U.S. cash requirements. The amount of unrecognized deferred tax liabilities for local country withholding taxes that would be owed related to our 2018 and 2019 earnings of certain international subsidiaries is approximately \$70 million.

**Provision for/(Benefit from) Income Taxes:**

Income/(loss) before income taxes and the provision for/(benefit from) income taxes, consisted of the following (in millions):

|   | December 28, 2019 | December 29, 2018  | December 30, 2017 |
|---|-------------------|--------------------|-------------------|
| Income/(loss) before income taxes:              |                   |                    |                   |
| United States                                   | \$ 796            | \$ (10,305)        | \$ 3,811          |
| International                                   | 1,865             | (1,016)            | 1,639             |
| Total   | <u>\$ 2,661</u>   | <u>\$ (11,321)</u> | <u>\$ 5,450</u>   |
| Provision for/(benefit from) income taxes:      |                   |                    |                   |
| Current:  |                   |                    |                   |
| U.S. federal                                    | \$ 466            | \$ 444             | \$ 765            |
| U.S. state and local                            | 116               | 134                | (47)              |
| International                                   | 439               | 322                | 295               |
|   | <u>1,021</u>      | <u>900</u>         | <u>1,013</u>      |
| Deferred:                                       |                   |                    |                   |
| U.S. federal                                    | (209)             | (1,843)            | (6,590)           |
| U.S. state and local                            | (7)               | (121)              | 97                |
| International                                   | (77)              | (3)                | (2)               |
|   | <u>(293)</u>      | <u>(1,967)</u>     | <u>(6,495)</u>    |
| Total provision for/(benefit from) income taxes | <u>\$ 728</u>     | <u>\$ (1,067)</u>  | <u>\$ (5,482)</u> |

In the first quarter of 2017, we prospectively adopted ASU 2016-09. We now record tax benefits related to the exercise of stock options and other equity instruments within our tax provision, rather than within equity. Accordingly, we recognized a tax benefit in our statements of income of \$12 million in 2019, \$12 million in 2018, and \$22 million in 2017 related to tax benefits upon the exercise of stock options and other equity instruments.

**Effective Tax Rate:**

The effective tax rate on income/(loss) before income taxes differed from the U.S. federal statutory tax rate for the following reasons:

|   | December 28, 2019 | December 29, 2018 | December 30, 2017 |
|---|-------------------|-------------------|-------------------|
| U.S. federal statutory tax rate                               | 21.0 %            | 21.0 %            | 35.0 %            |
| Tax on income of foreign subsidiaries                         | (7.5)%            | 3.4 %             | (4.8)%            |
| Domestic manufacturing deduction                              | — %               | — %               | (1.5)%            |
| U.S. state and local income taxes, net of federal tax benefit | 1.1 %             | 1.6 %             | 1.1 %             |
| Audit settlements and changes in uncertain tax positions      | 1.3 %             | (0.3)%            | (0.2)%            |
| U.S. Tax Reform discrete income tax benefit                   | — %               | 0.5 %             | (129.0)%          |
| Global intangible low-taxed income                            | 1.8 %             | (0.5)%            | — %               |
| Goodwill impairment   | 9.3 %             | (15.1)%           | — %               |
| Wind-up of non-U.S. pension plans                             | — %               | (0.4)%            | — %               |
| Losses/(gains) related to acquisitions and divestitures       | 1.0 %             | 0.1 %             | — %               |
| Movement of valuation allowance reserves                      | 1.3 %             | — %               | — %               |
| Other   | (1.9)%            | (0.9)%            | (1.2)%            |
| Effective tax rate  | <u>27.4 %</u>     | <u>9.4 %</u>      | <u>(100.6)%</u>   |

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, the calculation of the percentage point impact of U.S. Tax Reform, goodwill impairment, and other items on the effective tax rate shown in the table above are affected by income/(loss) before income taxes. Fluctuations in the amount of income generated across locations around the world could impact comparability of reconciling items between periods. 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.

The 2019 effective tax rate was higher primarily driven by lower non-deductible goodwill impairments, partially offset by a more favorable geographic mix of pre-tax income in various non-U.S. jurisdictions and a decrease in unfavorable rate reconciling items. Current year unfavorable impacts primarily related to non-deductible goodwill impairments, the impact of the federal tax on GILTI, an increase in uncertain tax position reserves, the establishment of certain state valuation allowance reserves, and the tax impacts from the Heinz India and Canada Natural Cheese Transactions. These impacts were partially offset by the reversal of certain withholding tax obligations and changes in estimates of certain 2018 U.S. income and deductions. In the prior year, we had an unfavorable impact from rate reconciling items, primarily related to non-deductible goodwill impairments, the revaluation of our deferred tax balances due to changes in state tax laws, non-deductible currency devaluation losses, and the wind-up of non-U.S. pension plans, which were partially offset by changes in estimates of certain 2017 U.S. income and deductions.

The 2018 effective tax rate was lower, primarily due to a decrease in the U.S. federal statutory rate, non-deductible items (including goodwill impairments, nonmonetary currency devaluation losses, and the wind-up of non-U.S. pension plans), the impact of the federal tax on GILTI, and the revaluation of our deferred tax balances due to changes in state tax laws following U.S. Tax Reform, which were partially offset by the benefit from intangible asset impairment losses in the fourth quarter of 2018. See Note 9, *Goodwill and Intangible Assets*, for additional information related to our impairment losses in the fourth quarter of 2018.

The tax provision for the 2017 tax year benefited from U.S. Tax Reform enacted on December 22, 2017. The related income tax benefit of 29.0% in 2017 primarily reflects adjustments to our deferred tax positions for the lower federal income tax rate, partially offset by our provision for the one-time toll charge.

**Deferred Income Tax Assets and Liabilities:**

The tax effects of temporary differences and carryforwards that gave rise to deferred income tax assets and liabilities consisted of the following (in millions):

|                                     | December 28, 2019 | December 29, 2018 |
|-------------------------------------|-------------------|-------------------|
| Deferred income tax liabilities:    |                   |                   |
| Intangible assets, net              | \$ 11,230         | \$ 11,571         |
| Property, plant and equipment, net  | 773               | 735               |
| Other                               | 252               | 410               |
| Deferred income tax liabilities     | <u>12,255</u>     | <u>12,716</u>     |
| Deferred income tax assets:         |                   |                   |
| Benefit plans                       | (112)             | (172)             |
| Other                               | (474)             | (470)             |
| Deferred income tax assets          | <u>(586)</u>      | <u>(642)</u>      |
| Valuation allowance                 | 112               | 81                |
| Net deferred income tax liabilities | <u>\$ 11,781</u>  | <u>\$ 12,155</u>  |

At December 28, 2019 and December 29, 2018, deferred income tax liabilities excluded amounts classified as held for sale. See Note 4, *Acquisitions and Divestitures*, for additional information.

The decrease in deferred tax liabilities from December 29, 2018 to December 28, 2019 was primarily driven by intangible asset impairment losses recorded in 2019. See Note 9, *Goodwill and Intangible Assets*, for additional information.

At December 28, 2019, foreign operating loss carryforwards totaled \$364 million. Of that amount, \$35 million expire between 2020 and 2039; the other \$329 million do not expire. We have recorded \$104 million of deferred tax assets related to these foreign operating loss carryforwards. Deferred tax assets of \$73 million have been recorded for U.S. state and local operating loss carryforwards. These losses expire between 2020 and 2039.

**Uncertain Tax Positions:**

At December 28, 2019, our unrecognized tax benefits for uncertain tax positions were \$406 million. If we had recognized all of these benefits, the impact on our effective tax rate would have been \$369 million. It is reasonably possible that our unrecognized tax benefits will decrease by as much as \$24 million in the next 12 months primarily due to the progression of federal, state, and foreign audits in process. Our unrecognized tax benefits for uncertain tax positions are included in income taxes payable and other non-current liabilities on our consolidated balance sheets.

The changes in our unrecognized tax benefits were (in millions):

|  | December 28, 2019 | December 29, 2018 | December 30, 2017 |
|--|-------------------|-------------------|-------------------|
| Balance at the beginning of the period                       | \$ 387            | \$ 408            | \$ 389            |
| Increases for tax positions of prior years                   | 28                | 9                 | 2                 |
| Decreases for tax positions of prior years                   | (39)              | (81)              | (35)              |
| Increases based on tax positions related to the current year | 60                | 74                | 135               |
| Decreases due to settlements with taxing authorities         | (20)              | (3)               | (59)              |
| Decreases due to lapse of statute of limitations             | (10)              | (10)              | (24)              |
| Reclassified to liabilities held for sale                    | —                 | (10)              | —                 |
| Balance at the end of the period                             | <u>\$ 406</u>     | <u>\$ 387</u>     | <u>\$ 408</u>     |

Our unrecognized tax benefits increased during 2019 mainly as a result of a net increase for tax positions related to the current and prior years in the U.S. and certain state and foreign jurisdictions which were partially offset by decreases related to audit settlements with federal, state, and foreign taxing authorities and statute of limitations expirations. Our unrecognized tax benefits decreased during 2018 mainly as a result of audit settlements with federal, state, and foreign taxing authorities and statute of limitations expirations.

We include interest and penalties related to uncertain tax positions in our tax provision. Our provision for/(benefit from) income taxes included \$5 million expense in 2018 and a \$24 million benefit in 2017 related to interest and penalties. The expense related to interest and penalties in 2019 was insignificant. Accrued interest and penalties were \$62 million as of December 28, 2019 and December 29, 2018.

**Other Income Tax Matters:**

In the normal course of business, we are subject to examination by taxing authorities throughout the world, including such major jurisdictions as Australia, Canada, Italy, the Netherlands, the United Kingdom, and the United States. As of December 28, 2019, we have substantially concluded all national income tax matters through 2016 for the Netherlands, through 2015 for the United States, through 2014 for Australia, through 2012 for the United Kingdom, and through 2011 for Canada and Italy. We have substantially concluded all state income tax matters through 2007.

**Note 11. Employees' Stock Incentive Plans**

We grant equity awards, including stock options, restricted stock units ("RSUs"), and performance share units ("PSUs"), to select employees to provide long-term performance incentives to our employees.

**Stock Plans**

We had activity related to equity awards from the following plans in 2019, 2018, and 2017:

**2016 Omnibus Incentive Plan:**

In April 2016, our Board of Directors approved the 2016 Omnibus Incentive Plan ("2016 Omnibus Plan"), which authorized grants of options, stock appreciation rights, RSUs, deferred stock, performance awards, investment rights, other stock-based awards, and cash-based awards. This plan authorizes the issuance of up to 18 million shares of our common stock. Equity awards granted under the 2016 Omnibus Plan prior to 2019 generally have a five-year cliff vest period. Equity awards granted under the 2016 Omnibus Plan in 2019 include three-year and five-year cliff vest periods as well as awards that become exercisable in annual installments over three to four years beginning on the second anniversary of the original grant date. Non-qualified stock options have a maximum exercise term of 10 years. Equity awards granted under the 2016 Omnibus Plan since inception include non-qualified stock options, RSUs, and PSUs.

**2013 Omnibus Incentive Plan:**

Prior to approval of the 2016 Omnibus Plan, we issued non-qualified stock options to select employees under the 2013 Omnibus Incentive Plan ("2013 Omnibus Plan"). As a result of the 2015 Merger, each outstanding Heinz stock option was converted into 0.443332 of a Kraft Heinz stock option. Following this conversion, the 2013 Omnibus Plan authorized the issuance of up to 17,555,947 shares of our common stock. Non-qualified stock options awarded under the 2013 Omnibus Plan have a five-year cliff vest period and a maximum exercise term of 10 years. These non-qualified stock options will continue to vest and become exercisable in accordance with the terms and conditions of the 2013 Omnibus Plan and the relevant award agreements.

**Kraft 2012 Performance Incentive Plan:**

Prior to the 2015 Merger, Kraft issued equity-based awards, including stock options and RSUs, under its 2012 Performance Incentive Plan. As a result of the 2015 Merger, each outstanding Kraft stock option was converted into an option to purchase a number of shares of our common stock based upon an option adjustment ratio, and each outstanding Kraft RSU was converted into one Kraft Heinz RSU. These Kraft Heinz equity awards will continue to vest and become exercisable in accordance with the terms and conditions that were applicable immediately prior to the completion of the 2015 Merger. These options generally become exercisable in three annual installments beginning on the first anniversary of the original grant date, and have a maximum exercise term of 10 years. RSUs generally cliff vest on the third anniversary of the original grant date. In accordance with the terms of the 2012 Performance Incentive Plan, vesting generally accelerates for holders of Kraft awards who are terminated without cause within 2 years of the 2015 Merger Date.

In addition, prior to the 2015 Merger, Kraft issued performance-based, long-term incentive awards (“Performance Shares”), which vested based on varying performance, market, and service conditions. In connection with the 2015 Merger, all outstanding Performance Shares were converted into cash awards, payable in two installments: (i) a 2015 pro-rata payment based upon the portion of the Performance Share cycle completed prior to the 2015 Merger and (ii) the remaining value of the award to be paid on the earlier of the first anniversary of the closing of the 2015 Merger and a participant’s termination without cause.

**Stock Options**

We use the Black-Scholes model to estimate the fair value of stock option grants. Our weighted average Black-Scholes fair value assumptions were:

|  | December 28, 2019 | December 29, 2018 | December 30, 2017 |
|--|-------------------|-------------------|-------------------|
| Risk-free interest rate                          | 1.46%             | 2.75%             | 2.25%             |
| Expected term                                    | 6.5 years         | 7.5 years         | 7.5 years         |
| Expected volatility                              | 31.2%             | 21.3%             | 19.6%             |
| Expected dividend yield                          | 5.3%              | 3.6%              | 2.8%              |
| Weighted average grant date fair value per share | \$ 4.11           | \$ 10.26          | \$ 14.24          |

The risk-free interest rate represented the constant maturity U.S. Treasury rate in effect at the grant date, with a remaining term equal to the expected life of the options. The expected life is the period over which our employees are expected to hold their options. Due to the lack of historical data, we calculated expected life using the weighted average vesting period and the contractual term of the options. In 2019 and 2018, we estimated volatility using a blended volatility approach of term-matched historical volatility from our daily stock prices and weighted average implied volatility. In 2017, we estimated volatility using a blended approach of implied volatility and peer volatility. We calculated peer volatility as the average of the term-matched, leverage-adjusted historical volatilities of Colgate-Palmolive Co., The Coca-Cola Company, Mondelēz International, Altria Group, Inc., PepsiCo, Inc., and Unilever plc. We estimated the expected dividend yield using the quarterly dividend divided by the three-month average stock price, annualized and continuously compounded.

Our stock option activity and related information was:

|                                  | Number of Stock Options | Weighted Average Exercise Price (per share) | Aggregate Intrinsic Value (in millions) | Average Remaining Contractual Term |
|----------------------------------|-------------------------|---|---|------------------------------------|
| Outstanding at December 29, 2018 | 18,259,965              | \$ 44.64                                    |   |                                    |
| Granted                          | 1,880,648               | 25.41                                       |   |                                    |
| Forfeited                        | (1,771,653)             | 66.89                                       |   |                                    |
| Exercised                        | (730,460)               | 23.81                                       |   |                                    |
| Outstanding at December 28, 2019 | <u>17,638,500</u>       | 41.22                                       | \$ 42                                   | 4 years                            |
| Exercisable at December 28, 2019 | <u>11,539,568</u>       | 33.89                                       | 51                                      | 3 years                            |

The aggregate intrinsic value of stock options exercised during the period was \$10 million in 2019, \$67 million in 2018, and \$124 million in 2017.

Cash received from options exercised was \$17 million in 2019, \$56 million in 2018, and \$66 million in 2017. The tax benefit realized from stock options exercised was \$18 million in 2019, \$23 million in 2018, and \$44 million in 2017.

Our unvested stock options and related information was:

|                                       | Number of Stock<br>Options | Weighted Average<br>Grant Date Fair<br>Value<br>(per share) |
|---------------------------------------|----------------------------|---|
| Unvested options at December 29, 2018 | 7,767,917                  | \$ 10.16  |
| Granted                               | 1,880,648                  | 4.11  |
| Vested                                | (2,140,396)                | 7.12  |
| Forfeited                             | (1,409,237)                | 11.51   |
| Unvested options at December 28, 2019 | <u>6,098,932</u>           | <u>9.04</u>   |

### Restricted Stock Units

RSUs represent a right to receive one share or the value of one share upon the terms and conditions set forth in the plan and the applicable award agreement.

We used the stock price on the grant date to estimate the fair value of our RSUs. Certain of our RSUs are not dividend-eligible. We discounted the fair value of these RSUs based on the dividend yield. Dividend yield was estimated using the quarterly dividend divided by the three-month average stock price, annualized and continuously compounded. The grant date fair value of RSUs is amortized to expense over the vesting period.

The weighted average grant date fair value per share of our RSUs granted during the year was \$25.77 in 2019, \$58.59 in 2018, and \$91.25 in 2017. Our expected dividend yield was 5.39% in 2019 and 3.31% in 2018. All RSUs granted in 2017 were dividend-eligible.

Our RSU activity and related information was:

|                                  | Number of Units  | Weighted Average<br>Grant Date Fair<br>Value<br>(per share) |
|----------------------------------|------------------|---|
| Outstanding at December 29, 2018 | 2,338,958        | \$ 68.49  |
| Granted                          | 8,091,999        | 25.77   |
| Forfeited                        | (959,485)        | 50.16   |
| Vested                           | (75,563)         | 76.38   |
| Outstanding at December 28, 2019 | <u>9,395,909</u> | <u>33.51</u>  |

The aggregate fair value of RSUs that vested during the period was \$2 million in 2019, \$9 million in 2018, and \$12 million in 2017.

### Performance Share Units

PSUs represent a right to receive one share or the value of one share upon the terms and conditions set forth in the plan and the applicable award agreement and are subject to achievement or satisfaction of performance or market conditions specified by the Compensation Committee of our Board of Directors.

For our PSUs that are tied to performance conditions, we used the stock price on the grant date to estimate the fair value. The PSUs are not dividend-eligible; therefore, we discounted the fair value of the PSUs based on the dividend yield. Dividend yield was estimated using the quarterly dividend divided by the three-month average stock price, annualized and continuously compounded. The grant date fair value of PSUs is amortized to expense on a straight-line basis over the requisite service period for each separately vesting portion of the awards. We adjust the expense based on the likelihood of future achievement of performance metrics.

In 2019, in addition to the performance-based PSUs granted, we granted PSUs to our Chief Executive Officer that are tied to market-based conditions. The grant date fair value of these PSUs was determined based on a Monte Carlo simulation model. A discount was applied to the Monte Carlo valuation to reflect the lack of marketability during a mandatory post-vest holding period of three years. The related compensation expense is recognized regardless of whether the market condition is satisfied, provided that the requisite service has been provided. The number of PSUs that ultimately vest is based on achievement of the market-based components.

The weighted average grant date fair value per share of our PSUs granted during the year was \$25.31 in 2019, \$56.31 in 2018, and \$79.85 in 2017. Our expected dividend yield was 5.39% in 2019, 3.31% in 2018, and 2.73% in 2017.

Our PSU activity and related information was:

|                                  | Number of Units  | Weighted Average<br>Grant Date Fair<br>Value<br>(per share) |
|----------------------------------|------------------|---|
| Outstanding at December 29, 2018 | 3,252,056        | \$ 59.24  |
| Granted                          | 4,832,626        | 25.31   |
| Forfeited                        | (1,271,023)      | 54.67   |
| Outstanding at December 28, 2019 | <u>6,813,659</u> | 36.03   |

### Total Equity Awards

Equity award compensation cost and the related tax benefit was (in millions):

|                             | December 28, 2019 | December 29, 2018 | December 30, 2017 |
|-----------------------------|-------------------|-------------------|-------------------|
| Pre-tax compensation cost   | \$ 46             | \$ 33             | \$ 46             |
| Related tax benefit         | (9)               | (7)               | (14)              |
| After-tax compensation cost | <u>\$ 37</u>      | <u>\$ 26</u>      | <u>\$ 32</u>      |

Unrecognized compensation cost related to unvested equity awards was \$365 million at December 28, 2019 and is expected to be recognized over a weighted average period of three years.

### Note 12. Postemployment Benefits

We maintain various retirement plans for the majority of our employees. Current defined benefit pension plans are provided primarily for certain domestic union and foreign employees. Local statutory requirements govern many of these plans. The pension benefits of our unionized workers are in accordance with the applicable collective bargaining agreement covering their employment. Defined contribution plans are provided for certain domestic unionized, non-union hourly, and salaried employees as well as certain employees in foreign locations.

We provide health care and other postretirement benefits to certain of our eligible retired employees and their eligible dependents. Certain of our U.S. and Canadian employees may become eligible for such benefits. We may modify plan provisions or terminate plans at our discretion. The postretirement benefits of our unionized workers are in accordance with the applicable collective bargaining agreement covering their employment.

We remeasure our postemployment benefit plans at least annually.

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

In 2018, we settled our Canadian salaried and Canadian hourly defined benefit pension plans which resulted in settlement charges of \$162 million for the year ended December 29, 2018. Additionally, the settlement of these plans impacted the projected benefit obligation, accumulated benefit obligation, fair value of plan assets, and service costs associated with our non-U.S. pension plans.

**Obligations and Funded Status:**

The projected benefit obligations, fair value of plan assets, and funded status of our pension plans were (in millions):

|   | U.S. Plans        |                   | Non-U.S. Plans    |                   |
|---|-------------------|-------------------|-------------------|-------------------|
|   | December 28, 2019 | December 29, 2018 | December 28, 2019 | December 29, 2018 |
| Benefit obligation at beginning of year                 | \$ 4,060          | \$ 4,719          | \$ 1,930          | \$ 3,464          |
| Service cost  | 7                 | 10                | 17                | 19                |
| Interest cost   | 163               | 158               | 51                | 67                |
| Benefits paid   | (331)             | (191)             | (122)             | (126)             |
| Actuarial losses/(gains)                                | 602               | (447)             | 252               | (118)             |
| Plan amendments   | —                 | 1                 | —                 | 14                |
| Currency  | —                 | —                 | 59                | (175)             |
| Settlements   | —                 | (190)             | —                 | (1,221)           |
| Curtailments  | —                 | —                 | —                 | (1)               |
| Special/contractual termination benefits                | —                 | —                 | 4                 | 7                 |
| Other   | —                 | —                 | (4)               | —                 |
| Benefit obligation at end of year                       | 4,501             | 4,060             | 2,187             | 1,930             |
| Fair value of plan assets at beginning of year          | 4,219             | 4,785             | 2,689             | 4,156             |
| Actual return on plan assets                            | 947               | (185)             | 177               | 49                |
| Employer contributions                                  | —                 | —                 | 19                | 57                |
| Benefits paid   | (331)             | (191)             | (122)             | (126)             |
| Currency  | —                 | —                 | 78                | (221)             |
| Settlements   | —                 | (190)             | —                 | (1,221)           |
| Other   | —                 | —                 | —                 | (5)               |
| Fair value of plan assets at end of year                | 4,835             | 4,219             | 2,841             | 2,689             |
| Net pension liability/(asset) recognized at end of year | \$ (334)          | \$ (159)          | \$ (654)          | \$ (759)          |

The accumulated benefit obligation, which represents benefits earned to the measurement date, was \$4.5 billion at December 28, 2019 and \$4.1 billion at December 29, 2018 for the U.S. pension plans. The accumulated benefit obligation for the non-U.S. pension plans was \$2.1 billion at December 28, 2019 and \$1.7 billion at December 29, 2018.

The combined U.S. and non-U.S. pension plans resulted in net pension assets of \$988 million at December 28, 2019 and \$918 million at December 29, 2018. We recognized these amounts on our consolidated balance sheets as follows (in millions):

|  | December 28, 2019 | December 29, 2018 |
|--|-------------------|-------------------|
| Other non-current assets                 | \$ 1,081          | \$ 999            |
| Other current liabilities                | (4)               | (4)               |
| Accrued postemployment costs             | (89)              | (77)              |
| Net pension asset/(liability) recognized | \$ 988            | \$ 918            |

For certain of our U.S. and non-U.S. plans that were underfunded based on accumulated benefit obligations in excess of plan assets, the projected benefit obligations, accumulated benefit obligations, and the fair value of plan assets were (in millions):

|                                | U.S. Plans        |                   | Non-U.S. Plans    |                   |
|--------------------------------|-------------------|-------------------|-------------------|-------------------|
|                                | December 28, 2019 | December 29, 2018 | December 28, 2019 | December 29, 2018 |
| Projected benefit obligation   | \$ —              | \$ —              | \$ 162            | \$ 146            |
| Accumulated benefit obligation | —                 | —                 | 156               | 139               |
| Fair value of plan assets      | —                 | —                 | 70                | 65                |

All of our U.S. plans were overfunded based on plan assets in excess of accumulated benefit obligations as of December 28, 2019 and December 29, 2018.



For certain of our U.S. and non-U.S. plans that were underfunded based on projected benefit obligations in excess of plan assets, the projected benefit obligations, accumulated benefit obligations, and the fair value of plan assets were (in millions):

|                                | U.S. Plans        |                   | Non-U.S. Plans    |                   |
|--------------------------------|-------------------|-------------------|-------------------|-------------------|
|                                | December 28, 2019 | December 29, 2018 | December 28, 2019 | December 29, 2018 |
| Projected benefit obligation   | \$ —              | \$ —              | \$ 162            | \$ 148            |
| Accumulated benefit obligation | —                 | —                 | 156               | 141               |
| Fair value of plan assets      | —                 | —                 | 70                | 67                |

All of our U.S. plans were overfunded based on plan assets in excess of projected benefit obligations as of December 28, 2019 and December 29, 2018.

We used the following weighted average assumptions to determine our projected benefit obligations under the pension plans:

|                               | U.S. Plans        |                   | Non-U.S. Plans    |                   |
|-------------------------------|-------------------|-------------------|-------------------|-------------------|
|                               | December 28, 2019 | December 29, 2018 | December 28, 2019 | December 29, 2018 |
| Discount rate                 | 3.4%              | 4.4%              | 2.0%              | 2.9%              |
| Rate of compensation increase | 4.1%              | 4.1%              | 3.7%              | 3.9%              |

Discount rates for our U.S. and non-U.S. plans were developed from a model portfolio of high quality, fixed-income debt instruments with durations that match the expected future cash flows of the plans.

**Components of Net Pension Cost/(Benefit):**

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

|   | U.S. Plans        |                   |                   | Non-U.S. Plans    |                   |                   |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
|   | December 28, 2019 | December 29, 2018 | December 30, 2017 | December 28, 2019 | December 29, 2018 | December 30, 2017 |
| Service cost                                | \$ 7              | \$ 10             | \$ 11             | \$ 17             | \$ 19             | \$ 19             |
| Interest cost                               | 163               | 158               | 178               | 51                | 67                | 66                |
| Expected return on plan assets              | (229)             | (247)             | (262)             | (143)             | (175)             | (180)             |
| Amortization of unrecognized losses/(gains) | —                 | —                 | —                 | 1                 | 2                 | 1                 |
| Settlements                                 | —                 | (4)               | 2                 | 1                 | 158               | —                 |
| Curtailments                                | —                 | —                 | —                 | —                 | (1)               | —                 |
| Special/contractual termination benefits    | —                 | —                 | 19                | 4                 | 7                 | 9                 |
| Other                                       | —                 | —                 | 2                 | —                 | —                 | (15)              |
| Net pension cost/(benefit)                  | \$ (59)           | \$ (83)           | \$ (50)           | \$ (69)           | \$ 77             | \$ (100)          |

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

We used the following weighted average assumptions to determine our net pension costs for the years ended:

|  | U.S. Plans        |                   |                   | Non-U.S. Plans    |                   |                   |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
|  | December 28, 2019 | December 29, 2018 | December 30, 2017 | December 28, 2019 | December 29, 2018 | December 30, 2017 |
| Discount rate - Service cost           | 4.6%              | 3.8%              | 4.2%              | 3.3%              | 3.0%              | 3.2%              |
| Discount rate - Interest cost          | 4.1%              | 3.6%              | 3.6%              | 2.6%              | 2.9%              | 2.1%              |
| Expected rate of return on plan assets | 5.7%              | 5.5%              | 5.7%              | 5.4%              | 4.5%              | 4.8%              |
| Rate of compensation increase          | 4.1%              | 4.1%              | 4.1%              | 3.9%              | 3.9%              | 4.0%              |

Discount rates for our U.S. and non-U.S. plans were developed from a model portfolio of high quality, fixed-income debt instruments with durations that match the expected future cash flows of the plans. We determine our expected rate of return on plan assets from the plan assets' historical long-term investment performance, target asset allocation, and estimates of future long-term returns by asset class.

**Plan Assets:**

The underlying basis of the investment strategy of our defined benefit plans is to ensure that pension funds are available to meet the plans' benefit obligations when they are due. Our investment objectives include: investing plan assets in a high-quality, diversified manner in order to maintain the security of the funds; achieving an optimal return on plan assets within specified risk tolerances; and investing according to local regulations and requirements specific to each country in which a defined benefit plan operates. The investment strategy expects equity investments to yield a higher return over the long term than fixed-income securities, while fixed-income securities are expected to provide certain matching characteristics to the plans' benefit payment cash flow requirements. Our investment policy specifies the type of investment vehicles appropriate for the applicable plan, asset allocation guidelines, criteria for the selection of investment managers, procedures to monitor overall investment performance as well as investment manager performance. It also provides guidelines enabling the applicable plan fiduciaries to fulfill their responsibilities.

Our weighted average asset allocations were:

|                             | U.S. Plans        |                   | Non-U.S. Plans    |                   |
|-----------------------------|-------------------|-------------------|-------------------|-------------------|
|                             | December 28, 2019 | December 29, 2018 | December 28, 2019 | December 29, 2018 |
| Fixed-income securities     | 83%               | 84%               | 43%               | 45%               |
| Equity securities           | 15%               | 14%               | 39%               | 34%               |
| Cash and cash equivalents   | 2%                | 2%                | 14%               | 16%               |
| Real estate                 | —%                | —%                | 2%                | 3%                |
| Certain insurance contracts | —%                | —%                | 2%                | 2%                |
| Total                       | 100%              | 100%              | 100%              | 100%              |

Our pension investment strategy for U.S. plans is designed to align our pension assets with our projected benefit obligation to reduce volatility by targeting an investment of approximately 85% of our U.S. plan assets in fixed-income securities and approximately 15% in return-seeking assets, primarily equity securities.

For pension plans outside the United States, our investment strategy is subject to local regulations and the asset/liability profiles of the plans in each individual country. In aggregate, the long-term asset allocation targets of our non-U.S. plans are broadly characterized as a mix of approximately 78% fixed-income securities and annuity contracts, and approximately 22% in return-seeking assets, primarily equity securities and real estate.

The fair value of pension plan assets at December 28, 2019 was determined using the following fair value measurements (in millions):

| Asset Category   | Total Fair Value | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|--|------------------|--|---|---|
| Corporate bonds and other fixed-income securities            | \$ 3,642         | \$ —   | \$ 3,639                                      | \$ 3                                      |
| Government bonds   | 358              | 358  | —   | —   |
| Total fixed-income securities                                | 4,000            | 358  | 3,639   | 3   |
| Equity securities  | 775              | 775  | —   | —   |
| Cash and cash equivalents                                    | 414              | 413  | 1   | —   |
| Real estate  | 45               | —  | —   | 45  |
| Certain insurance contracts                                  | 49               | —  | —   | 49  |
| Fair value excluding investments measured at net asset value | 5,283            | 1,546  | 3,640   | 97  |
| Investments measured at net asset value <sup>(a)</sup>       | 2,393            |  |   |   |
| Total plan assets at fair value                              | \$ 7,676         |  |   |   |

(a) Amount includes cash collateral of \$226 million associated with our securities lending program, which is reflected as an asset, and a corresponding securities lending payable of \$226 million, which is reflected as a liability. The net impact on total plan assets at fair value is zero.

The fair value of pension plan assets at December 29, 2018 was determined using the following fair value measurements (in millions):

| Asset Category   | Total Fair Value | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|--|------------------|--|---|---|
| Corporate bonds and other fixed-income securities            | \$ 3,089         | \$ —   | \$ 3,089                                      | \$ —                                      |
| Government bonds   | 366              | 366  | —   | —   |
| Total fixed-income securities                                | 3,455            | 366  | 3,089   | —   |
| Equity securities  | 665              | 665  | —   | —   |
| Cash and cash equivalents                                    | 422              | 419  | 3   | —   |
| Real estate  | 79               | —  | —   | 79  |
| Certain insurance contracts                                  | 53               | —  | —   | 53  |
| Fair value excluding investments measured at net asset value | 4,674            | 1,450  | 3,092   | 132                                       |
| Investments measured at net asset value <sup>(a)</sup>       | 2,234            |  |   |   |
| Total plan assets at fair value                              | \$ 6,908         |  |   |   |

(a) Amount includes cash collateral of \$269 million associated with our securities lending program, which is reflected as an asset, and a corresponding securities lending payable of \$269 million, which is reflected as a liability. The net impact on total plan assets at fair value is zero.

The following section describes the valuation methodologies used to measure the fair value of pension plan assets, including an indication of the level in the fair value hierarchy in which each type of asset is generally classified.

**Corporate Bonds and Other Fixed-Income Securities.** These securities consist of publicly traded U.S. and non-U.S. fixed interest obligations (principally corporate bonds). Such investments are valued through consultation and evaluation with brokers in the institutional market using quoted prices and other observable market data. As such, these securities are included in Level 2. A limited number of these securities are in default and included in Level 3.

**Government Bonds.** These securities consist of direct investments in publicly traded U.S. fixed interest obligations (principally debentures). Such investments are valued using quoted prices in active markets. These securities are included in Level 1.

**Equity Securities.** These securities consist of direct investments in the stock of publicly traded companies. Such investments are valued based on the closing price reported in an active market on which the individual securities are traded. As such, the direct investments are classified as Level 1.

**Cash and Cash Equivalents.** This consists of direct cash holdings and institutional short-term investment vehicles. Direct cash holdings are valued based on cost, which approximates fair value and are classified as Level 1. Certain institutional short-term investment vehicles are valued daily and are classified as Level 1. Other cash equivalents that are not traded on an active exchange, such as bank deposits, are classified as Level 2.

**Real Estate.** These holdings consist of real estate investments and are generally classified as Level 3.

**Certain Insurance Contracts.** This category consists of group annuity contracts that have been purchased to cover a portion of the plan members and have been classified as Level 3.

**Investments Measured at Net Asset Value.** This category consists of pooled funds, short-term investments and partnership/corporate feeder interests.

- **Pooled funds.** The fair values of participation units held in collective trusts are based on their net asset values, as reported by the managers of the collective trusts and as supported by the unit prices of actual purchase and sale transactions occurring as of or close to the financial statement date. The fair value of these investments measured at net asset value is excluded from the fair value hierarchy. Investments in the collective trusts can be redeemed on each business day based upon the applicable net asset value per unit. Investments in the international large/mid cap equity collective trust can be redeemed on the last business day of each month and at least one business day during the month.

The mutual fund investments are not traded on an exchange, and a majority of these funds are held in a separate account managed by a fixed income manager. The fair values of these investments are based on their net asset values, as reported by the managers and as supported by the unit prices of actual purchase and sale transactions occurring as of or close to the financial statement date. The fair value of these investments measured at net asset value is excluded from the fair value hierarchy. The objective of the account is to provide superior return with reasonable risk, where performance is expected to exceed Barclays Long U.S. Credit Index. Investments in this account can be redeemed with a written notice to the investment manager.

- *Short-term investments.* Short-term investments largely consist of a money market fund, the fair value of which is based on the net asset value reported by the manager of the fund and supported by the unit prices of actual purchase and sale transactions. The fair value of these investments measured at net asset value is excluded from the fair value hierarchy. The money market fund is designed to provide safety of principal, daily liquidity, and a competitive yield by investing in high quality money market instruments. The investment objective of the money market fund is to provide the highest possible level of current income while still maintaining liquidity and preserving capital.
- *Partnership/corporate feeder interests.* Fair value estimates of the equity partnership are based on their net asset values, as reported by the manager of the partnership. The fair value of these investments measured at net asset value is excluded from the fair value hierarchy. Investments in the equity partnership may be redeemed once per month upon 10 days' prior written notice to the General Partner, subject to the discretion of the General Partner. The investment objective of the equity partnership is to seek capital appreciation by investing primarily in equity securities.

The fair values of the corporate feeder are based upon the net asset values of the equity master fund in which it invests. The fair value of these investments measured at net asset value is excluded from the fair value hierarchy. Investments in the corporate feeder can be redeemed quarterly with at least 90 days' notice. The investment objective of the corporate feeder is to generate long-term returns by investing in large, liquid equity securities with attractive fundamentals.

Changes in our Level 3 plan assets for the year ended December 28, 2019 included (in millions):

| Asset Category                                    | December 29, 2018 | Additions | Net Realized Gain/(Loss) | Net Unrealized Gain/(Loss) | Net Purchases, Issuances and Settlements | Transfers Into/(Out of) Level 3 | December 28, 2019 |
|---|-------------------|-----------|--------------------------|----------------------------|--|---------------------------------|-------------------|
| Real estate                                       | \$ 79             | \$ —      | \$ 2                     | \$ 2                       | \$ (38)                                  | \$ —                            | \$ 45             |
| Corporate bonds and other fixed-income securities | —                 | —         | —                        | —                          | —  | 3                               | 3                 |
| Certain insurance contracts                       | 53                | —         | —                        | 1                          | (5)                                      | —                               | 49                |
| Total Level 3 investments                         | \$ 132            | \$ —      | \$ 2                     | \$ 3                       | \$ (43)                                  | \$ 3                            | \$ 97             |

Changes in our Level 3 plan assets for the year ended December 29, 2018 included (in millions):

| Asset Category              | December 30, 2017 | Additions | Net Realized Gain/(Loss) | Net Unrealized Gain/(Loss) | Net Purchases, Issuances and Settlements | Transfers Into/(Out of) Level 3 | December 29, 2018 |
|-----------------------------|-------------------|-----------|--------------------------|----------------------------|--|---------------------------------|-------------------|
| Real estate                 | \$ 262            | \$ —      | \$ 49                    | \$ (7)                     | \$ (210)                                 | \$ (15)                         | \$ 79             |
| Certain insurance contracts | 983               | —         | (82)                     | (3)                        | (845)                                    | —                               | 53                |
| Total Level 3 investments   | \$ 1,245          | \$ —      | \$ (33)                  | \$ (10)                    | \$ (1,055)                               | \$ (15)                         | \$ 132            |

Net purchases, issuances and settlements of \$845 million principally related to insurance contract settlements in Canada in connection with the wind-up of our Canadian salaried and hourly defined benefit pension plans.

**Employer Contributions:**

In 2019, we contributed \$19 million to our non-U.S. pension plans. We did not contribute to our U.S. pension plans. We estimate that 2020 pension contributions will be approximately \$19 million to our non-U.S. pension plans. We do not plan to make contributions to our U.S. pension plans in 2020. 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.

**Future Benefit Payments:**

The estimated future benefit payments from our pension plans at December 28, 2019 were (in millions):

|           | U.S. Plans | Non-U.S. Plans |
|-----------|------------|----------------|
| 2020      | \$ 343     | \$ 75          |
| 2021      | 340        | 75             |
| 2022      | 331        | 80             |
| 2023      | 323        | 79             |
| 2024      | 314        | 80             |
| 2025-2029 | 1,364      | 438            |

**Postretirement Plans****Obligations and Funded Status:**

The accumulated benefit obligation, fair value of plan assets, and funded status of our postretirement benefit plans were (in millions):

|  | December 28, 2019 | December 29, 2018 |
|--|-------------------|-------------------|
| Benefit obligation at beginning of year                                | \$ 1,294          | \$ 1,553          |
| Service cost   | 6                 | 8                 |
| Interest cost  | 46                | 45                |
| Benefits paid  | (129)             | (136)             |
| Actuarial losses/(gains)   | 94                | (142)             |
| Plan amendments  | (1)               | (21)              |
| Currency   | 6                 | (13)              |
| Curtailments   | (3)               | —                 |
| Benefit obligation at end of year                                      | 1,313             | 1,294             |
| Fair value of plan assets at beginning of year                         | 1,044             | 1,188             |
| Actual return on plan assets   | 187               | (26)              |
| Employer contributions   | 13                | 19                |
| Benefits paid  | (130)             | (137)             |
| Fair value of plan assets at end of year                               | 1,114             | 1,044             |
| Net postretirement benefit liability/(asset) recognized at end of year | \$ 199            | \$ 250            |

We recognized the net postretirement benefit asset/(liability) on our consolidated balance sheets as follows (in millions):

|   | December 28, 2019 | December 29, 2018 |
|---|-------------------|-------------------|
| Other current liabilities                               | \$ (15)           | \$ (14)           |
| Accrued postemployment costs                            | (184)             | (236)             |
| Net postretirement benefit asset/(liability) recognized | \$ (199)          | \$ (250)          |

All of our postretirement benefit plans were underfunded based on accumulated postretirement benefit obligations in excess of plan assets. The accumulated benefit obligations and the fair value of plan assets were (in millions):

|                                | December 28, 2019 | December 29, 2018 |
|--------------------------------|-------------------|-------------------|
| Accumulated benefit obligation | \$ 1,313          | \$ 1,294          |
| Fair value of plan assets      | 1,114             | 1,044             |

We used the following weighted average assumptions to determine our postretirement benefit obligations:

|   | December 28, 2019 | December 29, 2018 |
|---|-------------------|-------------------|
| Discount rate                                     | 3.1%              | 4.2%              |
| Health care cost trend rate assumed for next year | 6.5%              | 6.7%              |
| Ultimate trend rate                               | 4.9%              | 4.9%              |

Discount rates for our plans were developed from a model portfolio of high-quality, fixed-income debt instruments with durations that match the expected future cash flows of the plans. Our expected health care cost trend rate is based on historical costs and our expectation for health care cost trend rates going forward.

The year that the health care cost trend rate reaches the ultimate trend rate varies by plan and ranges between 2020 and 2030 as of December 28, 2019.

Assumed health care costs trend rates have a significant impact on the amounts reported for the postretirement benefit plans. A one-percentage-point change in assumed health care cost trend rates would have the following effects, increase/(decrease) in cost and obligation, as of December 28, 2019 (in millions):

|   | One-Percentage-Point |            |
|---|----------------------|------------|
|   | Increase             | (Decrease) |
| Effect on annual service and interest cost  | \$ 3                 | \$ (2)     |
| Effect on postretirement benefit obligation | 55                   | (47)       |

**Components of Net Postretirement Cost/(Benefit):**

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

|   | December 28, 2019 | December 29, 2018 | December 30, 2017 |
|---|-------------------|-------------------|-------------------|
| Service cost                                  | \$ 6              | \$ 8              | \$ 10             |
| Interest cost                                 | 46                | 45                | 49                |
| Expected return on plan assets                | (53)              | (50)              | —                 |
| Amortization of prior service costs/(credits) | (306)             | (311)             | (328)             |
| Amortization of unrecognized losses/(gains)   | (8)               | —                 | —                 |
| Curtailments                                  | (5)               | —                 | (177)             |
| Net postretirement cost/(benefit)             | \$ (320)          | \$ (308)          | \$ (446)          |

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

The amortization of prior service credits was primarily driven by plan amendments in 2015 and 2016. We estimate that amortization of prior service credits will be approximately \$123 million in 2020, \$8 million in 2021, \$6 million in 2022, \$6 million in 2023, and \$2 million in 2024.

In 2017, we remeasured certain of our postretirement plans and recognized a curtailment gain of \$177 million. The curtailment was triggered by the number of cumulative headcount reductions after the closure of certain U.S. factories during the year. The resulting gain is attributed to accelerating a portion of the previously deferred actuarial gains and prior service credits. The headcount reductions and factory closures were part of our Integration Program. See Note 5, *Restructuring Activities*, for additional information.

We used the following weighted average assumptions to determine our net postretirement benefit plans cost for the years ended:

|  | December 28, 2019 | December 29, 2018 | December 30, 2017 |
|--|-------------------|-------------------|-------------------|
| Discount rate - Service cost           | 4.2%              | 3.6%              | 4.0%              |
| Discount rate - Interest cost          | 3.8%              | 3.0%              | 3.0%              |
| Expected rate of return on plan assets | 5.4%              | 4.4%              | —%                |
| Health care cost trend rate            | 6.5%              | 6.7%              | 6.3%              |

Discount rates for our plans were developed from a model portfolio of high-quality, fixed-income debt instruments with durations that match the expected future cash flows of the plans. We determine our expected rate of return on plan assets from the plan assets' target asset allocation and estimates of future long-term returns by asset class. Our expected health care cost trend rate is based on historical costs and our expectation for health care cost trend rates going forward.

**Plan Assets:**

In December 2017, we made a cash contribution of approximately \$1.2 billion to pre-fund a portion of our U.S. postretirement plan benefits following enactment of U.S. Tax Reform on December 22, 2017. The underlying basis of the investment strategy of our U.S. postretirement plans is to ensure that funds are available to meet the plans' benefit obligations when they are due by investing plan assets in a high-quality, diversified manner in order to maintain the security of the funds. The investment strategy expects equity investments to yield a higher return over the long term than fixed-income securities, while fixed-income securities are expected to provide certain matching characteristics to the plans' benefit payment cash flow requirements.

Our weighted average asset allocations were:

|                           | December 28, 2019 | December 29, 2018 |
|---------------------------|-------------------|-------------------|
| Fixed-income securities   | 65%               | 65%               |
| Equity securities         | 31%               | 27%               |
| Cash and cash equivalents | 4%                | 8%                |

Our postretirement benefit plan investment strategy is subject to local regulations and the asset/liability profiles of the plans in each individual country. Our investment strategy is designed to align our postretirement benefit plan assets with our postretirement benefit obligation to reduce volatility. In aggregate, our long-term asset allocation targets are broadly characterized as a mix of approximately 70% in fixed-income securities and approximately 30% in return-seeking assets, primarily equity securities.

The fair value of postretirement benefit plan assets at December 28, 2019 was determined using the following fair value measurements (in millions):

| Asset Category   | Total Fair Value | Quoted Prices in Active<br>Markets for Identical<br>Assets<br>(Level 1) | Significant Other<br>Observable Inputs<br>(Level 2) | Significant Unobservable<br>Inputs<br>(Level 3) |
|--|------------------|---|---|---|
| Government bonds   | \$ 33            | \$ 33   | \$ —  | \$ —  |
| Corporate bonds and other fixed-income securities            | 592              | —   | 592   | —   |
| Total fixed-income securities                                | 625              | 33  | 592   | —   |
| Equity securities  | 188              | 188   | —   | —   |
| Fair value excluding investments measured at net asset value | 813              | 221   | 592   | —   |
| Investments measured at net asset value                      | 301              |   |   |   |
| Total plan assets at fair value                              | <u>\$ 1,114</u>  |   |   |   |

The fair value of postretirement benefit plan assets at December 29, 2018 was determined using the following fair value measurements (in millions):

| Asset Category   | Total Fair Value | Quoted Prices in Active<br>Markets for Identical<br>Assets<br>(Level 1) | Significant Other<br>Observable Inputs<br>(Level 2) | Significant Unobservable<br>Inputs<br>(Level 3) |
|--|------------------|---|---|---|
| Government bonds   | \$ 26            | \$ 26   | \$ —  | \$ —  |
| Corporate bonds and other fixed-income securities            | 567              | —   | 567   | —   |
| Total fixed-income securities                                | 593              | 26  | 567   | —   |
| Equity securities  | 146              | 146   | —   | —   |
| Fair value excluding investments measured at net asset value | 739              | 172   | 567   | —   |
| Investments measured at net asset value                      | 305              |   |   |   |
| Total plan assets at fair value                              | <u>\$ 1,044</u>  |   |   |   |

The following section describes the valuation methodologies used to measure the fair value of postretirement benefit plan assets, including an indication of the level in the fair value hierarchy in which each type of asset is generally classified.

**Corporate Bonds and Other Fixed-Income Securities.** These securities consist of publicly traded U.S. and non-U.S. fixed interest obligations (principally corporate bonds and tax-exempt municipal bonds). Such investments are valued through consultation and evaluation with brokers in the institutional market using quoted prices and other observable market data. As such, these securities are included in Level 2.

**Government Bonds.** These securities consist of direct investments in publicly traded U.S. fixed interest obligations (principally debentures). Such investments are valued using quoted prices in active markets. These securities are included in Level 1.

**Equity Securities.** These securities consist of direct investments in the stock of publicly traded companies. Such investments are valued based on the closing price reported in an active market on which the individual securities are traded. As such, the direct investments are classified as Level 1.

**Investments Measured at Net Asset Value.** This category consists of pooled funds and short-term investments.

- **Pooled funds.** The fair values of participation units held in collective trusts are based on their net asset values, as reported by the managers of the collective trusts and as supported by the unit prices of actual purchase and sale transactions occurring as of or close to the financial statement date. The fair value of these investments measured at net asset value is excluded from the fair value hierarchy. Investments in the collective trusts can be redeemed on each business day based upon the applicable net asset value per unit. Investments in the international large/mid cap equity collective trust can be redeemed on the last business day of each month and at least one business day during the month.

The mutual fund investments are not traded on an exchange. The fair values of the mutual fund investments that are not traded on an exchange are based on their net asset values, as reported by the managers and as supported by the unit prices of actual purchase and sale transactions occurring as of or close to the financial statement date. The fair value of these investments measured at net asset value is excluded from the fair value hierarchy.

- **Short-term investments.** Short-term investments largely consist of a money market fund, the fair value of which is based on the net asset value reported by the manager of the fund and supported by the unit prices of actual purchase and sale transactions. The fair value of these investments measured at net asset value is excluded from the fair value hierarchy. The money market fund is designed to provide safety of principal, daily liquidity, and a competitive yield by investing in high quality money market instruments. The investment objective of the money market fund is to provide the highest possible level of current income while still maintaining liquidity and preserving capital.

**Employer Contributions:**

In 2019, we contributed \$12 million to our postretirement benefit plans. We estimate that 2020 postretirement benefit plan contributions will be approximately \$15 million. 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.

**Future Benefit Payments:**

Our estimated future benefit payments for our postretirement plans at December 28, 2019 were (in millions):

|           |    |     |
|-----------|----|-----|
| 2020      | \$ | 125 |
| 2021      |    | 114 |
| 2022      |    | 114 |
| 2023      |    | 107 |
| 2024      |    | 101 |
| 2025-2029 |    | 413 |

**Other Plans**

We sponsor and contribute to employee savings plans that cover eligible salaried, non-union, and union employees. Our contributions and costs are determined by the matching of employee contributions, as defined by the plans. Amounts charged to expense for defined contribution plans totaled \$88 million in 2019, \$85 million in 2018, and \$78 million in 2017.



### Accumulated Other Comprehensive Income/(Losses)

Our accumulated other comprehensive income/(losses) pension and postretirement benefit plans balances, before tax, consisted of the following (in millions):

|                             | Pension Benefits  |                   | Postretirement Benefits |                   | Total             |                   |
|-----------------------------|-------------------|-------------------|-------------------------|-------------------|-------------------|-------------------|
|                             | December 28, 2019 | December 29, 2018 | December 28, 2019       | December 29, 2018 | December 28, 2019 | December 29, 2018 |
| Net actuarial gain/(loss)   | \$ 74             | \$ 175            | \$ 209                  | \$ 177            | \$ 283            | \$ 352            |
| Prior service credit/(cost) | (14)              | (14)              | 153                     | 458               | 139               | 444               |
|                             | <u>\$ 60</u>      | <u>\$ 161</u>     | <u>\$ 362</u>           | <u>\$ 635</u>     | <u>\$ 422</u>     | <u>\$ 796</u>     |

The net postemployment benefits recognized in other comprehensive income/(loss), consisted of the following (in millions):

|   | December 28, 2019 | December 29, 2018 | December 30, 2017 |
|---|-------------------|-------------------|-------------------|
| Net postemployment benefit gains/(losses) arising during the period:                |                   |                   |                   |
| Net actuarial gains/(losses) arising during the period - Pension Benefits           | \$ (103)          | \$ 8              | \$ 45             |
| Net actuarial gains/(losses) arising during the period - Postretirement Benefits    | 41                | 66                | 71                |
| Prior service credits/(costs) arising during the period - Pension Benefits          | —                 | (15)              | 1                 |
| Prior service credits/(costs) arising during the period - Postretirement Benefits   | 1                 | 21                | 24                |
|   | (61)              | 80                | 141               |
| Tax benefit/(expense)   | (5)               | (19)              | (55)              |
|   | <u>\$ (66)</u>    | <u>\$ 61</u>      | <u>\$ 86</u>      |
| Reclassification of net postemployment benefit losses/(gains) to net income/(loss): |                   |                   |                   |
| Amortization of unrecognized losses/(gains) - Pension Benefits                      | \$ 1              | \$ 2              | \$ 1              |
| Amortization of unrecognized losses/(gains) - Postretirement Benefits               | (8)               | —                 | —                 |
| Amortization of prior service costs/(credits) - Postretirement Benefits             | (306)             | (311)             | (328)             |
| Net settlement and curtailment losses/(gains) - Pension Benefits                    | 1                 | 153               | 2                 |
| Net settlement and curtailment losses/(gains) - Postretirement Benefits             | (1)               | —                 | (177)             |
| Other losses/(gains) on postemployment benefits                                     | 1                 | —                 | —                 |
|   | (312)             | (156)             | (502)             |
| Tax (benefit)/expense   | 78                | 38                | 193               |
|   | <u>\$ (234)</u>   | <u>\$ (118)</u>   | <u>\$ (309)</u>   |

As of December 28, 2019, we expect to amortize \$123 million of postretirement benefit plans prior service credits from accumulated other comprehensive income/(losses) into net postretirement benefit plans costs/(benefits) during 2020. We do not expect to amortize any other significant postemployment benefit losses/(gains) into net pension or net postretirement benefit plan costs/(benefits) during 2020.

### Note 13. Financial Instruments

We maintain a policy of requiring that all significant, non-exchange traded derivative contracts be governed by an International Swaps and Derivatives Association master agreement, and these master agreements and their schedules contain certain obligations regarding the delivery of certain financial information upon demand.

#### Derivative Volume:

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

|                            | Notional Amount   |                   |
|----------------------------|-------------------|-------------------|
|                            | December 28, 2019 | December 29, 2018 |
| Commodity contracts        | \$ 475            | \$ 478            |
| Foreign exchange contracts | 3,045             | 3,263             |
| Cross-currency contracts   | 4,035             | 10,146            |

The decrease in our derivative volume for cross-currency contracts was primarily driven by the settlement of Canadian dollar and British pound sterling cross-currency swaps in the fourth quarter of 2019.

**Fair Value of Derivative Instruments:**

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair values and the levels within the fair value hierarchy of derivative instruments recorded on the consolidated balance sheets were (in millions):

|   | December 28, 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 |
| <b>Derivatives designated as hedging instruments:</b>     |  |             |   |             |                  |             |
| Foreign exchange contracts <sup>(a)</sup>                 | \$ —   | \$ —        | \$ 7  | \$ 20       | \$ 7             | \$ 20       |
| Cross-currency contracts <sup>(b)</sup>                   | —  | —           | 200   | 88          | 200              | 88          |
| <b>Derivatives not designated as hedging instruments:</b> |  |             |   |             |                  |             |
| Commodity contracts <sup>(c)</sup>                        | 42   | 6           | —   | 2           | 42               | 8           |
| Foreign exchange contracts <sup>(a)</sup>                 | —  | —           | 6   | 3           | 6                | 3           |
| Total fair value  | \$ 42  | \$ 6        | \$ 213  | \$ 113      | \$ 255           | \$ 119      |

(a) At December 28, 2019, the fair value of our derivative assets was recorded in other current assets ( \$12 million) and other non-current assets ( \$1 million), and the fair value of our derivative liabilities was recorded in other current liabilities.

(b) At December 28, 2019, the fair value of our derivative assets was recorded in other non-current assets and the fair value of our derivative liabilities was recorded in other non-current liabilities.

(c) At December 28, 2019, the fair value of our derivative assets was recorded in other current assets and the fair value of derivative liabilities was recorded in other current liabilities.

|   | December 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 |
| <b>Derivatives designated as hedging instruments:</b>     |  |             |   |             |                  |             |
| Foreign exchange contracts <sup>(a)</sup>                 | \$ —   | \$ —        | \$ 51   | \$ 26       | \$ 51            | \$ 26       |
| Cross-currency contracts <sup>(b)</sup>                   | —  | —           | 139   | 3           | 139              | 3           |
| <b>Derivatives not designated as hedging instruments:</b> |  |             |   |             |                  |             |
| Commodity contracts <sup>(a)</sup>                        | 5  | 27          | —   | 2           | 5                | 29          |
| Foreign exchange contracts <sup>(a)</sup>                 | —  | —           | 5   | 42          | 5                | 42          |
| Cross-currency contracts <sup>(b)</sup>                   | —  | —           | 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 \$108 million at December 28, 2019 and \$124 million at December 29, 2018. At December 28, 2019, we had collected collateral of \$25 million related to commodity derivative margin requirements. This was included in other current liabilities on our consolidated balance sheet at December 28, 2019. At December 29, 2018, collateral of \$32 million was posted related to commodity derivative margin requirements. This was included in prepaid expenses on our consolidated balance sheet at December 29, 2018.

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 December 28, 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 \$162 million.

We periodically use non-derivative instruments such as non-U.S. dollar financing transactions or non-U.S. dollar assets or liabilities, including intercompany loans, to hedge the exposure of changes in underlying foreign currency denominated subsidiary net assets, and they are designated as net investment hedges. At December 28, 2019, we had a euro intercompany loan with aggregate notional amount of \$76 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.

***Interest Rate Hedging:***

From time to time we have had derivatives designated as interest rate hedges, including interest rate swaps. We no longer have any outstanding interest rate swaps. We continue to amortize the realized hedge losses that were deferred into accumulated other comprehensive income/(losses) into interest expense through the original maturity of the related long-term debt instruments.

***Cash Flow Hedge Coverage:***

At December 28, 2019, we had entered into foreign exchange contracts designated as cash flow hedges for periods not exceeding the next 25 months and into cross-currency contracts designated as cash flow hedges for periods not exceeding the next four years.

***Deferred Hedging Gains and Losses on Cash Flow Hedges:***

Based on our valuation at December 28, 2019 and assuming market rates remain constant through contract maturities, we expect transfers to net income/(loss) of unrealized gains on cross-currency cash flow hedges and unrealized losses on interest rate cash flow hedges during the next 12 months to be insignificant. Additionally, we expect transfers to net income/(loss) of unrealized losses on foreign currency cash flow hedges during the next 12 months to be approximately \$12 million.

***Concentration of Credit Risk:***

Counterparties to our foreign exchange derivatives consist of major international financial institutions. We continually monitor our positions and the credit ratings of the counterparties involved and, by policy, limit the amount of our credit exposure to any one party. While we may be exposed to potential losses due to the credit risk of non-performance by these counterparties, losses are not anticipated. We closely monitor the credit risk associated with our counterparties and customers and to date have not experienced material losses.

***Economic Hedging:***

We enter into certain derivative contracts not designated as hedging instruments in accordance with our risk management strategy which have an economic impact of largely mitigating commodity price risk and foreign currency exposures. Gains and losses are recorded in net income/(loss) as a component of cost of products sold for our commodity contracts and other expense/(income) for our cross currency and foreign exchange contracts.

**Divestiture Hedging:**

We entered into foreign exchange derivative contracts to economically hedge the foreign currency exposure related to the Heinz India Transaction. In 2018, the related derivative losses were \$20 million, including \$17 million recorded within other expense/(income) and \$3 million recorded within interest expense. These derivative contracts settled in the first quarter of 2019 resulting in a gain of \$5 million, including a gain of \$6 million recorded within other expense/(income) and a loss of \$1 million recorded within interest expense. These losses are classified as other losses/(gains) related to acquisitions and divestitures. Additionally, we entered into foreign exchange contracts which were designated as net investment hedges related to our investment in Heinz India. Related to these net investment hedges, we had unrealized hedge losses of \$10 million as of December 29, 2018, which were recognized in accumulated other comprehensive income/(losses). In 2019, these net investment hedges settled at a loss of \$6 million. This loss was subsequently reclassified from accumulated other comprehensive income/(losses) to other expense/(income) in the consolidated statement of income in the first quarter of 2019 when the Heinz India Transaction closed. These losses are classified as losses/(gains) on the sale of a business. See Note 4, *Acquisitions and Divestitures*, for additional information related to the Heinz India Transaction.

**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) |
|---|---|-------------------|-------------------|---|
|   | December 28, 2019   | December 29, 2018 | December 30, 2017 |   |
| <b>Cash flow hedges:</b>  |   |                   |                   |   |
| Foreign exchange contracts  | \$ —  | \$ —              | \$ 1              | Net sales   |
| Foreign exchange contracts  | (36)  | 64                | (42)              | Cost of products sold   |
| Foreign exchange contracts (excluded component)                       | 2   | (2)               | —                 | Cost of products sold   |
| Foreign exchange contracts  | (23)  | 56                | (82)              | Other expense/(income)  |
| Foreign exchange contracts (excluded component)                       | —   | 3                 | —                 | Other expense/(income)  |
| Cross-currency contracts  | 43  | (4)               | —                 | Other expense/(income)  |
| Cross-currency contracts (excluded component)                         | 28  | 1                 | —                 | Other expense/(income)  |
| <b>Net investment hedges:</b>   |   |                   |                   |   |
| Foreign exchange contracts  | 13  | (11)              | (23)              | Other expense/(income)  |
| Foreign exchange contracts (excluded component)                       | (1)   | (3)               | —                 | Interest expense  |
| Cross-currency contracts  | (67)  | 214               | (184)             | Other expense/(income)  |
| Cross-currency contracts (excluded component)                         | 30  | 13                | —                 | Interest expense  |
| Total gains/(losses) recognized in statements of comprehensive income | <u>\$ (11)</u>  | <u>\$ 331</u>     | <u>\$ (330)</u>   |   |

**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):

|  | December 28, 2019     |                  |                        | December 29, 2018     |                  |                        |
|--|-----------------------|------------------|------------------------|-----------------------|------------------|------------------------|
|  | Cost of products sold | Interest expense | Other expense/(income) | Cost of products sold | Interest expense | Other expense/(income) |
| <b>Total amounts presented in the consolidated statements of income in which the following effects were recorded</b> | \$ 16,830             | \$ 1,361         | \$ (952)               | \$ 17,347             | \$ 1,284         | \$ (168)               |
| <b>Gains/(losses) related to derivatives designated as hedging instruments:</b>                                      |                       |                  |                        |                       |                  |                        |
| Cash flow hedges:  |                       |                  |                        |                       |                  |                        |
| Foreign exchange contracts   | \$ 23                 | \$ —             | \$ (22)                | \$ (2)                | \$ —             | \$ 56                  |
| Foreign exchange contracts (excluded component)  | —                     | —                | —                      | (2)                   | —                | 3                      |
| Interest rate contracts  | —                     | (4)              | —                      | —                     | (4)              | —                      |
| Cross-currency contracts   | —                     | —                | 23                     | —                     | —                | (7)                    |
| Cross-currency contracts (excluded component)  | —                     | —                | 28                     | —                     | —                | 1                      |
| Net investment hedges:   |                       |                  |                        |                       |                  |                        |
| Foreign exchange contracts   | —                     | —                | (6)                    | —                     | —                | —                      |
| Foreign exchange contracts (excluded component)  | —                     | (1)              | —                      | —                     | (3)              | —                      |
| Cross-currency contracts (excluded component)  | —                     | 30               | —                      | —                     | 13               | —                      |
| <b>Gains/(losses) related to derivatives not designated as hedging instruments:</b>                                  |                       |                  |                        |                       |                  |                        |
| Commodity contracts  | 43                    | —                | —                      | (44)                  | —                | —                      |
| Foreign exchange contracts   | —                     | —                | (1)                    | —                     | —                | (84)                   |
| Cross-currency contracts   | —                     | —                | 11                     | —                     | —                | 4                      |
| Total gains/(losses) recognized in statements of income  | \$ 66                 | \$ 25            | \$ 33                  | \$ (48)               | \$ 6             | \$ (27)                |

|  | December 30, 2017     |                  |                        |
|--|-----------------------|------------------|------------------------|
|  | Cost of products sold | Interest expense | Other expense/(income) |
| <b>Total amounts presented in the consolidated statements of income in which the following effects were recorded</b> | \$ 17,043             | \$ 1,234         | \$ (627)               |
| <b>Gains/(losses) related to derivatives designated as hedging instruments:</b>                                      |                       |                  |                        |
| Cash flow hedges:  |                       |                  |                        |
| Foreign exchange contracts   | \$ —                  | \$ —             | \$ (81)                |
| Interest rate contracts  | —                     | (4)              | —                      |
| <b>Gains/(losses) related to derivatives not designated as hedging instruments:</b>                                  |                       |                  |                        |
| Commodity contracts  | (37)                  | —                | —                      |
| Foreign exchange contracts   | —                     | —                | 54                     |
| Cross-currency contracts   | —                     | —                | (2)                    |
| Total gains/(losses) recognized in statements of income  | \$ (37)               | \$ (4)           | \$ (29)                |

**Non-Derivative Impact on Statements of Comprehensive Income:**

Related to our non-derivative, foreign denominated debt instruments designated as net investment hedges, we recognized pre-tax gains of \$52 million in 2019 and \$174 million in 2018 and pre-tax losses of \$425 million in 2017. 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<br>Translation<br>Adjustments | Net Postemployment<br>Benefit Plan<br>Adjustments | Net Cash Flow Hedge<br>Adjustments | Total      |
|--|--|---|------------------------------------|------------|
| <b>Balance as of December 31, 2016</b>   | \$ (2,413)                                     | \$ 772  | \$ 12                              | \$ (1,629) |
| Foreign currency translation adjustments   | 1,179  | —   | —                                  | 1,179      |
| Net deferred gains/(losses) on net investment hedges                                   | (353)  | —   | —                                  | (353)      |
| Net deferred gains/(losses) on cash flow hedges  | —  | —   | (113)                              | (113)      |
| Net deferred losses/(gains) on cash flow hedges reclassified to net income/(loss)      | —  | —   | 85                                 | 85         |
| Net postemployment benefit gains/(losses) arising during the period                    | —  | 86  | —                                  | 86         |
| Net postemployment benefit losses/(gains) reclassified to net income/(loss)            | —  | (309)   | —                                  | (309)      |
| Total other comprehensive income/(loss)  | 826  | (223)   | (28)                               | 575        |
| <b>Balance as of December 30, 2017</b>   | (1,587)  | 549   | (16)                               | (1,054)    |
| Foreign currency translation adjustments   | (1,173)  | —   | —                                  | (1,173)    |
| Net deferred gains/(losses) on net investment hedges                                   | 284  | —   | —                                  | 284        |
| Amounts excluded from the effectiveness assessment of net investment hedges            | 7  | —   | —                                  | 7          |
| Net deferred losses/(gains) on net investment hedges reclassified to net income/(loss) | (7)  | —   | —                                  | (7)        |
| Net deferred gains/(losses) on cash flow hedges  | —  | —   | 99                                 | 99         |
| Amounts excluded from the effectiveness assessment of cash flow hedges                 | —  | —   | 2                                  | 2          |
| Net deferred losses/(gains) on cash flow hedges reclassified to net income/(loss)      | —  | —   | (44)                               | (44)       |
| Net postemployment benefit gains/(losses) arising during the period                    | —  | 61  | —                                  | 61         |
| Net postemployment benefit losses/(gains) reclassified to net income/(loss)            | —  | (118)   | —                                  | (118)      |
| Total other comprehensive income/(loss)  | (889)  | (57)  | 57                                 | (889)      |
| <b>Balance as of December 29, 2018</b>   | (2,476)  | 492   | 41                                 | (1,943)    |
| Foreign currency translation adjustments   | 239  | —   | —                                  | 239        |
| Net deferred gains/(losses) on net investment hedges                                   | 1  | —   | —                                  | 1          |
| Amounts excluded from the effectiveness assessment of net investment hedges            | 22   | —   | —                                  | 22         |
| Net deferred losses/(gains) on net investment hedges reclassified to net income/(loss) | (16)   | —   | —                                  | (16)       |
| Net deferred gains/(losses) on cash flow hedges  | —  | —   | (10)                               | (10)       |
| Amounts excluded from the effectiveness assessment of cash flow hedges                 | —  | —   | 29                                 | 29         |
| Net deferred losses/(gains) on cash flow hedges reclassified to net income/(loss)      | —  | —   | (41)                               | (41)       |
| Net postemployment benefit gains/(losses) arising during the period                    | —  | (69)  | —                                  | (69)       |
| Net postemployment benefit losses/(gains) reclassified to net income/(loss)            | —  | (234)   | —                                  | (234)      |
| Cumulative effect of accounting standards adopted in the period <sup>(a)</sup>         | —  | 114   | 22                                 | 136        |
| Total other comprehensive income/(loss)  | 246  | (189)   | —                                  | 57         |
| <b>Balance at December 28, 2019</b>  | \$ (2,230)                                     | \$ 303  | \$ 41                              | \$ (1,886) |

(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 3, *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):

|  | December 28, 2019 |      |                   | December 29, 2018 |      |                   | December 30, 2017 |      |                   |
|--|-------------------|------|-------------------|-------------------|------|-------------------|-------------------|------|-------------------|
|  | Before Tax Amount | Tax  | Net of Tax Amount | Before Tax Amount | Tax  | Net of Tax Amount | Before Tax Amount | Tax  | Net of Tax Amount |
| Foreign currency translation adjustments   | \$ 239            | \$ — | \$ 239            | \$ (1,173)        | \$ — | \$ (1,173)        | \$ 1,179          | \$ — | \$ 1,179          |
| Net deferred gains/(losses) on net investment hedges                                   | (2)               | 3    | 1                 | 377               | (93) | 284               | (632)             | 279  | (353)             |
| Amounts excluded from the effectiveness assessment of net investment hedges            | 29                | (7)  | 22                | 10                | (3)  | 7                 | —                 | —    | —                 |
| Net deferred losses/(gains) on net investment hedges reclassified to net income/(loss) | (23)              | 7    | (16)              | (10)              | 3    | (7)               | —                 | —    | —                 |
| Net deferred gains/(losses) on cash flow hedges  | (16)              | 6    | (10)              | 116               | (17) | 99                | (123)             | 10   | (113)             |
| Amounts excluded from the effectiveness assessment of cash flow hedges                 | 30                | (1)  | 29                | 2                 | —    | 2                 | —                 | —    | —                 |
| Net deferred losses/(gains) on cash flow hedges reclassified to net income/(loss)      | (48)              | 7    | (41)              | (45)              | 1    | (44)              | 85                | —    | 85                |
| Net actuarial gains/(losses) arising during the period                                 | (65)              | (5)  | (70)              | 74                | (16) | 58                | 116               | (47) | 69                |
| Prior service credits/(costs) arising during the period                                | 1                 | —    | 1                 | 6                 | (3)  | 3                 | 25                | (8)  | 17                |
| Net postemployment benefit losses/(gains) reclassified to net income/(loss)            | (312)             | 78   | (234)             | (156)             | 38   | (118)             | (502)             | 193  | (309)             |

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 |
|---|--|-------------------|-------------------|--|
|   | December 28, 2019  | December 29, 2018 | December 30, 2017 |  |
| Losses/(gains) on net investment hedges:                      |  |                   |                   |  |
| Foreign exchange contracts <sup>(a)</sup>                     | \$ 6   | \$ —              | \$ —              | Other expense/(income)                         |
| Foreign exchange contracts <sup>(b)</sup>                     | 1  | 3                 | —                 | Interest expense                               |
| Cross-currency contracts <sup>(b)</sup>                       | (30)   | (13)              | —                 | Interest expense                               |
| Losses/(gains) on cash flow hedges:                           |  |                   |                   |  |
| Foreign exchange contracts <sup>(c)</sup>                     | (23)   | 4                 | —                 | Cost of products sold                          |
| Foreign exchange contracts <sup>(c)</sup>                     | 22   | (59)              | 81                | Other expense/(income)                         |
| Cross-currency contracts <sup>(b)</sup>                       | (51)   | 6                 | —                 | Other expense/(income)                         |
| Interest rate contracts <sup>(d)</sup>                        | 4  | 4                 | 4                 | Interest expense                               |
| Losses/(gains) on hedges before income taxes                  | (71)   | (55)              | 85                |  |
| Losses/(gains) on hedges, income taxes                        | 14   | 4                 | —                 |  |
| Losses/(gains) on hedges                                      | <u>\$ (57)</u>   | <u>\$ (51)</u>    | <u>\$ 85</u>      |  |
| Losses/(gains) on postemployment benefits:                    |  |                   |                   |  |
| Amortization of unrecognized losses/(gains) <sup>(e)</sup>    | \$ (7)   | \$ 2              | \$ 1              |  |
| Amortization of prior service costs/(credits) <sup>(e)</sup>  | (306)  | (311)             | (328)             |  |
| Settlement and curtailment losses/(gains) <sup>(e)</sup>      | —  | 153               | (175)             |  |
| Other losses/(gains) on postemployment benefits               | 1  | —                 | —                 |  |
| Losses/(gains) on postemployment benefits before income taxes | (312)  | (156)             | (502)             |  |
| Losses/(gains) on postemployment benefits, income taxes       | 78   | 38                | 193               |  |
| Losses/(gains) on postemployment benefits                     | <u>\$ (234)</u>  | <u>\$ (118)</u>   | <u>\$ (309)</u>   |  |

(a) Represents the reclassification of hedge losses/(gains) resulting from the complete or substantially complete liquidation of our investment in the underlying foreign operations.

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

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

(d) 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.

(e) 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 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.



As of December 28, 2019, companies and individuals are allowed to use an auction-based system at private and public banks to obtain foreign currency. This is the only foreign currency exchange mechanism legally available to us for converting Venezuelan bolivars to U.S. dollars. Published daily by the Banco Central de Venezuela, the exchange rate (“BCV Rate”) is calculated as the weighted average rate of participating banking institutions with active exchange operations. We believe the BCV Rate is the most appropriate legally available rate at which to translate the results of our Venezuelan subsidiary. Therefore, we revalue the income statement using the weighted average BCV Rates, and we revalue the bolivar-denominated monetary assets and liabilities at the period-end BCV 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 consolidated statements of income.

The BCV Rate at December 28, 2019 was Bs\$45,874.81 per U.S. dollar compared to Bs\$638.18 at December 29, 2018. The weighted average rate was Bs\$13,955.68 for 2019, Bs\$25.06 for 2018, and Bs\$0.02 for 2017. Remeasurements of the bolivar-denominated monetary assets and liabilities and operating results of our Venezuelan subsidiary at BCV Rates resulted in nonmonetary currency devaluation losses of \$10 million in 2019, \$146 million in 2018, and \$36 million in 2017. These losses were recorded in other expense/(income) in the consolidated statements of income.

Our Venezuelan subsidiary obtains U.S. dollars through private and public bank 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 December 28, 2019, our Venezuelan subsidiary had 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 the bank auctions described above, 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 BCV 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 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 arrangements. For certain arrangements, we have concluded that our obligations to our suppliers, including amounts due and scheduled payment terms, are impacted by their participation in the program and therefore we classify amounts outstanding within other current liabilities on our consolidated balance sheets. We had approximately \$253 million at December 28, 2019 and approximately \$267 million at December 29, 2018 on our consolidated balance sheets related to these 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. As a result, there were no related amounts on our consolidated balance sheets at December 28, 2019 or December 29, 2018.

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) were classified as investing activities and presented as cash receipts on sold receivables on our consolidated statements of cash flows.

## **Note 17. Commitments and Contingencies**

### **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 seven of its current and former officers and 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.

On October 8, 2019, the court entered an order consolidating these lawsuits into one proceeding and appointing lead plaintiffs and lead plaintiffs’ counsel. Lead plaintiffs, Union Asset Management Holding AG and Sjunde AP-Fonden, filed a consolidated amended complaint on January 6, 2020, adding 3G Capital, Inc. and several of its subsidiaries and affiliates (the “3G Entities”) as party defendants. The consolidated amended complaint asserts 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, and further alleges the 3G Entities engaged in insider trading and misappropriated the Company’s material, non-public information. 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.

The two plaintiffs who voluntarily dismissed their derivative lawsuits against certain of the Company's current and former officers and directors subsequently filed new derivative actions in the Delaware Court of Chancery against the 3G Entities, with the Company named as a nominal defendant. The first action, *DeFabiis v. 3G Capital, Inc.*, was filed on June 14, 2019, and the second action, *Kailas v. 3G Capital, Inc.*, was filed on October 9, 2019. The complaints allege 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 complaints seek 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.

Six additional derivative lawsuits, *Mary Nell Legg Family Trust v. 3G Capital Inc.*, *General Retirement System of the City of Detroit v. Abel*, *Gilbert v. Behring*, *Erste Asset Management GMBH v. 3G Capital, Inc.*, *Hill v. Abel*, and *Police & Fire Retirement System of the City of Detroit v. Hees*, were filed on October 29, 2019, December 11, 2019, January 14, 2020, January 21, 2020, January 31, 2020, and February 7, 2020, respectively, in the Delaware Court of Chancery against certain of the Company's current and former officers and directors, in addition to the 3G Entities, with the Company named as a nominal defendant. The complaints allege 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 complaints allege the remaining defendants breached their fiduciary duties to the Company by purportedly making materially misleading statements and omissions regarding the Company's financial performance and the impairment of its goodwill and intangible assets, and by purportedly approving or allowing the 3G Entities' alleged insider trading. The complaints seek relief against the defendants in the form of damages, disgorgement of all profits obtained from the alleged insider trading, and an award of attorneys' fees and costs.

We intend to vigorously defend against these lawsuits; however, we cannot reasonably estimate the potential range of loss, if any, due to the early stage of these proceedings.

#### ***United States Government Investigations:***

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. The SEC has issued additional subpoenas seeking information related to our financial reporting, internal controls, disclosures, our assessment of goodwill and intangible asset impairments, our communications with certain shareholders, and other procurement-related information and materials in connection with its investigation. The United States Attorney's Office for the Northern District of Illinois ("USAO") is also reviewing this matter. 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 flows. We have been responsive to the ongoing subpoenas and other document requests and will continue to cooperate fully with any governmental or regulatory inquiry or investigation.

#### **Other Commitments and Contingencies**

##### ***Purchase Obligations:***

We have purchase obligations for materials, supplies, property, plant and equipment, and co-packing, storage, and distribution services based on projected needs to be utilized in the normal course of business. Other purchase obligations include commitments for marketing, advertising, capital expenditures, information technology, and professional services.

As of December 28, 2019, our take-or-pay purchase obligations were as follows (in millions):

|              |           |              |
|--------------|-----------|--------------|
| 2020         | \$        | 1,324        |
| 2021         |           | 590          |
| 2022         |           | 448          |
| 2023         |           | 306          |
| 2024         |           | 187          |
| Thereafter   |           | 89           |
| <b>Total</b> | <b>\$</b> | <b>2,944</b> |

***Redeemable Noncontrolling Interest:***

We have a joint venture with a minority partner to manufacture, package, market, and distribute food products. 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 December 28, 2019, we estimate the redemption value to be insignificant.

**Note 18. Debt**

***Borrowing Arrangements:***

On July 6, 2015, together with Kraft Heinz Foods Company ("KHFC"), our 100% owned operating subsidiary, we entered into a credit agreement (as amended, the "Credit Agreement"), which provides for a \$4.0 billion senior unsecured revolving credit facility (the "Senior Credit Facility"). In June 2018, we entered into an agreement that became effective on July 6, 2018 to extend the maturity date of our Senior Credit Facility from July 6, 2021 to July 6, 2023 and to establish a \$400 million euro equivalent swing line facility, which is available under the \$4.0 billion revolving credit facility limit for short-term loans denominated in euros on a same-day basis.

No amounts were drawn on our Senior Credit Facility at December 28, 2019, at December 29, 2018, or during the years ended December 28, 2019, December 29, 2018, and December 30, 2017.

The Senior Credit Facility includes a \$1.0 billion sub-limit for borrowings in alternative currencies (i.e., euro, British pound sterling, Canadian dollars, or other lawful currencies readily available and freely transferable and convertible into U.S. dollars), as well as a letter of credit sub-facility of up to \$300 million. 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.

Any committed borrowings under the Senior Credit Facility bear interest at a variable annual rate based on LIBOR/EURIBOR/CDOR loans or an alternate base rate/Canadian prime rate, in each case subject to an applicable margin based upon the long-term senior unsecured, non-credit enhanced debt rating assigned to us. The borrowings under the Senior Credit Facility have interest rates based on, at our election, base rate, LIBOR, EURIBOR, CDOR, or Canadian prime rate plus a spread ranging from 87.5 to 175 basis points for LIBOR, EURIBOR, and CDOR loans, and 0 to 75 basis points for base rate or Canadian prime rate loans.

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. Our Senior Credit Facility requires us to maintain a minimum shareholders' equity (excluding accumulated other comprehensive income/(losses)) of at least \$35 billion. We were in compliance with this covenant as of December 28, 2019.

The obligations under the Credit Agreement are guaranteed by KHFC in the case of indebtedness and other liabilities of any subsidiary borrower and by Kraft Heinz in the case of indebtedness and other liabilities of any subsidiary borrower and KHFC.

In August 2017, we repaid \$600 million aggregate principal amount of our previously outstanding senior unsecured loan facility (the "Term Loan Facility"). Accordingly, there were no amounts outstanding on the Term Loan Facility at December 28, 2019 or December 29, 2018.

We obtain funding through our U.S. and European commercial paper programs. We had no commercial paper outstanding at December 28, 2019 or at December 29, 2018. The maximum amount of commercial paper outstanding during the year ended December 28, 2019 was \$200 million.

**Long-Term Debt:**

The following table summarizes our long-term debt obligations.

|   | Priority <sup>(a)</sup> | Maturity Dates    | Interest Rates <sup>(b)</sup> | Carrying Values   |                   |
|---|-------------------------|-------------------|-------------------------------|-------------------|-------------------|
|   |                         |                   |                               | December 28, 2019 | December 29, 2018 |
| (in millions)                                     |                         |                   |                               |                   |                   |
| U.S. dollar notes:                                |                         |                   |                               |                   |                   |
| 2025 Notes <sup>(c)</sup>                         | Senior Secured Notes    | February 15, 2025 | 4.875%                        | \$ 971            | \$ 1,193          |
| Other U.S. dollar notes <sup>(d)(e)</sup>         | Senior Notes            | 2020-2049         | 2.471% - 7.125%               | 24,127            | 25,551            |
| Euro notes <sup>(d)</sup>                         | Senior Notes            | 2023-2028         | 1.500% - 2.250%               | 2,834             | 2,899             |
| Canadian dollar notes <sup>(f)</sup>              | Senior Notes            | July 6, 2020      | 3.020%                        | 382               | 586               |
| British pound sterling notes:                     |                         |                   |                               |                   |                   |
| 2030 Notes <sup>(g)</sup>                         | Senior Secured Notes    | February 18, 2030 | 6.250%                        | 170               | 165               |
| Other British pound sterling notes <sup>(d)</sup> | Senior Notes            | July 1, 2027      | 4.125%                        | 519               | 504               |
| Other long-term debt                              | Various                 | 2020-2035         | 0.500% - 5.500%               | 48                | 50                |
| Finance lease obligations                         |                         |                   |                               | 187               | 199               |
| Total long-term debt                              |                         |                   |                               | 29,238            | 31,147            |
| Current portion of long-term debt                 |                         |                   |                               | 1,022             | 377               |
| Long-term debt, excluding current portion         |                         |                   |                               | \$ 28,216         | \$ 30,770         |

(a) Priority of debt indicates the order which debt would be paid if all debt obligations were due on the same day. Senior secured debt takes priority over unsecured debt. Senior debt has greater seniority than subordinated debt.

(b) Floating interest rates are stated as of December 28, 2019.

(c) The 4.875% Second Lien Senior Secured Notes due February 15, 2025 (the "2025 Notes") are senior in right of payment of existing and future unsecured and subordinated indebtedness. Kraft Heinz fully and unconditionally guarantees these notes.

(d) Kraft Heinz fully and unconditionally guarantees these notes, which were issued by KHFC.

(e) Includes current year issuances (the "2019 Notes") described below.

(f) Kraft Heinz fully and unconditionally guarantees these notes, which were issued by Kraft Heinz Canada ULC (formerly Kraft Canada Inc.).

(g) The 6.250% Pound Sterling Senior Secured Notes due February 18, 2030 (the "2030 Notes") were issued by H.J. Heinz Finance UK Plc. Kraft Heinz and KHFC fully and unconditionally guarantee the 2030 Notes. This guarantee is secured and senior in right of payment of existing and future unsecured and subordinated indebtedness. Kraft Heinz became guarantor of the 2030 Notes in connection with the 2015 Merger. The 2030 Notes were previously only guaranteed by KHFC.

Our long-term debt contains customary representations, covenants, and events of default. We were in compliance with all such covenants at December 28, 2019.

At December 29, 2018, our long-term debt excluded amounts classified as held for sale. See Note 4, *Acquisitions and Divestitures*, for additional information.

At December 28, 2019, aggregate principal maturities of our long-term debt excluding finance leases were (in millions):

|            |        |
|------------|--------|
| 2020       | \$ 995 |
| 2021       | 990    |
| 2022       | 2,073  |
| 2023       | 1,678  |
| 2024       | 617    |
| Thereafter | 22,460 |

**Tender Offers:**

On September 3, 2019, KHFC commenced an offer to purchase for cash any and all of its outstanding 5.375% senior notes due February 2020 (the "First Tender Offer"). The First Tender Offer expired on September 9, 2019 with a settlement date of September 10, 2019. Additionally, on September 11, 2019, KHFC commenced an offer to purchase for cash up to the maximum combined aggregate purchase price of \$2.5 billion, excluding accrued and unpaid interest, of its outstanding 3.500% senior notes due June 2022, 3.500% senior notes due July 2022, 4.000% senior notes due June 2023, and 4.875% second lien senior secured notes due February 2025 (the "Second Tender Offer") (collectively with the First Tender Offer, the "Tender Offers"). The Second Tender Offer settled on September 26, 2019.

The aggregate principal amounts of senior notes and second lien senior secured notes before and after the Tender Offers and the amounts validly tendered pursuant to the Tender Offers were (in millions):

|   | Aggregate Principal<br>Amount Outstanding<br>Before Tender Offers | Amount Validly Tendered | Aggregate Principal<br>Amount Outstanding After<br>Tender Offers |
|---|---|-------------------------|--|
| 5.375% senior notes due February 2020                     | \$ 900  | \$ 495                  | \$ 405   |
| 3.500% senior notes due June 2022                         | 2,000   | 881                     | 1,119  |
| 3.500% senior notes due July 2022                         | 1,000   | 554                     | 446  |
| 4.000% senior notes due June 2023                         | 1,600   | 762                     | 838  |
| 4.875% second lien senior secured notes due February 2025 | 1,200   | 224                     | 976  |

In connection with the Tender Offers, we recognized a loss on extinguishment of debt of \$88 million. This loss primarily reflects the payment of early tender premiums and fees associated with the Tender Offers as well as the write-off of unamortized debt issuance costs, premiums, and discounts. We recognized this loss on extinguishment of debt within interest expense on the consolidated statement of income. The cash payments related to the debt extinguishment are classified as cash outflows from financing activities on the consolidated statement of cash flows. In 2019, debt prepayment and extinguishment costs per the consolidated statement of cash flows related to the Tender Offers were \$91 million, which reflect the \$88 million loss on extinguishment of debt adjusted for the non-cash write-off of unamortized premiums of \$10 million, unamortized debt issuance costs of \$5 million, and unamortized discounts of \$2 million.

**Debt Redemptions:**

Concurrently with the commencement of the First Tender Offer, we issued a notice of redemption by Kraft Heinz Canada ULC, our 100% owned subsidiary, of all of Kraft Heinz Canada ULC's outstanding 2.700% Canadian dollar senior notes due July 2020, of which 300 million Canadian dollar aggregate principal amount was outstanding, and a notice of partial redemption by KHFC of \$800 million of KHFC's 2.800% senior notes due July 2020, of which \$1.5 billion aggregate principal amount was outstanding (the "First Debt Redemptions"). The effective date of the First Debt Redemptions was October 3, 2019.

Concurrently with the commencement of the Second Tender Offer, we issued a second notice of partial redemption providing for the redemption of \$500 million aggregate principal amount of KHFC's remaining 2.800% senior notes due July 2020 (the "Second Debt Redemption") (collectively with the First Debt Redemptions, the "2019 Debt Redemptions"). The effective date of the Second Debt Redemption was October 11, 2019.

The aggregate principal amounts of senior notes before and after the 2019 Debt Redemptions were (in millions):

|   | Aggregate Principal<br>Amount Outstanding<br>Before Redemptions | Amount Redeemed | Aggregate Principal Amount<br>Outstanding After<br>Redemptions |
|---|---|-----------------|--|
| 2.700% Canadian dollar senior notes due July 2020 | C\$ 300   | C\$ 300         | —  |
| 2.800% senior notes due July 2020                 | \$ 1,500  | \$ 1,300        | \$ 200   |

In connection with the 2019 Debt Redemptions we recognized a loss on extinguishment of debt of \$10 million. This loss primarily reflects the payment of premiums and fees associated with the 2019 Debt Redemptions as well as the write-off of unamortized debt issuance costs. We recognized this loss on extinguishment of debt within interest expense on the consolidated statement of income. The cash payments related to the debt extinguishment are classified as cash outflows from financing activities on the consolidated statement of cash flows. In 2019, debt prepayment and extinguishment costs per the consolidated statement of cash flows related to the 2019 Debt Redemptions were \$8 million, which reflect the \$10 million loss on extinguishment of debt adjusted for the non-cash write-off of unamortized debt issuance costs of \$2 million.

**Debt Issuances:**

In September 2019, KHFC issued \$1.0 billion aggregate principal amount of 3.750% senior notes due April 2030, \$500 million aggregate principal amount of 4.625% senior notes due October 2039, and \$1.5 billion aggregate principal amount of 4.875% senior notes due October 2049 (collectively, the “2019 Notes”). The 2019 Notes are fully and unconditionally guaranteed by Kraft Heinz as to payment of principal, premium, and interest on a senior unsecured basis. We used the proceeds from the 2019 Notes to fund the Second Tender Offer and to pay fees and expenses in connection therewith and to fund the Second Debt Redemption. A tabular summary of the 2019 Notes is included below.

|                                      | <b>Aggregate Principal<br/>Amount</b> |
|--------------------------------------|---------------------------------------|
|                                      | <b>(in millions)</b>                  |
| 3.750% senior notes due April 2030   | \$ 1,000                              |
| 4.625% senior notes due October 2039 | 500                                   |
| 4.875% senior notes due October 2049 | 1,500                                 |
| Total senior notes issued            | <u>\$ 3,000</u>                       |

In June 2018, KHFC issued \$300 million aggregate principal amount of 3.375% senior notes due June 2021, \$1.6 billion aggregate principal amount of 4.000% senior notes due June 2023, and \$1.1 billion aggregate principal amount of 4.625% senior notes due January 2029 (collectively, the “2018 Notes”). The 2018 Notes are fully and unconditionally guaranteed by Kraft Heinz as to payment of principal, premium, and interest on a senior unsecured basis.

We used approximately \$500 million of the proceeds from the 2018 Notes in connection with the wind-down of our U.S. securitization program in the second quarter of 2018. We also used proceeds from the 2018 Notes to refinance a portion of our commercial paper borrowings in the second quarter of 2018, to repay certain notes that matured in July and August 2018, and for other general corporate purposes.

In August 2017, KHFC issued \$350 million aggregate principal amount of floating rate senior notes due 2019, \$650 million aggregate principal amount of floating rate senior notes due 2021, and \$500 million aggregate principal amount of floating rate senior notes due 2022 (collectively, the “2017 Notes”). The 2017 Notes are fully and unconditionally guaranteed by Kraft Heinz as to payment of principal, premium, and interest on a senior unsecured basis.

We used the net proceeds from the 2017 Notes primarily to repay all amounts outstanding under our \$600 million Term Loan Facility together with accrued interest thereon, to refinance a portion of our commercial paper programs, and for other general corporate purposes.

**Debt Issuance Costs:**

Debt issuance costs are reflected as a direct deduction of our long-term debt balance on the consolidated balance sheets. We incurred debt issuance costs of \$25 million in 2019 and \$15 million in 2018. Debt issuance costs in 2017 were insignificant. Unamortized debt issuance costs were \$119 million at December 28, 2019 and \$115 million at December 29, 2018. Amortization of debt issuance costs was \$15 million in 2019, \$16 million in 2018, and \$16 million in 2017.

**Debt Premium:**

Unamortized debt premiums are presented on the consolidated balance sheets as a direct addition to the carrying amount of debt. Unamortized debt premium, net, was \$358 million at December 28, 2019 and \$430 million at December 29, 2018. Amortization of our debt premium, net, was \$34 million in 2019, \$65 million in 2018, and \$81 million in 2017.

**Debt Repayments:**

In August 2019, we repaid \$350 million aggregate principal amount of senior notes that matured in the period.

In July and August 2018, we repaid \$2.7 billion aggregate principal amount of senior notes that matured in the period. We funded these long-term debt repayments primarily with proceeds from the 2018 Notes issued in June 2018.

Additionally, in June 2017, we repaid \$2.0 billion aggregate principal amount of senior notes that matured in the period. We funded these long-term debt repayments primarily with cash on hand and our commercial paper programs.

**Fair Value of Debt:**

At December 28, 2019, the aggregate fair value of our total debt was \$31.1 billion as compared with a carrying value of \$29.2 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 and commercial paper had carrying values that approximated their fair values at December 28, 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.

**Subsequent Event:**

We repaid approximately \$405 million aggregate principal amount of senior notes on February 10, 2020.

**Note 19. 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 2, *Significant Accounting Policies*, for our lease accounting policy.

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

|                                     | <b>December 28, 2019</b> |
|-------------------------------------|--------------------------|
| Operating lease costs               | \$ 191                   |
| Finance lease costs:                |                          |
| Amortization of right-of-use assets | 27                       |
| Interest on lease liabilities       | 6                        |
| Short-term lease costs              | 13                       |
| Variable lease costs                | 1,270                    |
| Sublease income                     | (14)                     |
| Total lease costs                   | <u>\$ 1,493</u>          |

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 material 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 2019.

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

|                                       | <b>December 28, 2019</b>    |                           |
|---------------------------------------|-----------------------------|---------------------------|
|                                       | <b>Operating<br/>Leases</b> | <b>Finance<br/>Leases</b> |
| Right-of-use assets                   | \$ 542                      | \$ 185                    |
| Lease liabilities (current)           | 147                         | 28                        |
| Lease liabilities (non-current)       | 454                         | 158                       |
| Weighted average remaining lease term | 6 years                     | 9 years                   |
| Weighted average discount rate        | 4.0%                        | 3.4%                      |



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 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 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 consolidated balance sheets. At December 28, 2019, operating lease ROU assets, the current portion of operating lease liabilities, and the non-current portion of operating lease liabilities excluded amounts classified as held for sale. See Note 4, *Acquisitions and Divestitures*, for additional information.

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

|  | <b>December 28, 2019</b> |
|--|--------------------------|
| <b>Cash paid for amounts included in the measurement of lease liabilities:</b> |                          |
| Operating cash inflows/(outflows) from operating leases                        | \$ (196)                 |
| Operating cash inflows/(outflows) from finance leases                          | (6)                      |
| Financing cash inflows/(outflows) from finance leases                          | (28)                     |
| <b>Right-of-use assets obtained in exchange for lease liabilities:</b>         |                          |
| Operating leases   | 42                       |
| Finance leases   | 12                       |

Future minimum lease payments for leases in effect at December 28, 2019 were (in millions):

|   | <b>Operating<br/>Leases</b> | <b>Finance<br/>Leases</b> |
|---|-----------------------------|---------------------------|
| 2020  | \$ 168                      | \$ 33                     |
| 2021  | 131                         | 74                        |
| 2022  | 96                          | 22                        |
| 2023  | 69                          | 10                        |
| 2024  | 53                          | 7                         |
| Thereafter                                      | 167                         | 80                        |
| <b>Total future undiscounted lease payments</b> | <b>684</b>                  | <b>226</b>                |
| Less imputed interest                           | (83)                        | (40)                      |
| <b>Total lease liability</b>                    | <b>\$ 601</b>               | <b>\$ 186</b>             |

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           |
| <b>Total</b> | <b>\$ 694</b> |

At December 28, 2019, our operating and finance leases that had not yet commenced were insignificant.

## **Note 20. Capital Stock**

### **Common Stock**

Our Second Amended and Restated Certificate of Incorporation authorizes the issuance of up to 5.0 billion shares of common stock.

Shares of common stock issued, in treasury, and outstanding were (in millions of shares):

|  | <b>Shares Issued</b> | <b>Treasury Shares</b> | <b>Shares Outstanding</b> |
|--|----------------------|------------------------|---------------------------|
| Balance at December 31, 2016   | 1,219                | (2)                    | 1,217                     |
| Exercise of stock options, issuance of other stock awards, and other | 2                    | —                      | 2                         |
| Balance at December 30, 2017   | 1,221                | (2)                    | 1,219                     |
| Exercise of stock options, issuance of other stock awards, and other | 3                    | (2)                    | 1                         |
| Balance at December 29, 2018   | 1,224                | (4)                    | 1,220                     |
| Exercise of stock options, issuance of other stock awards, and other | —                    | 1                      | 1                         |
| Balance at December 28, 2019   | 1,224                | (3)                    | 1,221                     |

### **Note 21. Earnings Per Share**

Our earnings per common share (“EPS”) were:

|  | <b>December 28, 2019</b>                    | <b>December 29, 2018</b> | <b>December 30, 2017</b> |
|--|---|--------------------------|--------------------------|
|  | <b>(in millions, except per share data)</b> |                          |                          |
| <b>Basic Earnings Per Common Share:</b>  |   |                          |                          |
| Net income/(loss) attributable to common shareholders                          | \$ 1,935                                    | \$ (10,192)              | \$ 10,941                |
| Weighted average shares of common stock outstanding                            | 1,221                                       | 1,219                    | 1,218                    |
| Net earnings/(loss)  | \$ 1.59                                     | \$ (8.36)                | \$ 8.98                  |
| <b>Diluted Earnings Per Common Share:</b>                                      |   |                          |                          |
| Net income/(loss) attributable to common shareholders                          | \$ 1,935                                    | \$ (10,192)              | \$ 10,941                |
| Weighted average shares of common stock outstanding                            | 1,221                                       | 1,219                    | 1,218                    |
| Effect of dilutive equity awards   | 3   | —                        | 10                       |
| Weighted average shares of common stock outstanding, including dilutive effect | 1,224                                       | 1,219                    | 1,228                    |
| Net earnings/(loss)  | \$ 1.58                                     | \$ (8.36)                | \$ 8.91                  |

We use the treasury stock method to calculate the dilutive effect of outstanding equity awards in the denominator for diluted EPS. We had net losses attributable to common shareholders in 2018. Therefore, we excluded the dilutive effects of equity awards in 2018 as their inclusion would have had an anti-dilutive effect on EPS. Anti-dilutive shares were 10 million in 2019, 13 million in 2018, and 2 million in 2017.

### **Note 22. 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, 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):

|                 | December 28, 2019 | December 29, 2018 | December 30, 2017 |
|-----------------|-------------------|-------------------|-------------------|
| Net sales:      |                   |                   |                   |
| United States   | \$ 17,756         | \$ 18,122         | \$ 18,230         |
| Canada          | 1,882             | 2,173             | 2,177             |
| EMEA            | 2,551             | 2,718             | 2,585             |
| Rest of World   | 2,788             | 3,255             | 3,084             |
| Total net sales | <u>\$ 24,977</u>  | <u>\$ 26,268</u>  | <u>\$ 26,076</u>  |

Segment Adjusted EBITDA was (in millions):

|  | December 28, 2019 | December 29, 2018  | December 30, 2017 |
|--|-------------------|--------------------|-------------------|
| Segment Adjusted EBITDA:   |                   |                    |                   |
| United States  | \$ 4,809          | \$ 5,218           | \$ 5,873          |
| Canada   | 487               | 608                | 636               |
| EMEA   | 661               | 724                | 673               |
| Rest of World  | 363               | 635                | 590               |
| General corporate expenses   | (256)             | (161)              | (108)             |
| Depreciation and amortization (excluding integration and restructuring expenses)     | (985)             | (919)              | (907)             |
| Integration and restructuring expenses   | (102)             | (297)              | (583)             |
| Deal costs   | (19)              | (23)               | —                 |
| Unrealized gains/(losses) on commodity hedges  | 57                | (21)               | (19)              |
| Impairment losses  | (1,899)           | (15,936)           | (49)              |
| Equity award compensation expense (excluding integration and restructuring expenses) | (46)              | (33)               | (49)              |
| Operating income   | <u>3,070</u>      | <u>(10,205)</u>    | <u>6,057</u>      |
| Interest expense   | 1,361             | 1,284              | 1,234             |
| Other expense/(income)   | (952)             | (168)              | (627)             |
| Income/(loss) before income taxes  | <u>\$ 2,661</u>   | <u>\$ (11,321)</u> | <u>\$ 5,450</u>   |

Total depreciation and amortization expense by segment was (in millions):

|   | December 28, 2019 | December 29, 2018 | December 30, 2017 |
|---|-------------------|-------------------|-------------------|
| Depreciation and amortization expense:      |                   |                   |                   |
| United States                               | \$ 609            | \$ 626            | \$ 658            |
| Canada                                      | 35                | 39                | 48                |
| EMEA  | 107               | 102               | 99                |
| Rest of World                               | 124               | 119               | 98                |
| General corporate expenses                  | 119               | 97                | 128               |
| Total depreciation and amortization expense | <u>\$ 994</u>     | <u>\$ 983</u>     | <u>\$ 1,031</u>   |

Total capital expenditures by segment were (in millions):

|                            | December 28, 2019 | December 29, 2018 | December 30, 2017 |
|----------------------------|-------------------|-------------------|-------------------|
| Capital expenditures:      |                   |                   |                   |
| United States              | \$ 393            | \$ 388            | \$ 764            |
| Canada                     | 27                | 21                | 42                |
| EMEA                       | 134               | 124               | 127               |
| Rest of World              | 149               | 236               | 184               |
| General corporate expenses | 65                | 57                | 77                |
| Total capital expenditures | <u>\$ 768</u>     | <u>\$ 826</u>     | <u>\$ 1,194</u>   |

Net sales by product category were (in millions):

|                               | December 28, 2019 | December 29, 2018 | December 30, 2017 |
|-------------------------------|-------------------|-------------------|-------------------|
| Condiments and sauces         | \$ 6,406          | \$ 6,752          | \$ 6,429          |
| Cheese and dairy              | 4,890             | 5,287             | 5,409             |
| Ambient foods                 | 2,475             | 2,576             | 2,564             |
| Meats and seafood             | 2,406             | 2,505             | 2,567             |
| Frozen and chilled foods      | 2,371             | 2,548             | 2,578             |
| Refreshment beverages         | 1,504             | 1,507             | 1,506             |
| Coffee                        | 1,271             | 1,438             | 1,422             |
| Infant and nutrition          | 512               | 756               | 755               |
| Desserts, toppings and baking | 1,032             | 1,038             | 1,033             |
| Nuts and salted snacks        | 966               | 967               | 970               |
| Other                         | 1,144             | 894               | 843               |
| Total net sales               | <u>\$ 24,977</u>  | <u>\$ 26,268</u>  | <u>\$ 26,076</u>  |

**Concentration of Risk:**

Our largest customer, Walmart Inc., represented approximately 21% of our net sales in 2019, 2018, and 2017. All of our segments have sales to Walmart Inc.

**Geographic Financial Information:**

We had significant sales in the United States, Canada, and the United Kingdom. Our net sales by geography were (in millions):

|                 | December 28, 2019 | December 29, 2018 | December 30, 2017 |
|-----------------|-------------------|-------------------|-------------------|
| Net sales:      |                   |                   |                   |
| United States   | \$ 17,844         | \$ 18,218         | \$ 18,324         |
| Canada          | 1,882             | 2,173             | 2,177             |
| United Kingdom  | 1,007             | 1,071             | 1,018             |
| Other           | 4,244             | 4,806             | 4,557             |
| Total net sales | <u>\$ 24,977</u>  | <u>\$ 26,268</u>  | <u>\$ 26,076</u>  |

We had significant long-lived assets in the United States. Long-lived assets are comprised of property, plant and equipment, net of related accumulated depreciation. Our long-lived assets by geography were (in millions):

|                         | December 28, 2019 | December 29, 2018 |
|-------------------------|-------------------|-------------------|
| Long-lived assets:      |                   |                   |
| United States           | \$ 5,004          | \$ 5,103          |
| Other                   | 2,051             | 1,975             |
| Total long-lived assets | <u>\$ 7,055</u>   | <u>\$ 7,078</u>   |

At December 28, 2019 and December 29, 2018, long-lived assets by geography excluded amounts classified as held for sale. See Note 4, *Acquisitions and Divestitures*, for additional information.

**Note 23. Other Financial Data**

**Consolidated Statements of Income Information**

**Other expense/(income)**

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

|  | December 28, 2019 | December 29, 2018 | December 30, 2017 |
|--|-------------------|-------------------|-------------------|
| Amortization of prior service costs/(credits)                            | \$ (306)          | \$ (311)          | \$ (328)          |
| Net pension and postretirement non-service cost/(benefit) <sup>(a)</sup> | (172)             | (40)              | (308)             |
| Loss/(gain) on sale of business  | (420)             | 15                | —                 |
| Interest income  | (36)              | (35)              | (43)              |
| Foreign exchange loss/(gain)   | 10                | 166               | 13                |
| Other miscellaneous expense/(income)                                     | (28)              | 37                | 39                |
| Other expense/(income)   | <u>\$ (952)</u>   | <u>\$ (168)</u>   | <u>\$ (627)</u>   |

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

We present all non-service cost components of net pension cost/(benefit) and net postretirement cost/(benefit) within other expense/(income) on our consolidated statements of income. See Note 12, *Postemployment Benefits*, for additional information on these components, including any curtailments and settlements, as well as information on our prior service credit amortization. See Note 4, *Acquisitions and Divestitures*, for additional information related to our loss/(gain) on sale of business. See Note 15, *Venezuela - Foreign Currency and Inflation*, for information related to our nonmonetary currency devaluation losses. See Note 13, *Financial Instruments*, for information related to our derivative impacts.

Other expense/(income) was \$952 million of income in 2019 compared to \$168 million of income in 2018. This increase was primarily driven by a \$420 million net gain on sales of businesses in 2019 compared to a \$15 million loss on sale of business in 2018, a \$162 million non-cash settlement charge in the prior year related to the wind-up of our Canadian salaried and Canadian hourly defined benefit pension plans and a \$136 million decrease in nonmonetary currency devaluation losses related to our Venezuelan operations as compared to the prior year period. The increase also reflects a \$28 million gain related to the excluded component on our cross-currency contracts designated as cash flow hedges as compared to the prior period gain of \$1 million.

Other expense/(income) was \$168 million of income in 2018 compared to \$627 million of income in 2017. This decrease was primarily due to a \$162 million non-cash settlement charge in 2018 related to the wind-up of our Canadian salaried and Canadian hourly defined benefit pension plans compared to a \$177 million non-cash curtailment gain from postretirement plan remeasurements in 2017. This decrease was also driven by a \$110 million increase in nonmonetary currency devaluation losses related to our Venezuelan operations. There was also a \$15 million loss on sale of business in 2018.

**Note 24. Quarterly Financial Data (Unaudited)**

Our quarterly financial data for 2019 and 2018 is summarized as follows:

|   | 2019 Quarters                        |          |          |          |
|---|--------------------------------------|----------|----------|----------|
|   | Fourth                               | Third    | Second   | First    |
|   | (in millions, except per share data) |          |          |          |
| Net sales   | \$ 6,536                             | \$ 6,076 | \$ 6,406 | \$ 5,959 |
| Gross profit  | 2,107                                | 1,947    | 2,082    | 2,011    |
| Net income/(loss)                                     | 183                                  | 898      | 448      | 404      |
| Net income/(loss) attributable to common shareholders | 182                                  | 899      | 449      | 405      |
| Per share data applicable to common shareholders:     |                                      |          |          |          |
| Basic earnings/(loss)                                 | 0.15                                 | 0.74     | 0.37     | 0.33     |
| Diluted earnings/(loss)                               | 0.15                                 | 0.74     | 0.37     | 0.33     |

|   | 2018 Quarters                        |          |          |          |
|---|--------------------------------------|----------|----------|----------|
|   | Fourth                               | Third    | Second   | First    |
|   | (in millions, except per share data) |          |          |          |
| Net sales   | \$ 6,891                             | \$ 6,383 | \$ 6,690 | \$ 6,304 |
| Gross profit  | 2,216                                | 2,094    | 2,347    | 2,264    |
| Net income/(loss)                                     | (12,628)                             | 618      | 753      | 1,003    |
| Net income/(loss) attributable to common shareholders | (12,568)                             | 619      | 754      | 1,003    |
| Per share data applicable to common shareholders:     |                                      |          |          |          |
| Basic earnings/(loss)                                 | (10.30)                              | 0.51     | 0.62     | 0.82     |
| Diluted earnings/(loss)                               | (10.30)                              | 0.50     | 0.62     | 0.82     |

**Note 25. Supplemental Guarantor Information**

Kraft Heinz fully and unconditionally guarantees the notes issued by our 100% owned operating subsidiary, Kraft Heinz Foods Company. See Note 18, *Debt*, 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 Year Ended December 28, 2019  
(in millions)

|   | Parent Guarantor | Subsidiary Issuer | Non-Guarantor<br>Subsidiaries | Eliminations | Consolidated |
|---|------------------|-------------------|-------------------------------|--------------|--------------|
| Net sales   | \$ —             | \$ 16,852         | \$ 8,588                      | \$ (463)     | \$ 24,977    |
| Cost of products sold   | —                | 11,042            | 6,251                         | (463)        | 16,830       |
| Gross profit  | —                | 5,810             | 2,337                         | —            | 8,147        |
| Selling, general and administrative expenses, excluding impairment losses | —                | 798               | 2,380                         | —            | 3,178        |
| Goodwill impairment losses  | —                | —                 | 1,197                         | —            | 1,197        |
| Intangible asset impairment losses  | —                | —                 | 702                           | —            | 702          |
| Selling, general and administrative expenses                              | —                | 798               | 4,279                         | —            | 5,077        |
| Intercompany service fees and other recharges                             | —                | 3,377             | (3,377)                       | —            | —            |
| Operating income/(loss)   | —                | 1,635             | 1,435                         | —            | 3,070        |
| Interest expense  | —                | 1,283             | 78                            | —            | 1,361        |
| Other expense/(income)  | —                | (128)             | (824)                         | —            | (952)        |
| Income/(loss) before income taxes   | —                | 480               | 2,181                         | —            | 2,661        |
| Provision for/(benefit from) income taxes                                 | —                | 1                 | 727                           | —            | 728          |
| Equity in earnings/(losses) of subsidiaries                               | 1,935            | 1,456             | —                             | (3,391)      | —            |
| Net income/(loss)   | 1,935            | 1,935             | 1,454                         | (3,391)      | 1,933        |
| Net income/(loss) attributable to noncontrolling interest                 | —                | —                 | (2)                           | —            | (2)          |
| Net income/(loss) excluding noncontrolling interest                       | \$ 1,935         | \$ 1,935          | \$ 1,456                      | \$ (3,391)   | \$ 1,935     |
| Comprehensive income/(loss) excluding noncontrolling interest             | \$ 1,856         | \$ 1,856          | \$ 1,379                      | \$ (3,235)   | \$ 1,856     |

The Kraft Heinz Company  
Condensed Consolidating Statements of Income  
For the Year Ended December 29, 2018  
(in millions)

|   | Parent Guarantor | Subsidiary Issuer | Non-Guarantor<br>Subsidiaries | Eliminations | Consolidated |
|---|------------------|-------------------|-------------------------------|--------------|--------------|
| Net sales   | \$ —             | \$ 17,317         | \$ 9,481                      | \$ (530)     | \$ 26,268    |
| Cost of products sold   | —                | 11,290            | 6,587                         | (530)        | 17,347       |
| Gross profit  | —                | 6,027             | 2,894                         | —            | 8,921        |
| Selling, general and administrative expenses, excluding impairment losses | —                | 803               | 2,387                         | —            | 3,190        |
| Goodwill impairment losses  | —                | —                 | 7,008                         | —            | 7,008        |
| Intangible asset impairment losses  | —                | —                 | 8,928                         | —            | 8,928        |
| Selling, general and administrative expenses                              | —                | 803               | 18,323                        | —            | 19,126       |
| Intercompany service fees and other recharges                             | —                | 3,865             | (3,865)                       | —            | —            |
| Operating income/(loss)   | —                | 1,359             | (11,564)                      | —            | (10,205)     |
| Interest expense  | —                | 1,212             | 72                            | —            | 1,284        |
| Other expense/(income)  | —                | (359)             | 191                           | —            | (168)        |
| Income/(loss) before income taxes   | —                | 506               | (11,827)                      | —            | (11,321)     |
| Provision for/(benefit from) income taxes                                 | —                | 112               | (1,179)                       | —            | (1,067)      |
| Equity in earnings/(losses) of subsidiaries                               | (10,192)         | (10,586)          | —                             | 20,778       | —            |
| Net income/(loss)   | (10,192)         | (10,192)          | (10,648)                      | 20,778       | (10,254)     |
| Net income/(loss) attributable to noncontrolling interest                 | —                | —                 | (62)                          | —            | (62)         |
| Net income/(loss) excluding noncontrolling interest                       | \$ (10,192)      | \$ (10,192)       | \$ (10,586)                   | \$ 20,778    | \$ (10,192)  |
| Comprehensive income/(loss) excluding noncontrolling interest             | \$ (11,081)      | \$ (11,081)       | \$ (11,550)                   | \$ 22,631    | \$ (11,081)  |



The Kraft Heinz Company  
Condensed Consolidating Statements of Income  
For the Year Ended December 30, 2017  
(in millions)

|   | Parent Guarantor | Subsidiary Issuer | Non-Guarantor<br>Subsidiaries | Eliminations | Consolidated |
|---|------------------|-------------------|-------------------------------|--------------|--------------|
| Net sales   | \$ —             | \$ 17,397         | \$ 9,247                      | \$ (568)     | \$ 26,076    |
| Cost of products sold   | —                | 11,147            | 6,464                         | (568)        | 17,043       |
| Gross profit  | —                | 6,250             | 2,783                         | —            | 9,033        |
| Selling, general and administrative expenses, excluding impairment losses | —                | 695               | 2,232                         | —            | 2,927        |
| Goodwill impairment losses  | —                | —                 | —                             | —            | —            |
| Intangible asset impairment losses  | —                | —                 | 49                            | —            | 49           |
| Selling, general and administrative expenses                              | —                | 695               | 2,281                         | —            | 2,976        |
| Intercompany service fees and other recharges                             | —                | 4,307             | (4,307)                       | —            | —            |
| Operating income/(loss)   | —                | 1,248             | 4,809                         | —            | 6,057        |
| Interest expense  | —                | 1,189             | 45                            | —            | 1,234        |
| Other expense/(income)  | —                | (535)             | (92)                          | —            | (627)        |
| Income/(loss) before income taxes   | —                | 594               | 4,856                         | —            | 5,450        |
| Provision for/(benefit from) income taxes                                 | —                | (243)             | (5,239)                       | —            | (5,482)      |
| Equity in earnings/(losses) of subsidiaries                               | 10,941           | 10,104            | —                             | (21,045)     | —            |
| Net income/(loss)   | 10,941           | 10,941            | 10,095                        | (21,045)     | 10,932       |
| Net income/(loss) attributable to noncontrolling interest                 | —                | —                 | (9)                           | —            | (9)          |
| Net income/(loss) excluding noncontrolling interest                       | \$ 10,941        | \$ 10,941         | \$ 10,104                     | \$ (21,045)  | \$ 10,941    |
| Comprehensive income/(loss) excluding noncontrolling interest             | \$ 11,516        | \$ 11,516         | \$ 7,711                      | \$ (19,227)  | \$ 11,516    |

The Kraft Heinz Company  
Condensed Consolidating Balance Sheets  
As of December 28, 2019  
(in millions)

|  | Parent Guarantor | Subsidiary Issuer | Non-Guarantor<br>Subsidiaries | Eliminations        | Consolidated      |
|--|------------------|-------------------|-------------------------------|---------------------|-------------------|
| <b>ASSETS</b>                              |                  |                   |                               |                     |                   |
| Cash and cash equivalents                  | \$ —             | \$ 1,404          | \$ 875                        | \$ —                | \$ 2,279          |
| Trade receivables, net                     | —                | 836               | 1,137                         | —                   | 1,973             |
| Receivables due from affiliates            | —                | 633               | 793                           | (1,426)             | —                 |
| Income taxes receivable                    | —                | 714               | 160                           | (701)               | 173               |
| Inventories                                | —                | 1,832             | 889                           | —                   | 2,721             |
| Short-term lending due from affiliates     | —                | 1,399             | 4,645                         | (6,044)             | —                 |
| Prepaid expenses                           | —                | 193               | 191                           | —                   | 384               |
| Other current assets                       | —                | 269               | 176                           | —                   | 445               |
| Assets held for sale                       | —                | 13                | 109                           | —                   | 122               |
| Total current assets                       | —                | 7,293             | 8,975                         | (8,171)             | 8,097             |
| Property, plant and equipment, net         | —                | 4,420             | 2,635                         | —                   | 7,055             |
| Goodwill                                   | —                | 11,066            | 24,480                        | —                   | 35,546            |
| Investments in subsidiaries                | 51,623           | 66,492            | —                             | (118,115)           | —                 |
| Intangible assets, net                     | —                | 2,860             | 45,792                        | —                   | 48,652            |
| Long-term lending due from affiliates      | —                | 207               | 2,000                         | (2,207)             | —                 |
| Other non-current assets                   | —                | 850               | 1,250                         | —                   | 2,100             |
| <b>TOTAL ASSETS</b>                        | <b>\$ 51,623</b> | <b>\$ 93,188</b>  | <b>\$ 85,132</b>              | <b>\$ (128,493)</b> | <b>\$ 101,450</b> |
| <b>LIABILITIES AND EQUITY</b>              |                  |                   |                               |                     |                   |
| Commercial paper and other short-term debt | \$ —             | \$ 5              | \$ 1                          | \$ —                | \$ 6              |
| Current portion of long-term debt          | —                | 626               | 396                           | —                   | 1,022             |
| Short-term lending due to affiliates       | —                | 4,645             | 1,399                         | (6,044)             | —                 |
| Trade payables                             | —                | 2,445             | 1,558                         | —                   | 4,003             |
| Payables due to affiliates                 | —                | 793               | 633                           | (1,426)             | —                 |
| Accrued marketing                          | —                | 249               | 398                           | —                   | 647               |
| Interest payable                           | —                | 372               | 12                            | —                   | 384               |
| Other current liabilities                  | —                | 266               | 2,239                         | (701)               | 1,804             |
| Liabilities held for sale                  | —                | —                 | 9                             | —                   | 9                 |
| Total current liabilities                  | —                | 9,401             | 6,645                         | (8,171)             | 7,875             |
| Long-term debt                             | —                | 27,912            | 304                           | —                   | 28,216            |
| Long-term borrowings due to affiliates     | —                | 2,000             | 207                           | (2,207)             | —                 |
| Deferred income taxes                      | —                | 1,307             | 10,571                        | —                   | 11,878            |
| Accrued postemployment costs               | —                | 34                | 239                           | —                   | 273               |
| Other non-current liabilities              | —                | 911               | 548                           | —                   | 1,459             |
| <b>TOTAL LIABILITIES</b>                   | <b>—</b>         | <b>41,565</b>     | <b>18,514</b>                 | <b>(10,378)</b>     | <b>49,701</b>     |
| Redeemable noncontrolling interest         | —                | —                 | —                             | —                   | —                 |
| Total shareholders' equity                 | 51,623           | 51,623            | 66,492                        | (118,115)           | 51,623            |
| Noncontrolling interest                    | —                | —                 | 126                           | —                   | 126               |
| <b>TOTAL EQUITY</b>                        | <b>51,623</b>    | <b>51,623</b>     | <b>66,618</b>                 | <b>(118,115)</b>    | <b>51,749</b>     |
| <b>TOTAL LIABILITIES AND EQUITY</b>        | <b>\$ 51,623</b> | <b>\$ 93,188</b>  | <b>\$ 85,132</b>              | <b>\$ (128,493)</b> | <b>\$ 101,450</b> |

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

|  | Parent Guarantor | Subsidiary Issuer | Non-Guarantor<br>Subsidiaries | Eliminations        | Consolidated      |
|--|------------------|-------------------|-------------------------------|---------------------|-------------------|
| <b>ASSETS</b>                              |                  |                   |                               |                     |                   |
| 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             |
| <b>Total current assets</b>                | <b>—</b>         | <b>7,325</b>      | <b>9,059</b>                  | <b>(7,309)</b>      | <b>9,075</b>      |
| 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             |
| <b>TOTAL ASSETS</b>                        | <b>\$ 51,657</b> | <b>\$ 94,109</b>  | <b>\$ 86,528</b>              | <b>\$ (128,833)</b> | <b>\$ 103,461</b> |
| <b>LIABILITIES AND EQUITY</b>              |                  |                   |                               |                     |                   |
| 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                |
| <b>Total current liabilities</b>           | <b>—</b>         | <b>8,584</b>      | <b>6,228</b>                  | <b>(7,309)</b>      | <b>7,503</b>      |
| 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               |
| <b>TOTAL LIABILITIES</b>                   | <b>—</b>         | <b>42,452</b>     | <b>18,552</b>                 | <b>(9,321)</b>      | <b>51,683</b>     |
| Redeemable noncontrolling interest         | —                | —                 | 3                             | —                   | 3                 |
| Total shareholders' equity                 | 51,657           | 51,657            | 67,855                        | (119,512)           | 51,657            |
| Noncontrolling interest                    | —                | —                 | 118                           | —                   | 118               |
| <b>TOTAL EQUITY</b>                        | <b>51,657</b>    | <b>51,657</b>     | <b>67,973</b>                 | <b>(119,512)</b>    | <b>51,775</b>     |
| <b>TOTAL LIABILITIES AND EQUITY</b>        | <b>\$ 51,657</b> | <b>\$ 94,109</b>  | <b>\$ 86,528</b>              | <b>\$ (128,833)</b> | <b>\$ 103,461</b> |

The Kraft Heinz Company  
Condensed Consolidating Statements of Cash Flows  
For the Year Ended December 28, 2019  
(in millions)

|  | Parent Guarantor | Subsidiary Issuer | Non-Guarantor<br>Subsidiaries | Eliminations | Consolidated |
|--|------------------|-------------------|-------------------------------|--------------|--------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                    |                  |                   |                               |              |              |
| Net cash provided by/(used for) operating activities                           | \$ 1,953         | \$ 3,308          | \$ 244                        | \$ (1,953)   | \$ 3,552     |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                    |                  |                   |                               |              |              |
| Capital expenditures   | —                | (365)             | (403)                         | —            | (768)        |
| Payments to acquire business, net of cash acquired                             | —                | (199)             | —                             | —            | (199)        |
| Net proceeds from/(payments on) intercompany lending activities                | —                | 2,248             | 723                           | (2,971)      | —            |
| Additional investments in subsidiaries   | (20)             | (51)              | —                             | 71           | —            |
| Proceeds from net investment hedges  | —                | 604               | (14)                          | —            | 590          |
| Proceeds from sale of business, net of cash disposed                           | —                | —                 | 1,875                         | —            | 1,875        |
| Other investing activities, net  | —                | 52                | (39)                          | —            | 13           |
| Net cash provided by/(used for) investing activities                           | (20)             | 2,289             | 2,142                         | (2,900)      | 1,511        |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                                    |                  |                   |                               |              |              |
| Repayments of long-term debt   | —                | (4,568)           | (227)                         | —            | (4,795)      |
| Proceeds from issuance of long-term debt                                       | —                | 2,969             | (2)                           | —            | 2,967        |
| Debt prepayment and extinguishment costs                                       | —                | (99)              | —                             | —            | (99)         |
| Proceeds from issuance of commercial paper                                     | —                | 557               | —                             | —            | 557          |
| Repayments of commercial paper   | —                | (557)             | —                             | —            | (557)        |
| Net proceeds from/(payments on) intercompany borrowing activities              | —                | (723)             | (2,248)                       | 2,971        | —            |
| Dividends paid   | (1,953)          | (1,953)           | —                             | 1,953        | (1,953)      |
| Other intercompany capital stock transactions                                  | —                | 20                | 51                            | (71)         | —            |
| Other financing activities, net  | 20               | (41)              | (12)                          | —            | (33)         |
| Net cash provided by/(used for) financing activities                           | (1,933)          | (4,395)           | (2,438)                       | 4,853        | (3,913)      |
| Effect of exchange rate changes on cash, cash equivalents, and restricted cash | —                | —                 | (6)                           | —            | (6)          |
| Cash, cash equivalents, and restricted cash:                                   |                  |                   |                               |              |              |
| Net increase/(decrease)  | —                | 1,202             | (58)                          | —            | 1,144        |
| Balance at beginning of period   | —                | 202               | 934                           | —            | 1,136        |
| Balance at end of period   | \$ —             | \$ 1,404          | \$ 876                        | \$ —         | \$ 2,280     |

The Kraft Heinz Company  
Condensed Consolidating Statements of Cash Flows  
For the Year Ended December 29, 2018  
(in millions)

|  | Parent Guarantor | Subsidiary Issuer | Non-Guarantor<br>Subsidiaries | Eliminations | Consolidated |
|--|------------------|-------------------|-------------------------------|--------------|--------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                    |                  |                   |                               |              |              |
| Net cash provided by/(used for) operating activities                           | \$ 3,183         | \$ 1,928          | \$ 656                        | \$ (3,193)   | \$ 2,574     |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                    |                  |                   |                               |              |              |
| Cash receipts on sold receivables  | —                | —                 | 1,296                         | —            | 1,296        |
| Capital expenditures   | —                | (339)             | (487)                         | —            | (826)        |
| Payments to acquire business, net of cash acquired                             | —                | (245)             | (3)                           | —            | (248)        |
| Net proceeds from/(payments on) intercompany lending activities                | —                | 1,626             | 206                           | (1,832)      | —            |
| Additional investments in subsidiaries   | —                | (41)              | —                             | 41           | —            |
| Proceeds from net investment hedges  | —                | 24                | —                             | —            | 24           |
| Return of capital  | 7                | —                 | —                             | (7)          | —            |
| Proceeds from sale of business, net of cash disposed                           | —                | —                 | 18                            | —            | 18           |
| Other investing activities, net  | —                | 7                 | 17                            | —            | 24           |
| Net cash provided by/(used for) investing activities                           | 7                | 1,032             | 1,047                         | (1,798)      | 288          |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                                    |                  |                   |                               |              |              |
| Repayments of long-term debt   | —                | (2,550)           | (163)                         | —            | (2,713)      |
| Proceeds from issuance of long-term debt                                       | —                | 2,990             | —                             | —            | 2,990        |
| Proceeds from issuance of commercial paper                                     | —                | 2,784             | —                             | —            | 2,784        |
| Repayments of commercial paper   | —                | (3,213)           | —                             | —            | (3,213)      |
| Net proceeds from/(payments on) intercompany borrowing activities              | —                | (206)             | (1,626)                       | 1,832        | —            |
| Dividends paid   | (3,183)          | (3,183)           | (10)                          | 3,193        | (3,183)      |
| Other intercompany capital stock transactions                                  | —                | (7)               | 41                            | (34)         | —            |
| Other financing activities, net  | (7)              | (17)              | (4)                           | —            | (28)         |
| Net cash provided by/(used for) financing activities                           | (3,190)          | (3,402)           | (1,762)                       | 4,991        | (3,363)      |
| Effect of exchange rate changes on cash, cash equivalents, and restricted cash | —                | —                 | (132)                         | —            | (132)        |
| <b>Cash, cash equivalents, and restricted cash:</b>                            |                  |                   |                               |              |              |
| Net increase/(decrease)  | —                | (442)             | (191)                         | —            | (633)        |
| Balance at beginning of period   | —                | 644               | 1,125                         | —            | 1,769        |
| Balance at end of period   | \$ —             | \$ 202            | \$ 934                        | \$ —         | \$ 1,136     |

The Kraft Heinz Company  
Condensed Consolidating Statements of Cash Flows  
For the Year Ended December 30, 2017  
(in millions)

|  | Parent Guarantor | Subsidiary Issuer | Non-Guarantor<br>Subsidiaries | Eliminations | Consolidated |
|--|------------------|-------------------|-------------------------------|--------------|--------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                    |                  |                   |                               |              |              |
| Net cash provided by/(used for) operating activities                           | \$ 2,888         | \$ 1,497          | \$ (996)                      | \$ (2,888)   | \$ 501       |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                    |                  |                   |                               |              |              |
| Cash receipts on sold receivables  | —                | —                 | 2,286                         | —            | 2,286        |
| Capital expenditures   | —                | (757)             | (437)                         | —            | (1,194)      |
| Net proceeds from/(payments on) intercompany lending activities                | —                | 641               | (542)                         | (99)         | —            |
| Additional investments in subsidiaries   | (21)             | —                 | —                             | 21           | —            |
| Proceeds from net investment hedges  | —                | 6                 | —                             | —            | 6            |
| Other investing activities, net  | —                | 56                | 23                            | —            | 79           |
| Net cash provided by/(used for) investing activities                           | (21)             | (54)              | 1,330                         | (78)         | 1,177        |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                                    |                  |                   |                               |              |              |
| Repayments of long-term debt   | —                | (2,628)           | (13)                          | —            | (2,641)      |
| Proceeds from issuance of long-term debt                                       | —                | 1,496             | —                             | —            | 1,496        |
| Proceeds from issuance of commercial paper                                     | —                | 6,043             | —                             | —            | 6,043        |
| Repayments of commercial paper   | —                | (6,249)           | —                             | —            | (6,249)      |
| Net proceeds from/(payments on) intercompany borrowing activities              | —                | 542               | (641)                         | 99           | —            |
| Dividends paid-common stock  | (2,888)          | (2,888)           | —                             | 2,888        | (2,888)      |
| Other intercompany capital stock transactions                                  | —                | 21                | —                             | (21)         | —            |
| Other financing activities, net  | 21               | (5)               | 2                             | —            | 18           |
| Net cash provided by/(used for) financing activities                           | (2,867)          | (3,668)           | (652)                         | 2,966        | (4,221)      |
| Effect of exchange rate changes on cash, cash equivalents, and restricted cash | —                | —                 | 57                            | —            | 57           |
| Cash, cash equivalents, and restricted cash:                                   |                  |                   |                               |              |              |
| Net increase/(decrease)  | —                | (2,225)           | (261)                         | —            | (2,486)      |
| Balance at beginning of period   | —                | 2,869             | 1,386                         | —            | 4,255        |
| Balance at end of period   | \$ —             | \$ 644            | \$ 1,125                      | \$ —         | \$ 1,769     |

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):

|  | <b>December 28, 2019</b> |                          |                                       |                     |                     |
|--|--------------------------|--------------------------|---------------------------------------|---------------------|---------------------|
|  | <b>Parent Guarantor</b>  | <b>Subsidiary Issuer</b> | <b>Non-Guarantor<br/>Subsidiaries</b> | <b>Eliminations</b> | <b>Consolidated</b> |
| Cash and cash equivalents                            | \$ —                     | \$ 1,404                 | \$ 875                                | \$ —                | \$ 2,279            |
| Restricted cash included in other current assets     | —                        | —                        | 1                                     | —                   | 1                   |
| Restricted cash included in other non-current assets | —                        | —                        | —                                     | —                   | —                   |
| Cash, cash equivalents, and restricted cash          | <u>\$ —</u>              | <u>\$ 1,404</u>          | <u>\$ 876</u>                         | <u>\$ —</u>         | <u>\$ 2,280</u>     |

|  | <b>December 29, 2018</b> |                          |                                       |                     |                     |
|--|--------------------------|--------------------------|---------------------------------------|---------------------|---------------------|
|  | <b>Parent Guarantor</b>  | <b>Subsidiary Issuer</b> | <b>Non-Guarantor<br/>Subsidiaries</b> | <b>Eliminations</b> | <b>Consolidated</b> |
| 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 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.**

None.

## **Item 9A. 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 December 28, 2019. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that as of December 28, 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.

### **Management's Report on Internal Control Over Financial Reporting**

Management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) under the Exchange Act. Our internal control over financial reporting is a process designed 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. Our internal control over financial reporting includes those written policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of assets;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles;
- provide reasonable assurance that receipts and expenditures are being made only in accordance with management and director authorization; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of assets that could have a material effect on the consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 28, 2019 based on the framework described in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this evaluation, our management concluded that we did not maintain effective internal control over financial reporting as of December 28, 2019 due to the material weaknesses described below.

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.

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 deficiency described below, which we also determined to be a material weakness, and both material weaknesses have not been remediated as of December 28, 2019:



- *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.

Additionally, the material weaknesses described above could result in a misstatement of substantially all 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.

PricewaterhouseCoopers LLP, an independent registered public accounting firm that audited the consolidated financial statements included in this Annual Report on Form 10-K, has also audited the effectiveness of our internal control over financial reporting as of December 28, 2019, as stated in their report which appears herein under Item 8, *Financial Statements and Supplementary Data*.

#### **Remediation Efforts to Address Material Weaknesses**

Our management, with oversight from our Audit Committee, is in the process of executing a plan to remediate the material weaknesses described above. This plan includes the implementation of additional controls and procedures to strengthen our internal controls related to our risk assessment component of internal control over financial reporting and 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.
- **Procurement Practices**—We evaluated our procurement practices and standardized our contract documentation and analyses around procurement contracts. We also updated our global procurement and relevant accounting policies and provided additional training specific to procurement contracts and the relevant accounting considerations.
- **Overall Communications**—We have reinforced and will continue to reinforce the importance of adherence to internal controls and company policies and procedures through formal communications, town hall meetings, and other employee trainings and will continue to communicate as appropriate.

The remaining actions outlined in the remediation plan from what had been previously communicated in the Annual Report on Form 10-K for the period ended December 29, 2018 include the following:

- **Performance Targets**—We have identified and are in the process of 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; and (iv) 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 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; and (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.

- **Training Practices**—We delivered a comprehensive global procurement training program that covered supplier contracts and related arrangements, including potential accounting implications during 2019. We are in the process of finalizing the 2020 training plan, including optimizing and enhancing our existing training for new hires and transferees into the procurement organization.
- **Procurement Management Software**—We completed our evaluation of potential solutions related to procurement management software in order to enhance the identification, tracking, and monitoring of supplier contracts and related arrangements. We will be implementing a contract management solution during fiscal 2020. However, we have designed and are in the process of implementing manual controls to address the control deficiency until the implementation of the system solution.

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 during 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. These material weaknesses will not be considered remediated until the applicable remediated controls operate for a sufficient period of time and management has concluded, through testing, that these controls are operating effectively.

#### **Remediation of Previously Reported Material Weakness**

As previously disclosed in our Annual Report on Form 10-K for the period ended December 29, 2018, 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.

Due to the actions taken by the Company to implement new controls and procedures, management has concluded that this material weakness has been remediated as of December 28, 2019. The actions we took to remediate this material weakness were as follows:

- 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.

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

Our Chief Executive Officer and Chief Financial Officer, with other members of management, evaluated the changes in our internal control over financial reporting during the three months ended December 28, 2019. We determined that there were no changes in our internal control over financial reporting during the three months ended December 28, 2019 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**Item 9B. Other Information.**

Not applicable.

**PART III****Item 10. Directors, Executive Officers and Corporate Governance.**

Information required by this Item 10 is included under the headings “Company Proposals - Proposal 1. Election of Directors,” “Corporate Governance and Board Matters – Delinquent Section 16(a) Reports,” “Corporate Governance and Board Matters – Governance Guidelines and Codes of Conduct,” “Corporate Governance Materials Available on Our Web Site,” and “Board Committees and Membership – Audit Committee” in our definitive Proxy Statement for our Annual Meeting of Shareholders scheduled to be held on May 7, 2020 (“2020 Proxy Statement”). This information is incorporated by reference into this Annual Report on Form 10-K.

**Item 11. Executive Compensation.**

Information required by this Item 11 is included under the headings “Pay Ratio Disclosure,” “Board Committees and Membership – Compensation Committee,” “Compensation of Non-Employee Directors,” “Compensation Discussion and Analysis,” and “Executive Compensation Tables,” in our 2020 Proxy Statement. This information is incorporated by reference into this Annual Report on Form 10-K.

**Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder.**

The number of shares to be issued upon exercise or vesting of awards issued under, and the number of shares remaining available for future issuance under our equity compensation plans at December 28, 2019 were:

| Plan Category  | Number of securities to be issued upon exercise of outstanding options, warrants and rights <sup>(1)</sup> | Weighted average exercise price per share of outstanding options, warrants and rights | Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) <sup>(2)</sup> |
|--|--|---|--|
| (a)  | (b)  | (c)   |  |
| Equity compensation plans approved by security holders     | 33,855,210   | \$ 41.22  | —  |
| Equity compensation plans not approved by security holders | —  | —   | —  |
| Total  | 33,855,210   |   | —  |

(1) Includes the vesting of RSUs.

(2) Excludes shares that are no longer available to be issued as awards under the Kraft Foods Group 2012 Incentive Performance Plan and the HJ Heinz Holding Corp 2013 Omnibus Incentive Plan. We have not issued new awards from these plans since fiscal year ended December 31, 2016.

Information related to the security ownership of certain beneficial owners and management is included in our 2020 Proxy Statement under the heading “Ownership of Equity Securities” and is incorporated by reference into this Annual Report on Form 10-K.

**Item 13. Certain Relationships and Related Transactions, and Director Independence.**

Information required by this Item 13 is included under the heading “Corporate Governance and Board Matters - Independence and Related Person Transactions” in our 2020 Proxy Statement. This information is incorporated by reference into this Annual Report on Form 10-K.

**Item 14. Principal Accounting Fees and Services.**

Information required by this Item 14 is included under the heading “Board Committees and Membership - Audit Committee” in our 2020 Proxy Statement. This information is incorporated by reference into this Annual Report on Form 10-K.

**PART IV**

**Item 15. Exhibits, Financial Statement Schedules.**

(a) Index to Consolidated Financial Statements and Schedules

|   | <b>Page No.</b> |
|---|-----------------|
| <a href="#"><u>Report of Independent Registered Public Accounting Firm</u></a>  | 42              |
| <a href="#"><u>Consolidated Statements of Income for the Years Ended December 28, 2019, December 29, 2018, and December 30, 2017</u></a>                                | 45              |
| <a href="#"><u>Consolidated Statements of Comprehensive Income for the Years Ended December 28, 2019, December 29, 2018, and December 30, 2017</u></a>                  | 46              |
| <a href="#"><u>Consolidated Balance Sheets at December 28, 2019 and December 29, 2018</u></a>   | 47              |
| <a href="#"><u>Consolidated Statements of Equity for the Years Ended December 28, 2019, December 29, 2018, and December 30, 2017</u></a>                                | 48              |
| <a href="#"><u>Consolidated Statements of Cash Flows for the Years Ended December 28, 2019, December 29, 2018, and December 30, 2017</u></a>                            | 49              |
| <a href="#"><u>Notes to the Consolidated Financial Statements</u></a>   | 50              |
| <a href="#"><u>Financial Statement Schedule - Valuation and Qualifying Accounts for the Years Ended December 28, 2019, December 29, 2018, and December 30, 2017</u></a> | S-1             |

Schedules other than those listed above have been omitted either because such schedules are not required or are not applicable.

(b) The following exhibits are filed as part of, or incorporated by reference into, this Annual Report:

| <b>Exhibit No.</b> | <b>Descriptions</b>   |
|--------------------|---|
| 2.1                | <a href="#"><u>Separation and Distribution Agreement between Mondelēz International, Inc. (formerly known as Kraft Foods Inc.) and Kraft Foods Group, Inc., dated as of September 27, 2012 (incorporated by reference to Exhibit 2.1 to Amendment No. 1 to Kraft Foods Group, Inc.'s Registration Statement on Form S-4 (File No. 333-184314), filed on October 26, 2012).</u></a>  |
| 2.2                | <a href="#"><u>Canadian Asset Transfer Agreement between Mondelēz Canada Inc. and Kraft Canada Inc., dated as of September 29, 2012 (incorporated by reference to Exhibit 2.2 to Amendment No. 2 to Kraft Foods Group, Inc.'s Registration Statement on Form S-4 (File No. 333-184314), filed on December 4, 2012).</u></a>   |
| 2.3                | <a href="#"><u>Master Ownership and License Agreement Regarding Patents, Trade Secrets and Related Intellectual Property between Kraft Foods Global Brands LLC, Kraft Foods Group Brands LLC, Kraft Foods UK Ltd. and Kraft Foods R&amp;D Inc., dated as of October 1, 2012 (incorporated by reference to Exhibit 2.3 to Amendment No. 2 to Kraft Foods Group, Inc.'s Registration Statement on Form S-4 (File No. 333-184314), filed on December 4, 2012).</u></a> |
| 2.4                | <a href="#"><u>Master Ownership and License Agreement Regarding Trademarks and Related Intellectual Property between Kraft Foods Global Brands LLC and Kraft Foods Group Brands LLC., dated as of September 27, 2012 (incorporated by reference to Exhibit 2.4 to Amendment No. 2 to Kraft Foods Group, Inc.'s Registration Statement on Form S-4 (File No. 333-184314), filed on December 4, 2012).</u></a>  |
| 2.5                | <a href="#"><u>Agreement and Plan of Merger, dated as of March 24, 2015, by and among H.J. Heinz Holding Corporation, Kite Merger Sub Corp., Kite Merger Sub LLC and Kraft Foods Group, Inc. (incorporated by reference to Exhibit 2.1 to the Company's Registration Statement on Form S-4 (File No. 333-203364), filed on April 10, 2015).</u></a>   |
| 2.6                | <a href="#"><u>First Amendment to the Master Ownership and License Agreement Regarding Trademarks and Related Intellectual Property, by and between Intercontinental Great Brands LLC and Kraft Foods Group Brands LLC, effective as of July 15, 2013 (incorporated by reference to Exhibit 2.2 to Kraft Foods Group, Inc.'s Quarterly Report on Form 10-Q (File No. 1-35491), filed on April 28, 2015).</u></a>  |
| 2.7                | <a href="#"><u>Second Amendment to the Master Ownership and License Agreement Regarding Trademarks and Related Intellectual Property, by and between Intercontinental Great Brands LLC and Kraft Foods Group Brands LLC, effective as of October 1, 2014 (incorporated by reference to Exhibit 2.3 to Kraft Foods Group, Inc.'s Quarterly Report on Form 10-Q (File No. 1-35491), filed on April 28, 2015).</u></a>   |
| 2.8                | <a href="#"><u>Amendment to the Master Ownership and License Agreement regarding Trademarks and Related Intellectual Property, by and between Intercontinental Great Brands LLC and Kraft Foods Group Brands LLC, effective as of September 28, 2016 (incorporated by reference to Exhibit 2.1 to the Company's Quarterly Report on Form 10-Q (File No. 1-37482), filed on August 4, 2017).</u></a>   |

- 2.9 [Addendum to Master Ownership and License Agreement Regarding Patents, Trade Secrets, and Related Intellectual Property, by and between Intercontinental Great Brands LLC, Mondelez UK LTD, Kraft Foods R&D Inc., and Kraft Foods Group Brands LLC, dated as of May 9, 2017 \(incorporated by reference to Exhibit 2.2 to the Company's Quarterly Report on Form 10-Q \(File No. 1-37482\), filed on August 4, 2017\).](#)
- 2.10 [Fourth Amendment to the Master Ownership and License Agreement regarding Trademarks and Related Intellectual Property, by and between Intercontinental Great Brands LLC and Kraft Foods Group Brands LLC, effective as of September 28, 2018.\\*](#)
- 3.1 [Second Amended and Restated Certificate of Incorporation of H.J. Heinz Holding Corporation \(incorporated by reference to Exhibit 3.1 of the Company's Current Report on Form 8-K \(File No. 1-37482\), filed on July 2, 2015\).](#)
- 3.2 [Amended and Restated By-laws of The Kraft Heinz Company \(incorporated by reference to Exhibit 3.1 of the Company's Current Report on Form 8-K \(File No. 1-37482\), filed on October 27, 2017\).](#)
- 3.3 [Certificate of Retirement of Series A Preferred Stock of The Kraft Heinz Company dated June 7, 2016 \(incorporated by reference to Exhibit 3.1 of the Company's Current Report on Form 8-K \(File No. 1-37482\), filed on June 7, 2016\).](#)
- 4.1 [Amended and Restated Registration Rights Agreement, dated as of July 2, 2015, by and among the Company, 3G Global Food Holdings LP and Berkshire Hathaway Inc. \(incorporated by reference to Exhibit 4.1 of the Company's Current Report on Form 8-K \(File No. 1-37482\), filed on July 2, 2015\).](#)
- 4.2 [Indenture dated as of July 1, 2015, governing debt securities by and among H. J. Heinz Company, as issuer, H.J. Heinz Holding Corporation, as guarantor, and Wells Fargo Bank, National Association, as trustee \(incorporated by reference to Exhibit 4.1 of the Company's Current Report on Form 8-K \(File No. 1-37482\), filed on July 6, 2015\).](#)
- 4.3 [First Supplemental Indenture dated as of July 1, 2015, governing the 2.000% Senior Notes due 2023, by and among H. J. Heinz Company, as issuer, H.J. Heinz Holding Corporation, as guarantor, Wells Fargo Bank, National Association, as trustee, and Société Générale Bank & Trust, as paying agent, security registrar, and transfer agent \(incorporated by reference to Exhibit 4.2 of the Company's Current Report on Form 8-K \(File No. 1-37482\), filed on July 6, 2015\).](#)
- 4.4 [Second Supplemental Indenture dated as of July 1, 2015, governing the 4.125% Senior Notes due 2027, by and among H. J. Heinz Company, as issuer, H.J. Heinz Holding Corporation, as guarantor, Wells Fargo Bank, National Association, as trustee, and Société Générale Bank & Trust, as paying agent, security registrar, and transfer agent \(incorporated by reference to Exhibit 4.4 of the Company's Current Report on Form 8-K \(File No. 1-37482\), filed on July 6, 2015\).](#)
- 4.5 [Third Supplemental Indenture dated as of July 2, 2015, governing the 1.60% Senior Notes due 2017, the 2.00% Senior Notes due 2018, the 2.80% Senior Notes due 2020, the 3.50% Senior Notes due 2022, the 3.95% Senior Notes due 2025, the 5.00% Senior Notes due 2035 and the 5.20% Senior Notes due 2045, by and among H. J. Heinz Company, as issuer, H.J. Heinz Holding Corporation, as guarantor, and Wells Fargo Bank, National Association, as trustee \(incorporated by reference to Exhibit 4.6 of the Company's Current Report on Form 8-K \(File No. 1-37482\), filed on July 6, 2015\).](#)
- 4.6 [Indenture dated as of July 6, 2015, governing debt securities by and among Kraft Canada Inc., as issuer, The Kraft Heinz Company and Kraft Heinz Foods Company, as guarantors, and Computershare Trust Company of Canada, as trustee \(incorporated by reference to Exhibit 4.9 of the Company's Current Report on Form 8-K \(File No. 1-37482\), filed on July 6, 2015\).](#)
- 4.7 [Second Supplemental Indenture dated as of July 6, 2015, governing the Floating Rate Senior Notes due 2020, by and among Kraft Canada Inc., as issuer, The Kraft Heinz Company and Kraft Heinz Foods Company, as guarantors, and Computershare Trust Company of Canada, as trustee \(incorporated by reference to Exhibit 4.12 of the Company's Current Report on Form 8-K \(File No. 1-37482\), filed on July 6, 2015\).](#)
- 4.8 [Third Supplemental Indenture dated as of July 6, 2015, governing the 2.70% Senior Notes due 2020, by and among Kraft Canada Inc., as issuer, The Kraft Heinz Company and Kraft Heinz Foods Company, as guarantors, and Computershare Trust Company of Canada, as trustee \(incorporated by reference to Exhibit 4.14 of the Company's Current Report on Form 8-K \(File No. 1-37482\), filed on July 6, 2015\).](#)
- 4.9 [Form of the 2.70% Senior Notes due 2020 \(included in Exhibit 4.8\).](#)
- 4.10 [Guarantee Agreement dated as of July 6, 2015, by and among The Kraft Heinz Company and Kraft Heinz Foods Company, as guarantors, and Computershare Trust Company of Canada, as trustee \(incorporated by reference to Exhibit 4.16 of the Company's Current Report on Form 8-K \(File No. 1-37482\), filed on July 6, 2015\).](#)
- 4.11 [Indenture by and between Kraft Foods Group, Inc. and Deutsche Bank Trust Company Americas, as trustee, dated as of June 4, 2012 \(incorporated by reference to Exhibit 10.4 to Kraft Foods Group, Inc.'s Registration Statement on Form 10 \(File No. 1-35491\), filed on June 21, 2012\).](#)

- 4.12 [Supplemental Indenture No. 1 by and between Kraft Foods Group, Inc., Mondelēz International, Inc. \(formerly known as Kraft Foods Inc.\), as guarantor, and Deutsche Bank Trust Company Americas, as trustee, dated as of June 4, 2012 \(incorporated by reference to Exhibit 10.5 to Kraft Foods Group, Inc.'s Registration Statement on Form 10 \(File No. 1-35491\), filed on June 21, 2012\).](#)
- 4.13 [Supplemental Indenture No. 2 by and between Kraft Foods Group, Inc., Mondelēz International, Inc. \(formerly known as Kraft Foods Inc.\), as guarantor, and Deutsche Bank Trust Company Americas, as trustee, dated as of July 18, 2012 \(incorporated by reference to Exhibit 10.27 to Kraft Foods Group, Inc.'s Registration Statement on Form 10 \(File No. 1-35491\), filed on August 6, 2012\).](#)
- 4.14 [Supplemental Indenture No. 3 dated as of July 2, 2015, governing the 2.250% Notes due 2017, 6.125% Notes due 2018, 5.375% Notes due 2020, 3.500% Notes due 2022, 6.875% Notes due 2039, 6.500% Notes due 2040 and 5.000% Notes due 2042, by and among Kraft Foods Group, Inc., as issuer, H. J. Heinz Company, as successor, H.J. Heinz Holding Corporation, as parent guarantor, and Deutsche Bank Trust Company Americas, as trustee \(incorporated by reference to Exhibit 4.17 of the Company's Current Report on Form 8-K \(File No. 1-37482\), filed on July 6, 2015\).](#)
- 4.15 [Third Supplemental Indenture dated July 2, 2015, governing the 6.75% Debentures due 2032 and 7.125% Debentures due 2039 by and among H.J. Heinz Holding Corporation, H. J. Heinz Company and The Bank of New York Mellon \(as successor trustee to Bank One, National Association\) \(incorporated by reference to Exhibit 4.18 of the Company's Current Report on Form 8-K \(File No. 1-37482\), filed on July 6, 2015\).](#)
- 4.16 [Third Supplemental Indenture dated July 2, 2015, governing the 6.375% Debentures due 2028 by and among H.J. Heinz Holding Corporation, H. J. Heinz Company and The Bank of New York Mellon \(as successor trustee to Bank One, National Association\) \(incorporated by reference to Exhibit 4.19 of the Company's Current Report on Form 8-K \(File No. 1-37482\), filed on July 6, 2015\).](#)
- 4.17 [Indenture among H. J. Heinz Corporation II, H. J. Heinz Finance Company, and The Bank of New York Mellon \(as successor trustee\) dated as of July 6, 2001 governing the 6.75% Guaranteed Notes due 2032 and the 7.125% Guaranteed Notes due 2039 \(incorporated herein by reference to Exhibit 4\(c\) to H. J. Heinz Company's Annual Report on Form 10-K for the fiscal year ended May 1, 2002 \(File No. 1-3385\), filed on July 30, 2002\).](#)
- 4.18 [Indenture among H. J. Heinz Company and MUFG Union Bank, N.A. \(as successor trustee\) dated as of July 15, 2008 governing the 2.000% Notes due 2016, the 3.125% Notes due 2021, the 1.50% Notes due 2017, and the 2.85% Notes due 2022 \(incorporated herein by reference to Exhibit 4\(d\) to H. J. Heinz Company's Annual Report on Form 10-K for the fiscal year ended April 29, 2009 \(File No. 1-3385\), filed on June 17, 2009\).](#)
- 4.19 [Supplemental Indenture No. 4, dated as of November 11, 2015, to the Indenture, by and between Kraft Foods Group, Inc. and Deutsche Bank Trust Company Americas, as trustee, dated as of June 4, 2012 \(incorporated by reference to Exhibit 4.21 to the Company's Annual Report on Form 10-K for the fiscal year ended January 3, 2016 \(File No. 1-37482\), filed on March 3, 2016\).](#)
- 4.20 [Second Lien Security Agreement, dated as of June 7, 2013, by and among Hawk Acquisition Intermediate Corporation II, and certain of its subsidiaries, collectively, as the Initial Grantors, and Wells Fargo Bank, National Association, as Collateral Agent \(incorporated by reference to Exhibit 10.6 to H. J. Heinz Company's Current Report on Form 8-K \(File No. 1-3385\), dated June 13, 2013\).](#)
- 4.21 [Second Lien Intellectual Property Security Agreement, dated June 7, 2013 by the persons listed on the signature pages thereof in favor of Wells Fargo Bank, National Association, as collateral agent for the Secured Parties \(incorporated by reference to Exhibit 10.7 to H. J. Heinz Company's Current Report on Form 8-K \(File No. 1-3385\), dated June 13, 2013\).](#)
- 4.22 [Indenture dated as of January 30, 2015, by and among H. J. Heinz Corporation II, the Guarantors party hereto, Wells Fargo Bank, National Association, as Collateral Agent and MUFG Union Bank, N.A. as Trustee, relating to H. J. Heinz Corporation II's \\$2,000,000,000 4.875% Second Lien Senior Secured Notes due 2025 \(incorporated by reference to Exhibit 4.1 of H. J. Heinz Corporation II's Current Report on Form 8-K \(File No. 444-194441\), dated February 5, 2015\).](#)
- 4.23 [Indenture by and between H. J. Heinz Company \(as successor issuer\), and The Bank of New York Mellon \(as successor trustee\) dated as of July 15, 1992 \(incorporated by reference to Exhibit 4\(a\) to H. J. Heinz Company's Registration Statement on Form S-3 \(File No. 333-48017\), filed on March 16, 1998\).](#)
- 4.24 [Fourth Supplemental Indenture, dated as of May 24, 2016, governing the 3.000% Senior Notes due 2026 and the 4.375% Senior Notes due 2046, by and among Kraft Heinz Foods Company, as issuer, The Kraft Heinz Company, as guarantor, and Deutsche Bank Trust Company Americas, as trustee \(incorporated by reference to Exhibit 4.1 of the Company's Current Report on Form 8-K \(File No. 1-37482\), filed on May 25, 2016\).](#)
- 4.25 [Form of the 3.000% Senior Notes due 2026 and the 4.375% Senior Notes due 2046 \(included in Exhibit 4.24\).](#)
- 4.26 [Fifth Supplemental Indenture, dated as of May 25, 2016, governing the 1.500% Senior Notes due 2024 and the 2.250% Senior Notes due 2028, by and among Kraft Heinz Foods Company, as issuer, The Kraft Heinz Company, as guarantor, and Deutsche Bank Trust Company Americas, as trustee, paying agent, security registrar, and transfer agent \(incorporated by reference to Exhibit 4.3 of the Company's Current Report on Form 8-K \(File No. 1-37482\), filed on May 25, 2016\).](#)

- 4.27 [Form of the 1.500% Senior Notes due 2024 and the 2.250% Senior Notes due 2028 \(included in Exhibit 4.26\).](#)
- 4.28 [Sixth Supplemental Indenture, dated as of August 10, 2017, governing the floating rate Senior Notes due 2019, the floating rate Senior Notes due 2021 and the floating rate Senior Notes due 2022, by and among Kraft Heinz Foods Company, as issuer, The Kraft Heinz Company, as guarantor, and Deutsche Bank Trust Company Americas, as trustee \(incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K \(File No. 1-37482\), filed on August 10, 2017\).](#)
- 4.29 [Forms of floating rate Senior Notes due 2019, the floating rate Senior Notes due 2021 and the floating rate Senior Notes due 2022 \(included in Exhibit 4.28\).](#)
- 4.30 [Seventh Supplemental Indenture, dated as of June 15, 2018, governing the 3.375% Senior Notes due 2021, the 4.000% Senior Notes due 2023 and the 4.625% Senior Notes due 2029, by and among Kraft Heinz Foods Company, as issuer, The Kraft Heinz Company, as guarantor, and Deutsche Bank Trust Company Americas, as trustee \(incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K \(File No. 1-37482\), filed on June 15, 2018\).](#)
- 4.31 [Forms of 3.375% Senior Notes due 2021, the 4.000% Senior Notes due 2023 and the 4.625% Senior Notes due 2029 \(included in Exhibit 4.30\).](#)
- 4.32 [Description of Kraft Heinz Securities registered under Section 12 of the Exchange Act \(incorporated by reference to Exhibit 4.32 to the Company's Annual Report on Form 10-K for the fiscal year ended December 29, 2018 \(File No. 1-37482\), filed on June 7, 2019\).](#)
- 4.33 [Eighth Supplemental Indenture, dated as of September 25, 2019, governing the 3.750% senior notes due 2030, the 4.625% senior notes due 2039 and the 4.875% senior notes due 2049, by and among Kraft Heinz Foods Company, as issuer, The Kraft Heinz Company, as guarantor, and Deutsche Bank Trust Company Americas, as trustee \(incorporated by reference to Exhibit 4.1 of the Company's Current Report on Form 8-K \(File No. 1-37482\), filed on September 25, 2019\).](#)
- 4.34 [Form of Note \(incorporated by reference to Exhibit 4.2 of the Company's Current Report on Form 8-K \(File No. 1-37482\), filed on September 25, 2019\).](#)
- 4.35 [Registration Rights Agreement, dated as of September 25, 2019, by and among Kraft Heinz Foods Company, a Pennsylvania limited liability company, The Kraft Heinz Company, a Delaware corporation, as guarantor, and BofA Securities, Inc., Citigroup Global Markets Inc. and Wells Fargo Securities, LLC, as representatives of the Initial Purchasers \(incorporated by reference to Exhibit 4.3 of the Company's Current Report on Form 8-K \(File No. 1-37482\), filed on September 25, 2019\).](#)
- 10.1 [Tax Sharing and Indemnity Agreement by and between Mondelēz International, Inc. \(formerly known as Kraft Foods Inc.\) and Kraft Foods Group, Inc., dated as of September 27, 2012 \(incorporated by reference to Exhibit 10.3 to Amendment No. 1 to Kraft Foods Group, Inc.'s Registration Statement on Form S-4 \(File No. 333-184314\), filed on October 26, 2012\).](#)
- 10.2 [Form of \(Kraft Foods Group, Inc.\) Global Stock Option Award Agreement \(incorporated by reference to Exhibit 10.1 to Kraft Foods Group, Inc.'s Quarterly Report on Form 10-Q \(File No. 333-35491\), filed on May 2, 2014\).+](#)
- 10.3 [Form of \(Kraft Foods Group, Inc.\) Global Restricted Stock Unit Agreement \(incorporated by reference to Exhibit 10.3 to Kraft Foods Group, Inc.'s Quarterly Report on Form 10-Q \(File No. 333-35491\) filed on May 2, 2014\).+](#)
- 10.4 [H. J. Heinz Holding Corporation 2013 Omnibus Incentive Plan \(incorporated by reference to Exhibit 10.1 to Amendment No. 4 to H.J. Heinz Holding Corporation's Registration Statement on Form S-4 \(File No. 333-203364\), filed on May 29, 2015\).+](#)
- 10.5 [Amendment, effective July 2, 2015 to the H. J. Heinz Holding Corporation 2013 Omnibus Incentive Plan \(incorporated herein by reference to Exhibit 10.6 to the Company's Annual Report on Form 10-K for the fiscal year ended January 3, 2016 \(File No. 1-37482\), filed on March 3, 2016\).+](#)
- 10.6 [Form of H. J. Heinz Holding Corporation 2013 Omnibus Incentive Plan Non-Qualified Stock Option Award Agreement \(incorporated by reference to Exhibit 10.2 to Amendment No. 4 to H.J. Heinz Holding Corporation's Registration Statement on Form S-4 \(File No. 333-203364\), filed on May 29, 2015\).+](#)
- 10.7 [Kraft Foods Group, Inc. Deferred Compensation Plan For Non-Management Directors \(incorporated by reference to Exhibit 4.3 to Kraft Foods Group, Inc.'s Registration Statement on Form S-8 \(File No. 333-183867\) filed on September 12, 2012\).+](#)
- 10.8 [Kraft Foods Group, Inc. 2012 Performance Incentive Plan \(incorporated by reference to Exhibit 4.3 to Kraft Foods Group, Inc.'s Registration Statement on Form S-8 \(File No. 333-183868\) filed on September 12, 2012\). +](#)
- 10.9 [Settlement Agreement, dated June 22, 2015, between Mondelēz International, Inc. and Kraft Foods Group, Inc. \(incorporated by reference to Exhibit 10.1 of Kraft Foods Group, Inc.'s Current Report on Form 8-K \(File No. 1-35491\), filed on June 24, 2015\).](#)

- 10.10 [Subscription Agreement, dated as of July 1, 2015, by and among H.J. Heinz Holding Corporation, 3G Global Food Holdings LP and Berkshire Hathaway Inc. \(incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K \(File No. 1-37482\), filed on July 2, 2015\).](#)
- 10.11 [Credit Agreement dated as of July 6, 2015, by and among Kraft Heinz Foods Company \(formerly known as H. J. Heinz Company\), The Kraft Heinz Company \(formerly known as H.J. Heinz Holding Corporation\), the lenders party thereto, JPMorgan Chase Bank, N.A., as Administrative Agent and JPMorgan Europe Limited, as London Agent \(incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K \(File No. 1-37482\), filed on July 6, 2015\).](#)
- 10.12 [First Amendment to Credit Agreement, entered into as of May 4, 2016, to the Credit Agreement dated as of July 6, 2015, by and among The Kraft Heinz Company, Kraft Heinz Foods Company, the banks, financial institutions and other institutional lenders party thereto, the issuing banks, 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 of the Company's Current Report on Form 8-K \(File No. 1-37482\), filed on May 6, 2016\).](#)
- 10.13 [The Kraft Heinz Company 2016 Omnibus Incentive Plan \(incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q \(File No. 1-37482\), filed on May 5, 2016\).+](#)
- 10.14 [Form of Amended and Restated The Kraft Heinz Company 2016 Omnibus Incentive Plan Non-Qualified Stock Option Award Agreement \(incorporated by reference to Exhibit 10.15 to the Company's Annual Report on Form 10-K for the fiscal year ended December 29, 2018 \(File No. 1-37482\), filed on June 7, 2019\).+](#)
- 10.15 [Form of Amended and Restated The Kraft Heinz Company 2016 Omnibus Incentive Plan Matching Restricted Stock Unit Award Agreement \(incorporated by reference to Exhibit 10.16 to the Company's Annual Report on Form 10-K for the fiscal year ended December 29, 2018 \(File No. 1-37482\), filed on June 7, 2019\).+](#)
- 10.16 [Form of Amended and Restated The Kraft Heinz Company 2016 Omnibus Incentive Plan Restricted Stock Unit Award Agreement \(incorporated by reference to Exhibit 10.17 to the Company's Annual Report on Form 10-K for the fiscal year ended December 29, 2018 \(File No. 1-37482\), filed on June 7, 2019\).+](#)
- 10.17 [Form of Amended and Restated The Kraft Heinz Company 2016 Omnibus Incentive Plan 2017 Performance Share Award Notice \(incorporated by reference to Exhibit 10.18 to the Company's Annual Report on Form 10-K for the fiscal year ended December 29, 2018 \(File No. 1-37482\), filed on June 7, 2019\).+](#)
- 10.18 [Form of Amended and Restated The Kraft Heinz Company 2016 Omnibus Incentive Plan 2018 Performance Share Award Notice \(incorporated by reference to Exhibit 10.19 to the Company's Annual Report on Form 10-K for the fiscal year ended December 29, 2018 \(File No. 1-37482\), filed on June 7, 2019\).+](#)
- 10.19 [Second Amendment to Credit Agreement, entered into as of June 15, 2018, 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 June 15, 2018\).](#)
- 10.20 [Separation Agreement and General Release, dated as of June 25, 2019, by and between The Kraft Heinz Company and Bernardo Hees \(incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q \(File No. 1-37482\), filed on August 13, 2019\).+](#)
- 10.21 [Addendum to Separation Agreement and General Release, dated as of June 30, 2019, by and between The Kraft Heinz Company and Bernardo Hees \(incorporated by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q \(File No. 1-37482\), filed on August 13, 2019\).+](#)
- 10.22 [Offer of Employment Letter, dated as of July 1, 2019, by and between The Kraft Heinz Company and Miguel Patricio \(incorporated by reference to Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q \(File No. 1-37482\), filed on August 13, 2019\).+](#)
- 10.23 [Offer of Continued Employment Letter, dated as of September 6, 2019, by and between The Kraft Heinz Company and George Zoghbi \(incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q \(File No. 1-37482\), filed on October 31, 2019\).+](#)
- 10.24 [Separation Agreement and General Release, dated as of December 20, 2019, by and between The Kraft Heinz Company and David Knopf.+\\*](#)
- 10.25 [Form of Amended and Restated The Kraft Heinz Company 2016 Omnibus Incentive Plan Non-Qualified Stock Option Agreement \(incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q \(File No. 1-37482\), filed on October 31, 2019\).+](#)
- 10.26 [Form of Amended and Restated The Kraft Heinz Company 2016 Omnibus Incentive Plan Restricted Stock Unit Award Agreement \(incorporated by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q \(File No. 1-37482\), filed on October 31, 2019\).+](#)
- 10.27 [Form of Amended and Restated The Kraft Heinz Company 2016 Omnibus Incentive Plan 2019 Performance Share Award Notice \(incorporated by reference to Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q \(File No. 1-37482\), filed on October 31, 2019\).+](#)
- 21.1 [List of subsidiaries of The Kraft Heinz Company.\\*](#)



- 23.1 [Consent of PricewaterhouseCoopers LLP.\\*](#)
- 24.1 [Power of Attorney.\\*](#)
- 31.1 [Certification of Chief Executive Officer pursuant to Rule 13a 14\(a\)/15d 14\(a\) of the Securities Exchange Act of 1934.\\*](#)
- 31.2 [Certification of Chief Financial Officer pursuant to Rule 13a 14\(a\)/15d 14\(a\) of the Securities Exchange Act of 1934.\\*](#)
- 32.1 [Certification of Chief Executive Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.\\*](#)
- 32.2 [Certification of Chief Financial Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.\\*](#)
- 101.1 The following materials from The Kraft Heinz Company's Annual Report on Form 10-K for the period ended December 28, 2019 formatted in inline XBRL (eXtensible Business Reporting Language): (i) the Consolidated Statements of Income, (ii) the Consolidated Statements of Comprehensive Income, (iii) the Consolidated Balance Sheets, (iv) the Consolidated Statements of Equity, (v) the Consolidated Statements of Cash Flows, (vi) Notes to Consolidated Financial Statements, and (vii) document and entity information.\*
- 104.1 The cover page from The Kraft Heinz Company's Annual Report on Form 10-K for the period ended December 28, 2019, formatted in inline XBRL.\*
- + Indicates a management contract or compensatory plan or arrangement.
- \* Filed herewith.

**Item 16. Form 10-K Summary.**

None.

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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: February 14, 2020

By: /s/ Paulo Basilio

Paulo Basilio  
Global Chief Financial Officer  
(Principal Financial Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated:

| <b><u>Signature</u></b>                       | <b><u>Title</u></b>   | <b><u>Date</u></b> |
|---|---|--------------------|
| <u>/s/ Miguel Patricio</u><br>Miguel Patricio | Chief Executive Officer<br>(Principal Executive Officer)                                    | February 14, 2020  |
| <u>/s/ Paulo Basilio</u><br>Paulo Basilio     | Global Chief Financial Officer<br>(Duly Authorized Officer and Principal Financial Officer) | February 14, 2020  |
| <u>/s/ Vince Garlati</u><br>Vince Garlati     | Vice President, Global Controller<br>(Principal Accounting Officer)                         | February 14, 2020  |
| Alexandre Behring*                            | Chairman of the Board   |                    |
| John T. Cahill*                               | Vice Chairman of the Board  |                    |
| Gregory E. Abel*                              | Director  |                    |
| Joao M. Castro-Neves*                         | Director  |                    |
| Feroz Dewan*                                  | Director  |                    |
| Jeanne P. Jackson*                            | Director  |                    |
| Timothy Kenesey*                              | Director  |                    |
| Jorge Paulo Lemann*                           | Director  |                    |
| John C. Pope*                                 | Director  |                    |
| Alexandre Van Damme*                          | Director  |                    |
| George Zoghbi*                                | Director  |                    |

\*By: /s/ Paulo Basilio  
Paulo Basilio  
*Attorney-In-Fact*  
February 14, 2020

The Kraft Heinz Company  
Valuation and Qualifying Accounts  
For the Years Ended December 28, 2019, December 29, 2018 and December 30, 2017  
(in millions)

| Description                                     | Balance at Beginning of Period | Additions                     |  | Deductions                       |    | Balance at End of Period |
|---|--------------------------------|-------------------------------|--|----------------------------------|----|--------------------------|
|   |                                | Charged to Costs and Expenses | Charged to Other Accounts <sup>(a)</sup> | Write-offs and Reclassifications |    |                          |
| <b>Year ended December 28, 2019</b>             |                                |                               |  |                                  |    |                          |
| Allowances related to trade accounts receivable | \$ 24                          | \$ 11                         | \$ —                                     | \$ (2)                           | \$ | 33                       |
| Allowances related to deferred taxes            | 81                             | 31                            | —  | —                                |    | 112                      |
|   | <u>\$ 105</u>                  | <u>\$ 42</u>                  | <u>\$ —</u>                              | <u>\$ (2)</u>                    |    | <u>\$ 145</u>            |
| <b>Year ended December 29, 2018</b>             |                                |                               |  |                                  |    |                          |
| Allowances related to trade accounts receivable | \$ 23                          | \$ 8                          | \$ —                                     | \$ (7)                           | \$ | 24                       |
| Allowances related to deferred taxes            | 80                             | 1                             | —  | —                                |    | 81                       |
|   | <u>\$ 103</u>                  | <u>\$ 9</u>                   | <u>\$ —</u>                              | <u>\$ (7)</u>                    |    | <u>\$ 105</u>            |
| <b>Year ended December 30, 2017</b>             |                                |                               |  |                                  |    |                          |
| Allowances related to trade accounts receivable | \$ 20                          | \$ 8                          | \$ 1                                     | \$ (6)                           | \$ | 23                       |
| Allowances related to deferred taxes            | 89                             | (9)                           | —  | —                                |    | 80                       |
|   | <u>\$ 109</u>                  | <u>\$ (1)</u>                 | <u>\$ 1</u>                              | <u>\$ (6)</u>                    |    | <u>\$ 103</u>            |

(a) Primarily relates to acquisitions and currency translation.

**FURTHER AMENDMENT TO THE MASTER OWNERSHIP AND LICENSE AGREEMENT REGARDING TRADEMARKS AND RELATED INTELLECTUAL PROPERTY**

This Further Amendment to the Master Ownership and License Agreement regarding Trademarks and Related Intellectual Property (the “**Amendment**”) is effective as of September 28, 2018 (“Amendment Effective Date”) by and between Kraft Foods Group Brands LLC, a Delaware limited liability company (“**GroceryCo IPCo**”), and Intercontinental Great Brands LLC, a Delaware limited liability company (“**SnackCo IPCo**”).

**Background**

GroceryCo IPCo and SnackCo IPCo are parties to the Master Ownership and License Agreement Regarding Trademarks and Related Intellectual Property dated September 27, 2012 (as amended) (referred to herein as the “**Agreement**”). The parties now wish to enter into a further amendment of the Agreement.

**Amendment of Agreement**

The parties agree as follows:

**1. Amendments**

- 1.1. Section 3.2(e)(i) is hereby deleted in its entirety and replaced with the new Section 3.2(e)(i) as set forth on the attached Exhibit A.
- 1.2. Section 3.2(e)(ii) is hereby deleted in its entirety and replaced with the new Section 3.2(e)(ii) as set forth on the attached Exhibit A.
- 1.3. Section 3.6(b) is hereby deleted in its entirety and replaced with the new Section 3.6(b) as set forth on the attached Exhibit A.

**2. Miscellaneous**

**2.1. Full Force and Effect.** Except as expressly provided in this Amendment, the Agreement remains unchanged and in full force and effect.

**2.2. Counterparts.** This Amendment may be executed in counterparts. Facsimile signatures are binding.

Notwithstanding the date that this Amendment is fully executed by the parties, the parties confirm the effective date of this Amendment is noted above in the first paragraph.

**IN WITNESS WHEREOF**, the parties hereto have executed this Amendment as of the dates noted below.

KRAFT FOODS GROUP BRANDS LLC

By: /s/ Matthew A. Griffin

Its: Assistant Secretary

Date: 10/14/2019

INTERCONTINENTAL GREAT BRANDS LLC

By: Intercontinental Brands LLC

Its sole member

Name: /s/ Jonas Bruzas, Vice President

Title: Vice President

Date: 10/28/2019

---

## Exhibit A

### **Section 3.2(e)(i)**

#### License of SnackCo Marks Used for Ingredients to GroceryCo IPCo

Subject to the terms and conditions of this Agreement, SnackCo IPCo hereby grants to GroceryCo IPCo from the sixth anniversary of the Distribution Date until November 30, 2019 a non-exclusive, non-sublicensable and nontransferable royalty-free license to use and display in the NA Countries the "Oreo", "Chips Ahoy!", "Honey Maid", "Ritz" (and "Ritz Bits"), "Teddy Grahams," and "Nilla" SnackCo Marks as an ingredient indicator on retail LUNCHABLES branded meal kits in the same relative size or smaller on the principle display as used on the Distribution Date on which such SnackCo Marks appear as an ingredient indicator on such date in such jurisdictions (or, in the case of "Teddy Grahams" in the manner show in Exhibit B of the First Amendment) including such retail LUNCHABLES branded meal kits that are sold in packaging sizes or flavors that are different from the packaging sizes or flavors used prior to the Distribution Date, and in connection with the production, manufacturing, advertising, promotion, marketing, distribution and sale of such retail LUNCHABLES branded meal kits in such jurisdictions. For the avoidance of doubt, the licenses granted under this Section 3.2(e)(i), shall be subject to Section 2.10. For the avoidance of doubt, this Section 3.2(e)(i) does not apply to the use of the OREO SnackCo Mark on GroceryCo Products in the retail categories of ready-to-eat pudding and dry packaged pudding mix or the retail OREO dessert product in the JELLO No Bake subline described in 3.2(e)(ii).

### **Section 3.2(e)(ii)**

#### License of SnackCo "Oreo Mark" to GroceryCo IP Co

Subject to the terms and conditions of this Agreement, SnackCo IPCo hereby grants to GroceryCo IPCo from the sixth anniversary of the Distribution Date until November 30, 2019 a non-sublicensable, nontransferable royalty bearing license at three percent (3%) of all net revenues to use and display the OREO SnackCo Mark on GroceryCo Products in the countries listed below in (i) the retail product categories of ready-to-eat pudding and dry packaged pudding mix; and (ii) the retail OREO dessert product in the JELLO No Bake subline and in connection with the production, manufacturing, advertising, promotion, marketing, distribution and sale of such GroceryCo Products in such jurisdictions. The license granted to GroceryCo IPCo in this Section 3.2(e)(ii) shall be exclusive for the retail product categories of ready-to-eat pudding and dry packaged pudding mix. For the avoidance of doubt, the retail product categories of ready-to-eat pudding and dry packaged pudding mix exclude custard, mousse, flan, cake mix, cupcake mix, custard mix, shelf stable frosting, frosting mix, cookie mix and brownie mix, frozen and refrigerated desserts. Further, and for the avoidance of doubt, the license granted under, and the exclusivity described in, this Section 3.2(e)(ii), shall be subject to Section 2.10. GroceryCo IPCo shall pay such royalties on a quarterly basis to SnackCo IPCo as set forth on Schedule O.

The exclusive license described in this Section 3.2(e)(ii) is only for the following countries: USA, Canada, Algeria, Angola, Antigua, Bahamas, Bahrain, Barbados, Belize, Bermuda, Cambodia, Cayman Islands, Chile, Colombia, Congo, Costa Rica, Curacao-Netherland West Indies, Dominican Republic, Ethiopia, Gambia, Ghana, Grenada-Windward Islands, Guatemala, Haiti, Honduras, Hong Kong, Jamaica, Kenya, Kuwait, Lebanon, Liberia, Libya ,Malaysia, Nepal, Nigeria, Oman, Panama ,Philippines, Puerto Rico, Singapore, St Kitts - Leeward Islands, St Lucia - Windward Islands, St Maarten, St Vincent and the Grenadines, Suriname, Thailand, Turks & Caicos Islands and United Arab Emirates.

---

### **Section 3.6(b)**

#### License Use of Trademarks in Recipe Titles and Recipe Collections

GroceryCo IPCo may continue to use SnackCo's OREO and RITZ Trademarks in the titles of recipes or recipe collections in the NA Countries - including recipe video titles - existing on the Distribution Date. By way of example, GroceryCo IPCo may continue to use a recipe title such as "Oreo Cheesecake". GroceryCo IPCo shall not create new recipes or recipe collections using the OREO or RITZ trademarks without first obtaining the prior written consent of SnackCo. SnackCo grants GroceryCo this license from the sixth anniversary of the Distribution Date until November 30, 2019.

**SEPARATION AGREEMENT AND GENERAL RELEASE**

David Knopf (“Executive”) has been employed by Kraft Heinz Foods Company (“Kraft Heinz” or “the Company”) as Global Chief Financial 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 December 31, 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 \$500,000.00 USD, less applicable deductions. This payment will be made within sixty (60) days after the Termination Date.

2. Executive’s health and dental benefits will end on the 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 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.

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. Although Executive is ineligible for a payment under the Company’s Performance Bonus Plan (“PBP”), provided he signs and returns this Agreement, Executive will receive a one-time, lump sum payment, less deductions required by law, which payment shall be made in lieu of a 2019 PBP bonus. This payment will be calculated based on Executive’s current annual salary, the final year-end results of the EBITDA multiplier (“size of the pie”), and Executive’s final MBO score and current bonus target percentage. Executive’s final MBO score will be determined after the year-end results are compiled from Executive’s KPIs and team deliverables. This payment will be paid on the regular PBP payout date in Q1, 2020, and will not be eligible for any benefit deductions or pension contributions.

5. In accordance with the Retention Bonus Award granted to Executive on April 26, 2019, Executive will receive a lump sum payment in the amount of \$500,000.00 USD, less applicable withholdings, no later than thirty (30) days following the Termination Date.

6. With regards to the 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 August 20, 2015, for 67,341 shares will be 80% vested (for 53,873 shares), the option award granted to Executive on March 1, 2017 for 21,875 shares will be 40% vested (for 8,750 shares) and the option award granted to Executive on March 1, 2018 for 44,850 shares will be 20% vested (for 8,970 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.

7. Through the Kraft Heinz Bonus Swap Programs in years 2016 and 2017, Executive purchased and owns an accumulated 1,106 shares, plus any shares purchased through dividend reinvestment, in The Kraft Heinz Company. These purchased shares are not forfeitable.

---



By participating in Kraft Heinz's 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 875 shares, will be 60% vested (for 525 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 2,353 shares, will be 40% vested (for 941 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 the Matching RSUs will be forfeited on the Termination Date.

8. With regards to the Kraft Heinz Partnership Restricted Stock Unit ("RSU") Award granted to Executive on March 1, 2018 and Performance Share Unit ("PSU") Awards granted to Executive on March 1, 2017 and March 1, 2018, pursuant to the applicable Form RSU Award Agreement and Form PSU Agreements, Executive will forfeit these Awards in their entirety due to a Termination in under three years from the grant dates.

With regards to the Kraft Heinz Partnership Restricted Stock Unit ("RSU") Award granted to Executive on August 16, 2019 and Performance Share Unit ("PSU") Award granted to Executive on August 16, 2019, 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 two years from the grant dates.

9. With regards to the Kraft Heinz Restricted Stock Unit ("RSU") Award for Bands B02-B09 granted to Executive on August 16, 2019 pursuant to the applicable Form RSU Award Agreement, Executive will forfeit this Award in its entirety due to a Termination in under two years from the grant dates.

10. 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 your Termination Date. Contact Steve Crucitt ([Steve.Crucitt@kraftheinz.com](mailto:Steve.Crucitt@kraftheinz.com)) with your intent to exercise stock options to allow for an appropriate tax analysis prior to the exercise.

11. Kraft Heinz will make a prorated 401K company match contribution to Executive's Kraft Heinz Savings Plan account equal to 3% of Executive's 2019 earnings as of the Termination Date.

12. 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.

13. Executive acknowledges that the services he has rendered to Kraft Heinz are of a special character having a unique value to Kraft Heinz, and that he has received specialized training and been given access to, or has been responsible for the development of (i) some of Kraft Heinz's most sensitive and valuable confidential information, (ii) Kraft Heinz's business habits, needs, pricing policies, purchasing policies, profit structures, and margins, (iii) Kraft Heinz's relationship with its customers, their buying habits, special needs, and purchasing policies, (iv) Kraft Heinz's relationship with its suppliers, licensees, licensors, vendors, consultants, and independent contractors, their pricing habits, and purchasing policies, (v) Kraft Heinz's pricing policies, purchasing policies, profit structures, and margin needs, (vi) the skills, capabilities and other employment-related information relating to Kraft Heinz's employees, and/or (vii) other matters of which Executive would not otherwise know and that is not otherwise readily available.

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 and non-solicitation covenants contained therein (which provisions are hereby incorporated by reference).

---

In addition, as consideration for the benefits provided for in this Agreement, Executive agrees that he will not engage in Prohibited Conduct from the Termination Date through December 31, 2020 (12 months from Termination Date). Prohibited Conduct will be: (1) engaging in any business activities, directly or indirectly (whether as an employee, consultant, officer, director, partner, joint venturer, manager, member, principal, agent, or independent contractor, individually, in concert with others, or in any other manner) with any person or entity (a) about which Executive had access to confidential information through the Company's business development efforts, (b) in the same line or lines of business as Kraft Heinz (as currently conducted an/or contemplated as of the date this Agreement is executed) in the consumer packaged food and beverage industry ("Competitive Business") anywhere within the same geographic territories for which Executive performed services for the Company, and/or (c) that has controlling equity interest in or management control of a Competitive Business, without the written consent of Kraft Heinz's Global Chief People Officer or designee, such consent to be provided by Kraft Heinz in its sole and absolute discretion except that such consent shall not unreasonably be withheld; (2) disrupting, damaging, impairing or interfering with the business of Kraft Heinz by directly or indirectly soliciting, assist in soliciting, or accepting any business from any customer who had been assigned to or had contact with Executive or about which Executive had access to confidential information, during the two (2) years immediately preceding the Termination Date; and/or (3) directly or indirectly soliciting, recruiting, attempting to recruit, interfering with or raiding the employees of Kraft Heinz or otherwise inducing any employee to leave the Company and/or to work for any other entity, whether as an employee, independent contractor or in any other capacity.

Nothing contained in this Paragraph 13 shall preclude Executive from accepting employment with a company that provides consulting services whose existing clients include a Competitive Business prior to December 31, 2020, so long as, in addition to honoring all other obligations under this Agreement, Executive does not provide specific advice or services directly to a Competitive Business. It will not be a violation of this Agreement for Executive to have individuals reporting to him who have responsibility for a Competitive Business so long as Executive does not provide advice to said entities directly or assist his direct reports in performing services for these entities prior to December 31, 2020.

Should Executive engage in Prohibited Conduct or breach his obligations under Paragraphs 13, 14, 15 and 16 of this Agreement at any time through December 31, 2020, he will be obligated to pay back to Kraft Heinz all payments received pursuant to this Agreement, and Kraft Heinz will have no obligation to pay Executive any payments that may be remaining due under this Agreement. This will be in addition to any other remedy that Kraft Heinz may have in respect of such Prohibited Conduct. Kraft Heinz and Executive acknowledge and agree that Kraft Heinz will or would suffer irreparable injury in the event of a breach or violation or threatened breach or violation of the provisions set forth in Paragraphs 13, 14, 15 and 16 and agree that in the event such provisions are violated or breached, Kraft Heinz will be entitled to injunctive relief prohibiting any such violation or breach, and that such right to injunctive relief will be in addition to any other remedy which Kraft Heinz may be entitled.

14. 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.

15. 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.

16. 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.

17. Executive agrees to fully cooperate with Kraft Heinz and its affiliated and parent companies in any inquiry, investigation, 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.

18. 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.

19. 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.

20. 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.

21. 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 seven (7) business days to consider, sign and return this Agreement to Kraft Heinz.

22. 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.

---

23. 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.

24. 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/ David Knopf

David Knopf

Date: January 22, 2020

ACCEPTED FOR THE KRAFT HEINZ COMPANY

By: /s/ Melissa Werneck

Title: Chief People Officer

Date: January 22, 2020

I received this Separation Agreement and General Release on December 20, 2019.

Initials: DHK

**The Kraft Heinz Company**  
**List of Subsidiaries**

| <b>Subsidiary</b>                            | <b>State or Country</b> |
|--|-------------------------|
| Alimentos Heinz de Costa Rica S.A.           | Costa Rica              |
| Alimentos Heinz, C.A.                        | Venezuela               |
| Asian Home Gourmet Pte. Ltd                  | Singapore               |
| Asian Restaurants Limited                    | United Kingdom          |
| Battery Properties, Inc.                     | Delaware                |
| Boca Foods Company                           | Delaware                |
| Cairo Food Industries, S.A.E.                | Egypt                   |
| Capri Sun, Inc.                              | Delaware                |
| Carlton Bridge Limited                       | United Kingdom          |
| Cerebos Australia Ltd.                       | Australia               |
| Cerebos Gregg's Ltd.                         | New Zealand             |
| Cerebos Skellerop Ltd.                       | New Zealand             |
| Churny Company, Inc.                         | Delaware                |
| Claussen Pickle Co.                          | Delaware                |
| Comercializadora Heinz Panama SCA            | Panama                  |
| Country Ford Development Limited             | China                   |
| Delimex de Mexico S.A. de C.V.               | Mexico                  |
| Delta Incorporated Limited                   | British Virgin Islands  |
| Devour Foods LLC                             | Delaware                |
| Distribuidora Heinz Caracas, C.A.            | Venezuela               |
| Distribuidora Heinz Maracaibo, C.A.          | Venezuela               |
| Ethical Bean LLC                             | Delaware                |
| evolv group llc                              | Delaware                |
| evolv venture capital fund LP                | Delaware                |
| evolv ventures llc                           | Delaware                |
| Fall Ridge Partners LLP                      | United Kingdom          |
| Foodstar (China) Investments Company Limited | China                   |
| Foodstar (Shanghai) Foods Co. Ltd.           | China                   |
| Foodstar Holdings Pte. Ltd.                  | Singapore               |
| Fruitlove LLC                                | Delaware                |
| Fundacion Heinz                              | Venezuela               |
| Garland BBQ Company                          | Delaware                |
| Gevalia Kaffe LLC                            | Delaware                |
| Golden Circle Limited                        | Australia               |
| H. J. Heinz Belgium S.A.                     | Belgium                 |
| H. J. Heinz Company Brands LLC               | Delaware                |
| H.J. Heinz Nigeria Limited                   | Nigeria                 |
| H.J. Heinz Global Holding LLC                | Delaware                |
| H.J. Heinz Asset Leasing Limited             | United Kingdom          |
| H.J. Heinz B.V.                              | Netherlands             |
| H.J. Heinz Company (New Zealand) Limited     | New Zealand             |
| H.J. Heinz Company Australia Limited         | Australia               |

|  |                      |
|--|----------------------|
| H.J. Heinz Company (Ireland) Limited       | Ireland              |
| H.J. Heinz Company Limited                 | United Kingdom       |
| H.J. Heinz Distribution SAS                | France               |
| H.J. Heinz European Holding B.V.           | Netherlands          |
| H.J. Heinz Finance UK PLC                  | United Kingdom       |
| H.J. Heinz Foods Spain S.L.U.              | Spain                |
| H.J. Heinz Foods UK Limited                | United Kingdom       |
| H.J. Heinz France SAS                      | France               |
| H.J. Heinz Frozen & Chilled Foods Limited  | United Kingdom       |
| H.J. Heinz Global Holding B.V.             | Netherlands          |
| H.J. Heinz GmbH                            | Germany              |
| H.J. Heinz Group B.V.                      | Netherlands          |
| H.J. Heinz Holding B.V.                    | Netherlands          |
| H.J. Heinz Investments Coöperatief U.A.    | Netherlands          |
| H.J. Heinz Ireland Holdings                | Ireland              |
| H.J. Heinz Manufacturing Ireland Limited   | Ireland              |
| H.J. Heinz Manufacturing Spain S.L.U.      | Spain                |
| H.J. Heinz Manufacturing UK Limited        | United Kingdom       |
| H.J. Heinz Nederland B.V.                  | Netherlands          |
| H.J. Heinz Polska Sp. z o.o.               | Poland               |
| H.J. Heinz Supply Chain Europe B.V.        | Netherlands          |
| H.J. Heinz US Brands LLC                   | Delaware             |
| Heinz (China) Investment Company Limited   | China                |
| Heinz (China) Sauces & Condiments Co. Ltd. | China                |
| Heinz Africa and Middle East FZE           | United Arab Emirates |
| Heinz Africa FZE                           | United Arab Emirates |
| Heinz Asean Pte. Ltd.                      | Singapore            |
| Heinz Brasil S.A.                          | Brazil               |
| Heinz Colombia SAS                         | Colombia             |
| Heinz Credit LLC                           | Delaware             |
| Heinz Egypt LLC                            | Egypt                |
| Heinz Egypt Trading LLC                    | Egypt                |
| Heinz Europe Unlimited                     | United Kingdom       |
| Heinz Finance (Luxembourg) S.à r.l         | Luxembourg           |
| Heinz Foreign Investment Company           | Idaho                |
| Heinz Frozen & Chilled Foods B.V.          | Netherlands          |
| Heinz Gıda Anonim Şirketi                  | Turkey               |
| Heinz Hong Kong Ltd.                       | China                |
| Heinz Investments (Cyprus) Ltd.            | Cyprus               |
| Heinz Israel Ltd.                          | Israel               |
| Heinz Italia S.p.A.                        | Italy                |
| Heinz Japan Ltd.                           | Japan                |
| Heinz Korea Ltd.                           | South Korea          |
| Heinz Mexico, S.A. de C.V.                 | Mexico               |
| Heinz Nutrition Foundation India           | India                |
| Heinz Pakistan (Pvt.) Limited              | Pakistan             |

---

|  |                      |
|--|----------------------|
| Heinz Panama, S.A.   | Panama               |
| Heinz Purchasing Company   | Delaware             |
| Heinz Qingdao Food Co., Ltd.   | China                |
| Heinz Shanghai Enterprise Services Co., Ltd.                                       | China                |
| Heinz Single Service Limited   | United Kingdom       |
| Heinz South Africa (Pty.) Ltd.   | South Africa         |
| Heinz Thailand Limited   | Delaware             |
| Heinz Transatlantic Holding LLC  | Delaware             |
| Heinz UFE Ltd.   | China                |
| Heinz Vietnam Company Limited  | Vietnam              |
| Heinz Wattie's Limited   | New Zealand          |
| Heinz Wattie's Pty Limited   | Australia            |
| Heinz Wattie's Japan YK  | Japan                |
| Heinz-Noble, Inc.  | Arizona              |
| Helco Services Limited   | United Kingdom       |
| Highview Atlantic Finance (Barbados) SRL   | Barbados             |
| HJH Development Corporation  | Delaware             |
| HJH Overseas LLC   | Delaware             |
| Horizon FZCO   | United Arab Emirates |
| Horizon UAE FZCO   | United Arab Emirates |
| HP Foods Holdings Limited  | United Kingdom       |
| HP Foods International Limited   | United Kingdom       |
| HP Foods Limited   | United Kingdom       |
| Hugo Canning Co. Pty Ltd.  | Papua New Guinea     |
| HZ.I.L. Ltd.   | Israel               |
| Industria Procesadora de Alimentos de Barcelona C.A.                               | Venezuela            |
| International Gourmet Specialties LLC  | Delaware             |
| International Spirits Recipes, LLC   | Delaware             |
| Istituto Scotti Bassani per la Ricerca e l'Informazione Scientifica e Nutrizionale | Italy                |
| Jacobs Road Limited  | Cayman Islands       |
| Kaiping Guanghe Fermented Bean Curd Co. Ltd.                                       | China                |
| Kaiping Jiashili Dried Fruit and Nuts Co. Ltd.                                     | China                |
| Kaiping Weishida Seasonings Co. Ltd.   | China                |
| KFG Management Services LLC  | Delaware             |
| KH Caribbean SRL   | Barbados             |
| KH Foodstar LLC  | Delaware             |
| KH Gustav LLC  | Delaware             |
| KH Investment Company LLC  | Delaware             |
| KHFC Luxembourg Holdings S.à r.l   | Luxembourg           |
| Koninklijke De Ruijter B.V.  | Netherlands          |
| Kraft Foods Group Brands LLC   | Delaware             |
| Kraft Foods Group Exports LLC  | Delaware             |
| Kraft Foods Group Netherlands Holding B.V.   | Netherlands          |
| Kraft Foods Group Puerto Rico LLC  | Puerto Rico          |
| Kraft Heinz (Barbados) SRL   | Barbados             |
| Kraft Heinz (Ireland) Ltd  | Ireland              |

---



|  |                |
|--|----------------|
| Kraft Heinz Amsterdam B.V.                                   | Netherlands    |
| Kraft Heinz Argentina S.R.L.                                 | Argentina      |
| Kraft Heinz Australia Pty Limited                            | Australia      |
| Kraft Heinz Brasil Comercio, Distribuicao E Importacao Ltda. | Brazil         |
| Kraft Heinz Canada ULC                                       | Canada         |
| Kraft Heinz Chile Limitada                                   | Chile          |
| Kraft Heinz Foods Company                                    | Pennsylvania   |
| Kraft Heinz Foods Company LP                                 | Canada         |
| Kraft Heinz Foods Luxembourg Holdings S.à r.l                | Luxembourg     |
| Kraft Heinz Global Finance B.V.                              | Netherlands    |
| Kraft Heinz Holding LLC                                      | Delaware       |
| Kraft Heinz India Private Limited                            | India          |
| Kraft Heinz Ingredients Corp.                                | Delaware       |
| Kraft Heinz Intermediate Corporation I                       | Delaware       |
| Kraft Heinz Intermediate Corporation II                      | Delaware       |
| Kraft Heinz International B.V.                               | Netherlands    |
| Kraft Heinz Investment Company LLC                           | Delaware       |
| Kraft Heinz NoMa B.V.  | Netherlands    |
| Kraft Heinz Puerto Rico LLC                                  | Puerto Rico    |
| Kraft Heinz Sewickley C.V.                                   | Netherlands    |
| Kraft Heinz Singapore Holding Pte. Ltd.                      | Singapore      |
| Kraft Heinz UK Limited                                       | United Kingdom |
| Kraft Heinz Yangjiang Foods Co., Ltd.                        | China          |
| Kraft New Services, LLC                                      | Delaware       |
| La Bonne Cuisine Limited                                     | New Zealand    |
| Langtech Citrus Pty. Limited                                 | Australia      |
| Lea & Perrins Limited  | United Kingdom |
| Lea & Perrins LLC  | Delaware       |
| LLC Heinz-Georgievsk   | Russia         |
| LLC Ivanovsky Kombinat Detskogo Pitaniya                     | Russia         |
| Master Chef Limited  | New Zealand    |
| Mealtime Stories, LLC  | Delaware       |
| MILKSUN, spol. s.r.o.  | Slovakia       |
| Nanjing Jilun Seasoning Products Pte. Ltd.                   | China          |
| Nature's Delicious Foods Group LLC                           | Delaware       |
| Noble Insurance Company Limited                              | Ireland        |
| O.R.A. LLC   | California     |
| P.T. Heinz ABC Indonesia                                     | Indonesia      |
| Petroproduct-Otradnoye Limited                               | Russia         |
| Phenix Management Corporation                                | Delaware       |
| Pollio Italian Cheese Company                                | Delaware       |
| PPK Ltd.   | Russia         |
| Primal Nutrition LLC   | Delaware       |
| Pro-Share Limited  | United Kingdom |
| Pudliszki Sp. z o.o.   | Poland         |
| Renee's Gourmet Foods Inc.                                   | Canada         |

---

RINC Ltd.  
Salpak Pty Ltd.  
Seven Seas Foods, Inc.  
Sewickley LLC  
The Bold Butcher, LLC  
The Kraft Heinz Company Foundation  
The Yuban Coffee Company  
Thompson & Hills Ltd.  
TNCOR Ltd.  
Top Taste Company Limited  
Tsai Weng Ping Incorporated Limited  
Weishida (Nanjing) Foods Co. Ltd.  
Wellio, Inc.  
Wexford LLC  
WW Foods LLC  
XO Dairy, LLC

Israel  
Australia  
Delaware  
Delaware  
Delaware  
Illinois  
Delaware  
New Zealand  
Israel  
New Zealand  
British Virgin Islands  
China  
Delaware  
Delaware  
Delaware  
Delaware

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on FormS-8 (Nos. 333-205481 and 333-211147) of The Kraft Heinz Company of our report dated February 14, 2020 relating to the financial statements and financial statement scheduleand the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP  
Chicago, Illinois  
February 14, 2020

## POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Miguel Patricio, Paulo Basilio, and Vince Garlati his or her true and lawful attorney-in-fact, for him or her and in his or her name, place and stead to affix his or her signature as director or officer or both, as the case may be, of the registrant, to sign the Annual Report on Form 10-K of The Kraft Heinz Company for its fiscal year ended December 28, 2019 and any and all amendments thereto, and to file the same with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorney-in-fact and agent full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agent, or his or her substitute, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act, this Annual Report on Form 10-K has been signed by the following persons in the capacities and on the dates indicated.

| <u>Signature</u>  | <u>Title</u>  | <u>Date</u>       |
|---|---|-------------------|
| <u>/s/ Miguel Patricio</u><br>Miguel Patricio           | Chief Executive Officer<br>(Principal Executive Officer)                                    | February 11, 2020 |
| <u>/s/ Paulo Basilio</u><br>Paulo Basilio               | Global Chief Financial Officer<br>(Duly Authorized Officer and Principal Financial Officer) | February 11, 2020 |
| <u>/s/ Vince Garlati</u><br>Vince Garlati               | Vice President, Global Controller<br>(Principal Accounting Officer)                         | February 11, 2020 |
| <u>/s/ Alexandre Behring</u><br>Alexandre Behring       | Chairman of the Board   | February 11, 2020 |
| <u>/s/ John T. Cahill</u><br>John T. Cahill             | Vice Chairman of the Board  | February 11, 2020 |
| <u>/s/ Gregory E. Abel</u><br>Gregory E. Abel           | Director  | February 11, 2020 |
| <u>/s/ Joao M. Castro-Neves</u><br>Joao M. Castro-Neves | Director  | February 11, 2020 |
| <u>/s/ Tracy Britt Cool</u><br>Tracy Britt Cool         | Director  | February 11, 2020 |
| <u>/s/ Feroz Dewan</u><br>Feroz Dewan                   | Director  | February 11, 2020 |
| <u>/s/ Jeanne P. Jackson</u><br>Jeanne P. Jackson       | Director  | February 11, 2020 |
| <u>/s/ Jorge Paulo Lemann</u><br>Jorge Paulo Lemann     | Director  | February 11, 2020 |
| <u>/s/ John C. Pope</u><br>John C. Pope                 | Director  | February 11, 2020 |
| <u>/s/ Alexandre Van Damme</u><br>Alexandre Van Damme   | Director  | February 11, 2020 |
| <u>/s/ George Zoghbi</u><br>George Zoghbi               | Director  | February 11, 2020 |

I, Miguel Patricio, certify that:

1. I have reviewed this Annual Report on Form 10-K for the period ended December 28, 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: February 14, 2020

I, Paulo Basilio, certify that:

1. I have reviewed this Annual Report on Form 10-K for the period ended December 28, 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/ Paulo Basilio

---

Paulo Basilio  
Global Chief Financial Officer

Date: February 14, 2020

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 Annual Report on Form 10-K for the period ended December 28, 2019 (the "Form 10-K") 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-K 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: February 14, 2020

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-K 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, Paulo Basilio, Global Chief Financial Officer of The Kraft Heinz Company (the "Company"), hereby certify that, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, to my knowledge:

1. The Company's Annual Report on Form 10-K for the period ended December 28, 2019 (the "Form 10-K") 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-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ Paulo Basilio

Name: Paulo Basilio

Title: Global Chief Financial Officer

Date: February 14, 2020

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-K 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.*