KraftHeinz

2Q 2020 UPDATE

JULY 30, 2020

Safe Harbor Statement

This webcast presentation contains a number of forward-looking statements. Words such as “plan,” "believe," "anticipate," "reflect," "invest," "make," "expect," "drive," “improve,” “intend,” "assess," "evaluate," “establish,” “focus,” “build,” “turn,” “expand,” “leverage,” "grow," "will," and variations of such words and similar future or conditional expressions are intended to identify forward-looking statements. Examples of forward-looking statements include, but are not limited to, statements regarding the Company's plans, impacts of accounting standards and guidance, costs and cost savings, legal matters, taxes, impairments, dividends, expectations, investments, innovations, opportunities, capabilities, execution, initiatives, pipeline, and growth. 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 the Company's control. Important factors that may affect the Company's 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, the impact of COVID-19; operating in a highly competitive industry; the Company’s 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 the Company's relationships with significant customers, suppliers and other business relationships; the Company’s ability to maintain, extend, and expand its reputation and brand image; the Company’s ability to leverage its brand value to compete against private label products; the Company’s ability to drive revenue growth in its key product categories, increase its market share, or add products that are in faster-growing and more profitable categories; product recalls or product liability claims; unanticipated business disruptions; the Company’s ability to identify, complete or realize the benefits from strategic acquisitions, alliances, divestitures, joint ventures or other investments; the Company’s ability to realize the anticipated benefits from prior or future streamlining actions to reduce fixed costs, simplify or improve processes, and improve its competitiveness; the Company’s ability to successfully execute its strategic initiatives; the impacts of the Company’s international operations; economic and political conditions in the United States and in various other nations where the Company does business; changes in the Company’s management team or other key personnel and the Company’s 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 the Company’s customers, suppliers, distributors, or regulators operate; the Company’s ownership structure; the Company’s indebtedness and ability to pay such indebtedness, as well as the Company's ability to comply with covenants under its debt instruments; the Company's liquidity, capital resources and capital expenditures, as well as its ability to raise capital; 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 (“SEC”) ongoing investigation, as well as potential additional subpoenas, litigation, and regulatory proceedings; an inability to remediate the material weakness in the Company’s 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; the Company’s failure to prepare and timely file its periodic reports; the Company’s ability to protect intellectual property rights; tax law changes or interpretations; the impact of future sales of the Company's common stock in the public markets; the Company’s ability to continue to pay a regular dividend and the amounts of any such dividends; volatility of capital markets and other macroeconomic factors; a downgrade in the Company's credit rating; and other factors. For additional information on these and other factors that could affect the Company's forward-looking statements, see the Company's risk factors, as they may be amended from time to time, set forth in its filings with the SEC. The Company disclaims and does not undertake any obligation to update, revise or withdraw any forward-looking statement in this press release, except as required by applicable law or regulation.

Non-GAAP Measures

This webcast presentation also includes non-GAAP financial measures, including Organic Net Sales, Adjusted EBITDA, Constant Currency Adjusted EBITDA, Adjusted EPS, and Free Cash Flow. These non-GAAP financial measures should not be considered replacements for, and should be read together with, the most comparable GAAP financial measures. A reconciliation of these non-GAAP financial measures to the most directly comparable GAAP financial measures can be found in the Appendix to this presentation.

Agenda for Today

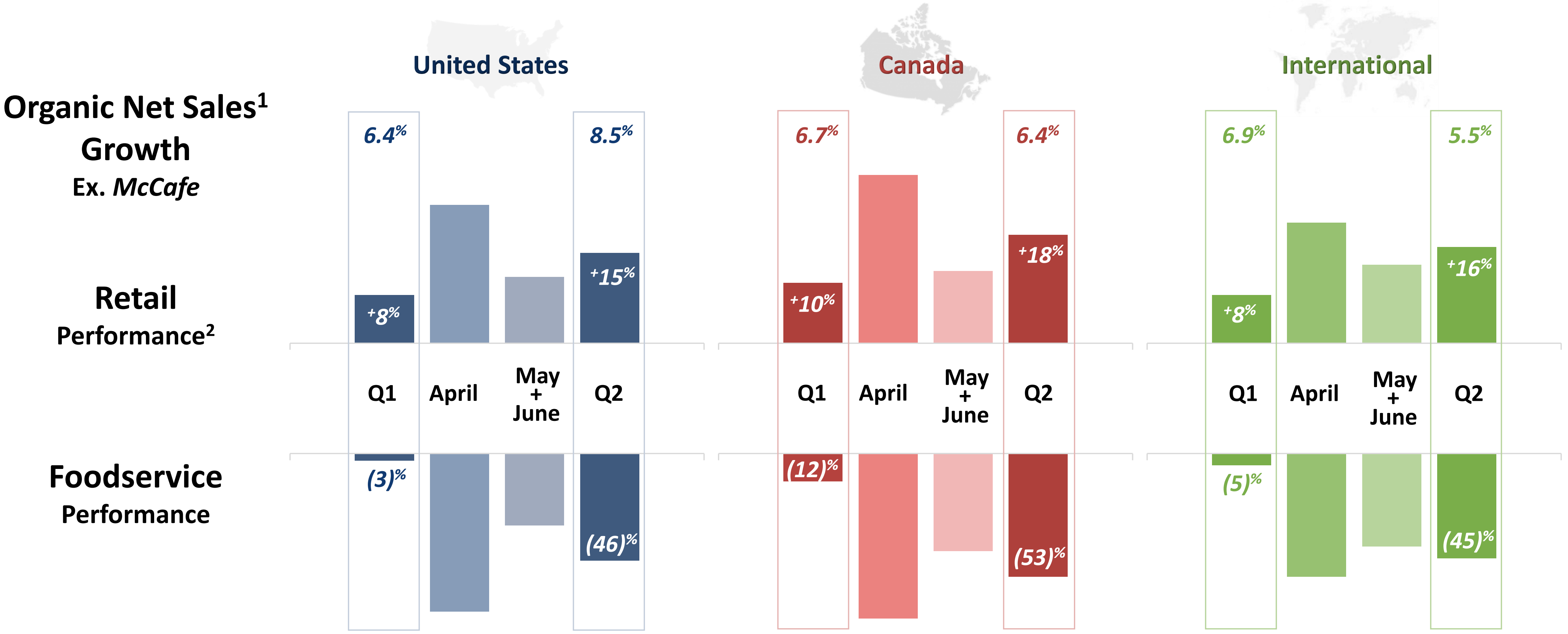
1	2	3
Business **Update**	2Q'20 **Results**	2020 **Outlook**
Adapting to Consumer Needs…	Stronger than Expected…	Raising our Expectations…
Leveraging Our New Operating Model	Even as We Transform Our Business	Solid Execution Keeps Us Cautiously Optimistic

Insight into Our Transformation

1 Business **Update**

Business **Update**

Unprecedented Consumption Shifts…



Successfully Learning Through the Journey

1| Non-GAAP financial measure. See Appendix to this presentation for more information, including GAAP to Non-GAAP reconciliations.

2| Excludes the impact of Divestiture, the exit of the McCafe licensing agreement, and foreign exchange

Business **Update**

Implementing, Leveraging Change…

Employees

- Focusing on health and safety
- Driving agility, new ways of working with our teams
- Rolling out our new Purpose, Vision, Values, Leadership Principles

Consumers

- Actively modeling multiple growth scenarios
- Defining new initiatives to adapt to each scenario
- Reorganizing business units around consumer needs

Customers

- Weekly insights, communication with customers
- Collaboration with senior customer leadership
- Creatively addressing customer needs

Marketing

- Shifting dollars to digital touchpoints
- Adapting content to be more relevant to environment
- Increasing investment levels overall, support behind biggest brands

Supply Chain

- Driving greater throughput from same assets
- Actively planning for potential disruptions
- Implementing continuous improvement processes and programs

Emerging a Stronger Kraft Heinz

Business **Update**

U.S. Performance and Preparation…

What We've
Experienced

- Optimizing our manufacturing capacity **to meet extraordinary demand**
- Share negatively impacted by **sustained, elevated consumption versus supply chain constraints**
- Promotional activity and inventory recovery **dictated by supply:demand balance**

How We're
Preparing

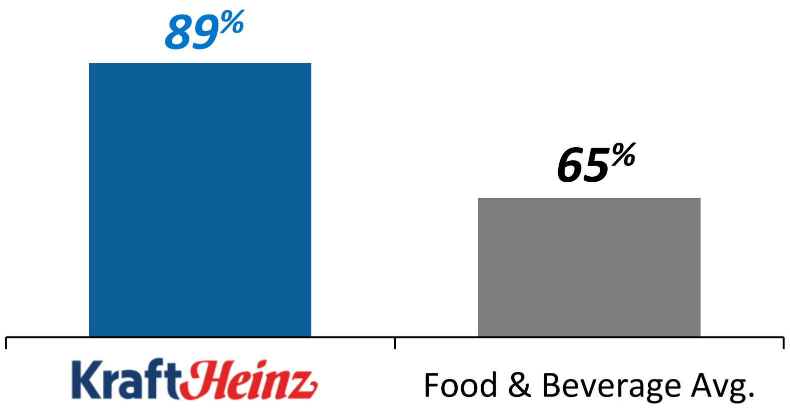
- Implemented new U.S. structure to **align the organization to the strategy**
- Designed new operating model with **a growth mindset, greater accountability, streamlined roles & responsibilities**
- Capturing savings from continuous improvement and **investing more to renovate and differentiate our brands**
- **Identifying, understanding, and connecting** with new Kraft Heinz households

Depth, Duration of Downturn Will Guide Consumption

Business **Update**

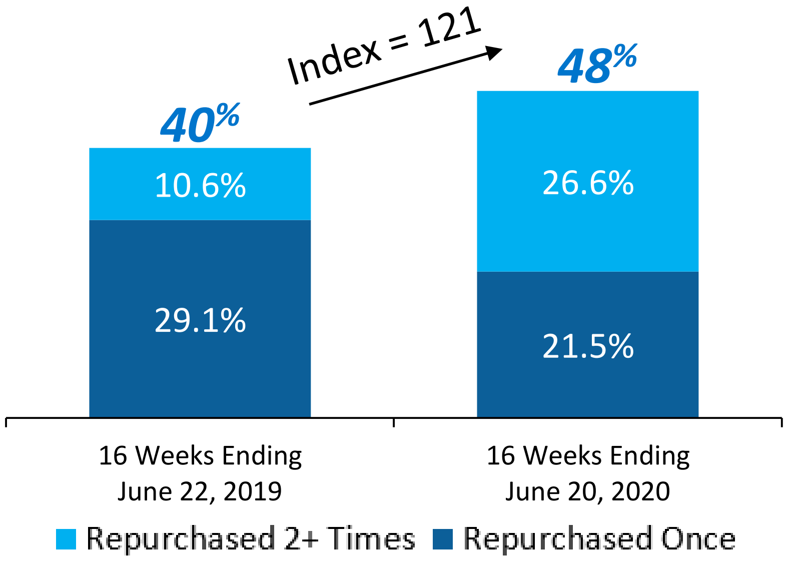
U.S. Consumer Deep Dive…

Household Penetration[1]



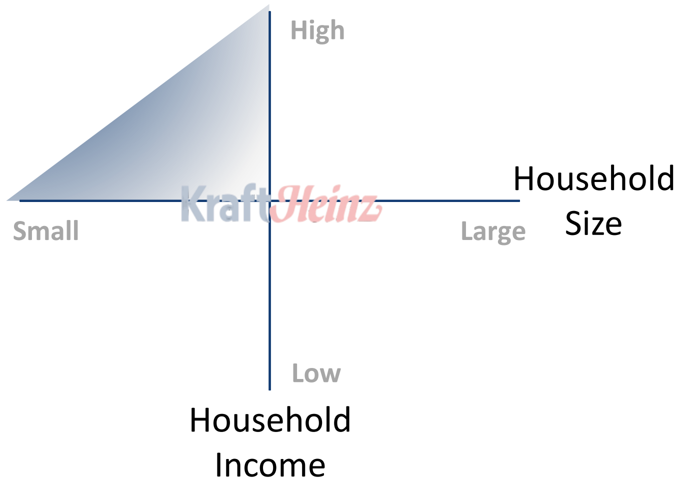
- 75% of our brands growing Household Penetration L16 weeks[2]
- Majority of our brands growing Household Penetration by double digit percentage points[2]

Repeat Rates



- New Buyers repeating at higher rates than in the past and more frequently
- 75% of New Buyers since the pandemic started are still buying now

New Buyer Demographic[3]



- Smaller households, including those with no kids are finding our brands
- New buyer households skewing to higher income, younger, more diverse

Strong Foundation with Room to Grow

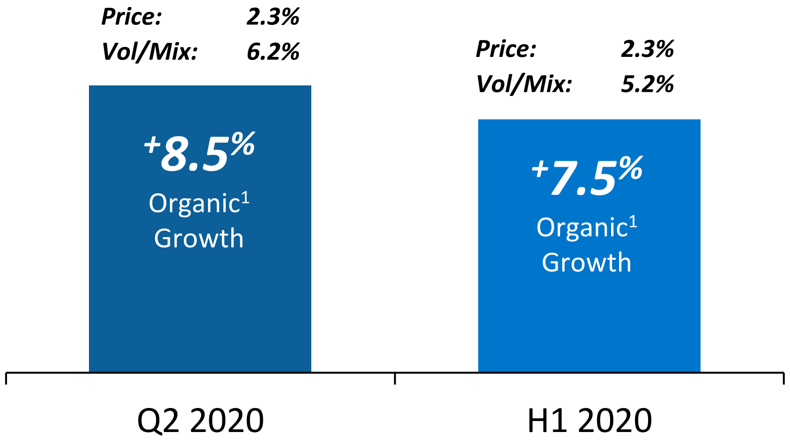
1| *Latest 13 Weeks ending 5/30/20*
2| *Latest 16 Weeks ending 6/20/20*
3| *New KHC Buyers Relative to total KHC buyer population for the Latest 16 Weeks ending 6/20/20*

2 2Q'20 **Results**

2Q'20 **Results**

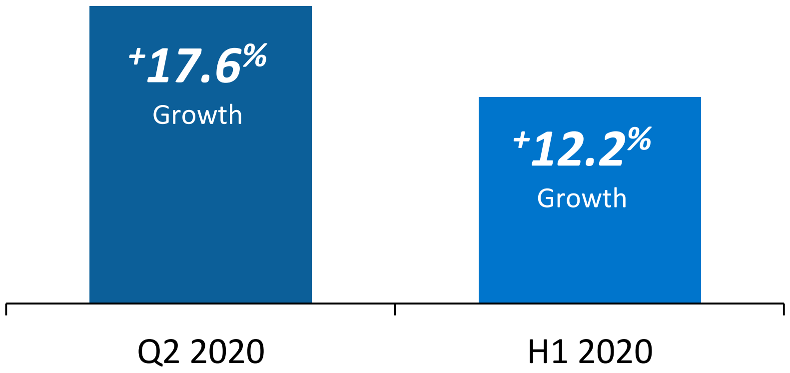
In the United States…

Organic Net Sales[1]



- Volume/mix growth across most retail categories and retail inventory rebuilding that offset foodservice decline.
- Pricing growth primarily reflected reduced promotional activity.

Adjusted EBITDA[1]



- Q2 Adjusted EBITDA[1] growth primarily driven by volume leverage, favorable mix, and pricing gains.
- Gains were partially offset by increased variable compensation, marketing investments, and higher COVID-19-related operating costs.

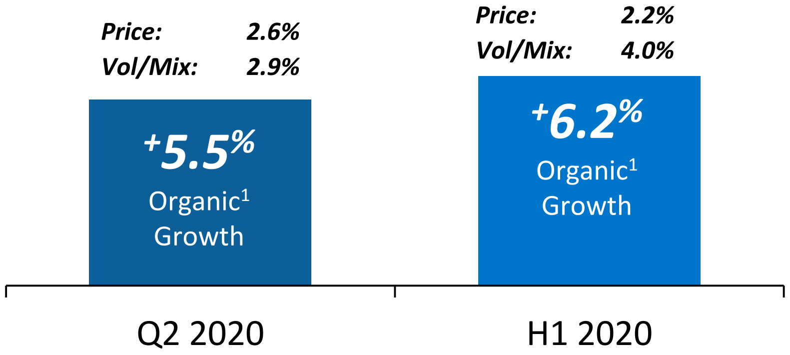
Strong Retail Growth with Stable Operating Efficiency

1| *Non-GAAP financial measure. See Appendix to this presentation for more information, including GAAP to Non-GAAP reconciliations.*

2Q'20 **Results**

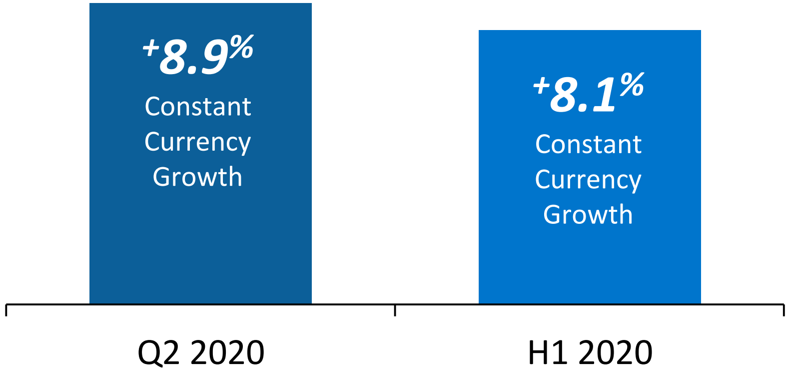
In International…

Organic Net Sales[1]



- Q2 volume/mix driven by gains in condiments & sauces and meal-oriented categories, and favorable inventory changes.
- Price reflected reduced promotional activity, carryover list price actions, and inflation-related pricing in Brazil.

Adjusted EBITDA[1]



- Excluding foreign currency, Adjusted EBITDA growth was driven by volume/mix and pricing gains that were partially offset by unfavorable overhead costs and supply chain expenses.

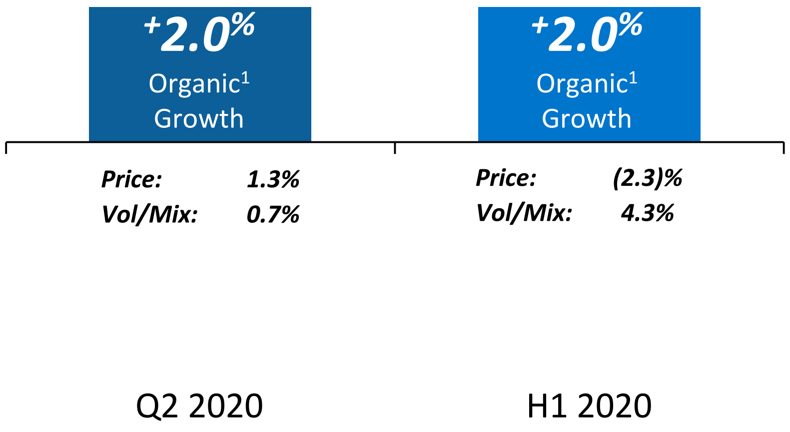
Broad Topline Growth Offset Some Higher Costs

1| *Non-GAAP financial measure. See Appendix to this presentation for more information, including GAAP to Non-GAAP reconciliations.*

2Q'20 **Results**

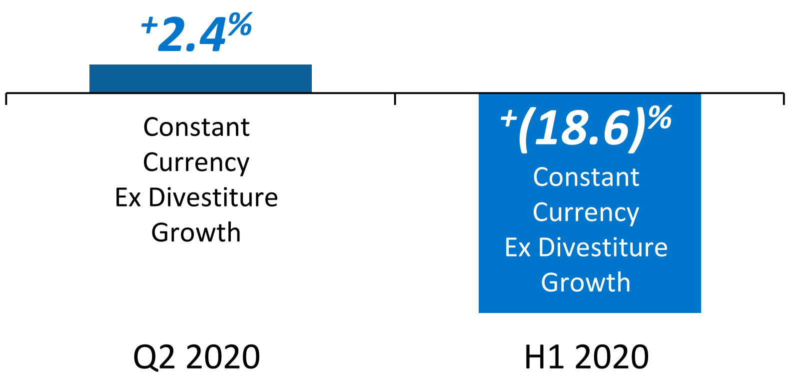
In Canada…

Organic Net Sales[1]



- Positive volume/mix reflected consumption gains across all retail categories that more than offset lower foodservice sales and negative impact from the *McCafé* exit.
- Price primarily reflected reduced promotional activity and higher list price in select categories.

Adjusted EBITDA[1]



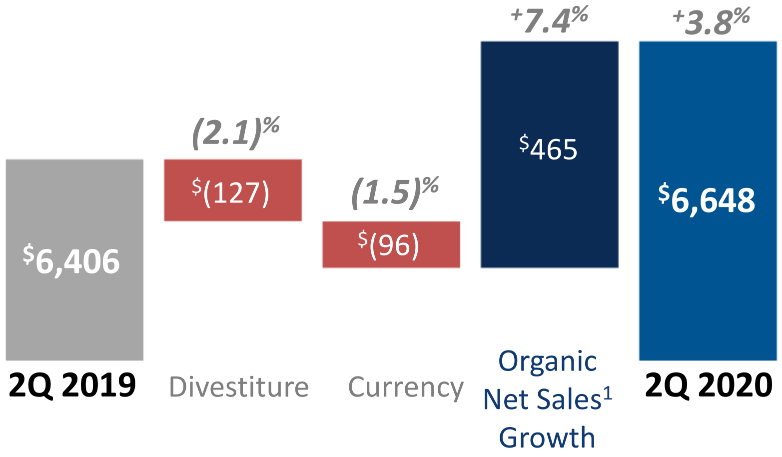
- Excluding divestiture and foreign currency, Q2 Adjusted EBITDA growth was driven by Organic Net Sales growth.
- Supply chain performance improved sequentially, but held back Adjusted EBITDA growth in Q2.

Improving Results Indicate a Business in Turnaround

1| *Non-GAAP financial measure. See Appendix to this presentation for more information, including GAAP to Non-GAAP reconciliations.*

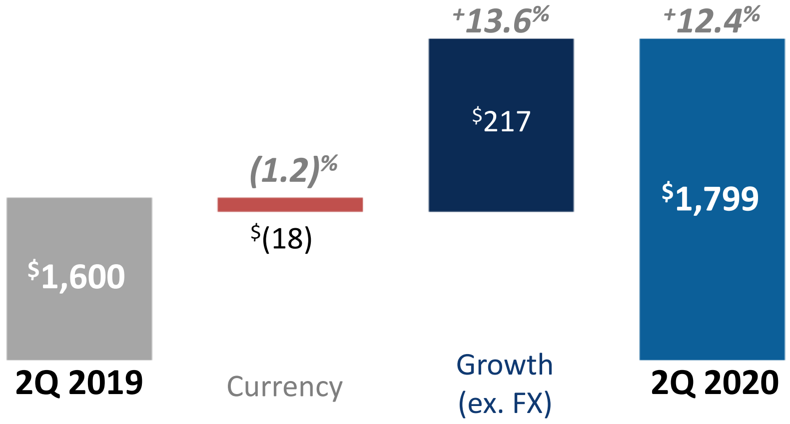
2Q'20 Consolidated Summary

Net Sales



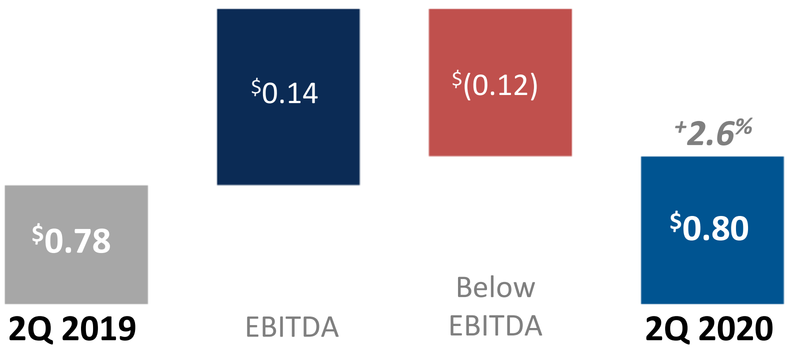
Organic Net Sales growth driven by strong retail takeaway and at-home consumption trends

Adjusted EBITDA[1]



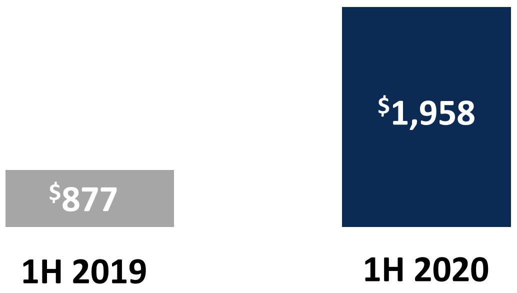
Excluding foreign currency and divestiture, each business segment reported EBITDA growth in 2Q 2020

Adjusted EPS[1]



Unfavorable impacts below EBITDA primarily driven by lower Other Income and a higher adjusted effective tax rate versus the prior year period

YTD Free Cash Flow[1]



Strong Free Cash Flow generation reflecting EBITDA growth, net working capital drawdown, phasing of capital projects, and increase in accrued liabilities

Underlying Business Improvements Were In Line with Our Plan

1| Non-GAAP financial measure. See Appendix to this presentation for more information, including GAAP to Non-GAAP reconciliations.

3 2020 **Outlook**

2020 **Outlook**

Raising Our Expectations…

Operations

- **Turnaround on Track**
  - No pause in initiatives:
    - Focus investments
    - Strengthen brand
    - Capture efficiencies
- **Refining Commercial Plans**
  - Merchandising levels to be driven by inventory recovery, capacity to execute

Growth

- **Expect H1 to Benefit Full Year**
  - Cautiously optimistic on business momentum
- **Early to be optimistic for H2**
  - *McCafé* exit underway in Canada and U.S.
  - Risks include depth/duration of recession, foodservice recovery, further commodity volatility

Profitability

- **Upside for full year**
  - H1 upside versus previous expectations likely to stick
- **H2 Headwinds Remain**
  - Known, discrete factors represent ~(900)bp impact to H2 Adjusted EBITDA[1]
    - Key commodity[2] costs to turn unfavorable
  - Favorable Q2 product mix unlikely to be sustained

Capital

- **Strengthening Balance Sheet**
  - Strengthened conservative liquidity posture
  - Expecting stronger Free Cash Flow[1] than originally anticipated
- **Prioritizing Capital Allocation**
  - Reducing debt while maintaining current dividend

Solid Execution Keeps Us Cautiously Optimistic

1| *Non-GAAP financial measure. See Appendix to this presentation for more information, including GAAP to Non-GAAP reconciliations.*
2| *The Company's key commodities in the United States and Canada are dairy, meat, coffee and nuts.*

KraftHeinz

THANK YOU

July 30, 2020

Appendix

Non-GAAP Financial Measures

The non-GAAP financial measures provided should be viewed in addition to, and not as an alternative for, results prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") that are presented in this press release.

To supplement the financial information provided, the Company has presented Organic Net Sales, Adjusted EBITDA, Constant Currency Adjusted EBITDA, Adjusted EPS, and Free Cash Flow 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 GAAP financial measures, such as net sales, net income/(loss), diluted earnings per share, or other measures prescribed by GAAP, and there are limitations to using non-GAAP financial measures.

Management uses these non-GAAP financial measures to assist in comparing the Company's 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 the Company's underlying operations. Management believes that presenting the Company's non-GAAP financial measures (i.e., Organic Net Sales, Adjusted EBITDA, Constant Currency 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 the Company's results. The Company believes that the presentation of these non-GAAP financial measures, when considered together with the corresponding GAAP financial measures and the reconciliations to those measures, provides investors with additional understanding of the factors and trends affecting the Company's 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. The Company calculates 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 the Company calculates 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 the Company's performance on a consistent basis by removing the impact of certain items that management believes do not directly reflect the Company's 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, the Company excludes, 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).

The Company also presents Adjusted EBITDA on a constant currency basis. The Company calculates the impact of currency on Adjusted EBITDA by holding exchange rates constant at the previous year's exchange rate, with the exception of highly inflationary subsidiaries, for which it calculates the previous year's results using the current year's exchange rate. Adjusted EBITDA and Constant Currency Adjusted EBITDA are tools that can assist management and investors in comparing the Company's performance on a consistent basis by removing the impact of certain items that management believes do not directly reflect the Company's 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. The Company believes Adjusted EPS provides important comparability of underlying operating results, allowing investors and management to assess operating performance on a consistent basis.

Free Cash Flow is defined as net cash provided by/(used for) operating activities less capital expenditures. The Company believes Free Cash Flow provides a measure of the Company's core operating performance, the cash-generating capabilities of the Company's business operations, and is one factor used in determining the amount of cash available for debt repayments, dividends, acquisitions, share repurchases, and other corporate purposes. The use of this non-GAAP measure does not imply or represent the residual cash flow for discretionary expenditures since the Company has certain nondiscretionary obligations such as debt service that are not deducted from the measure.

See the attached schedules for supplemental financial data, which includes the financial information, the non-GAAP financial measures and corresponding reconciliations to the comparable GAAP financial measures for the relevant periods.

Appendix

Schedule 1

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

	For the Three Months Ended		For the Six Months Ended	
	June 27, 2020	June 29, 2019	June 27, 2020	June 29, 2019
Net sales	$ 6,648	$ 6,406	$ 12,805	$ 12,365
Cost of products sold	4,196	4,324	8,495	8,272
Gross profit	2,452	2,082	4,310	4,093
Selling, general and administrative expenses, excluding impairment losses	918	750	1,780	1,579
Goodwill impairment losses	1,817	124	2,043	744
Intangible asset impairment losses	1,056	474	1,056	474
Selling, general and administrative expenses	3,791	1,348	4,879	2,797
Operating income/(loss)	(1,339)	734	(569)	1,296
Interest expense	442	316	752	637
Other expense/(income)	(78)	(133)	(159)	(513)
Income/(loss) before income taxes	(1,703)	551	(1,162)	1,172
Provision for/(benefit from) income taxes	(51)	103	109	320
Net income/(loss)	(1,652)	448	(1,271)	852
Net income/(loss) attributable to noncontrolling interest	(1)	(1)	2	(2)
Net income/(loss) attributable to common shareholders	$ (1,651)	$ 449	$ (1,273)	$ 854
Basic shares outstanding	1,223	1,220	1,222	1,220
Diluted shares outstanding	1,223	1,222	1,222	1,223
Per share data applicable to common shareholders:				
Basic earnings/(loss) per share	$ (1.35)	$ 0.37	$ (1.04)	$ 0.70
Diluted earnings/(loss) per share	(1.35)	0.37	(1.04)	0.70

Appendix

Schedule 2

The Kraft Heinz Company
Reconciliation of Net Sales to Organic Net Sales
For the Three Months Ended
(dollars in millions)
(Unaudited)

	Net Sales	Currency	Acquisitions and Divestitures	Organic Net Sales	Price	Volume/Mix
June 27, 2020						
United States	$ 4,917	$ —	$ —	$ 4,917		
International	1,305	(74)	—	1,379		
Canada	426	(15)	—	441		
	$ 6,648	$ (89)	$ —	$ 6,737		
June 29, 2019						
United States	$ 4,533	$ —	$ —	$ 4,533		
International	1,313	7	—	1,306		
Canada	560	—	127	433		
	$ 6,406	$ 7	$ 127	$ 6,272		
Year-over-year growth rates						
United States	8.5 %	0.0 pp	0.0 pp	8.5 %	2.3 pp	6.2 pp
International	(0.7)%	(6.2) pp	0.0 pp	5.5 %	2.6 pp	2.9 pp
Canada	(23.9)%	(2.8) pp	(23.1) pp	2.0 %	1.3 pp	0.7 pp
Kraft Heinz	3.8 %	(1.5) pp	(2.1) pp	7.4 %	2.2 pp	5.2 pp

Appendix

Schedule 3

The Kraft Heinz Company
Reconciliation of Net Sales to Organic Net Sales
For the Six Months Ended
(dollars in millions)
(Unaudited)

	Net Sales	Currency	Acquisitions and Divestitures	Organic Net Sales	Price	Volume/Mix
June 27, 2020						
United States	$ 9,412	$ —	$ —	$ 9,412		
International	2,606	(124)	—	2,730		
Canada	787	(21)	—	808		
	$ 12,805	$ (145)	$ —	$ 12,950		
June 29, 2019						
United States	$ 8,757	$ —	$ —	$ 8,757		
International	2,598	14	13	2,571		
Canada	1,010	—	218	792		
	$ 12,365	$ 14	$ 231	$ 12,120		
Year-over-year growth rates						
United States	7.5 %	0.0 pp	0.0 pp	7.5 %	2.3 pp	5.2 pp
International	0.3 %	(5.3) pp	(0.6) pp	6.2 %	2.2 pp	4.0 pp
Canada	(22.1)%	(2.2) pp	(21.9) pp	2.0 %	(2.3) pp	4.3 pp
Kraft Heinz	3.6 %	(1.3) pp	(2.0) pp	6.9 %	2.0 pp	4.9 pp

Appendix

Schedule 4

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

	For the Three Months Ended		For the Six Months Ended	
	June 27, 2020	June 29, 2019	June 27, 2020	June 29, 2019
Net income/(loss)	$ (1,652)	$ 448	$ (1,271)	$ 852
Interest expense	442	316	752	637
Other expense/(income)	(78)	(133)	(159)	(513)
Provision for/(benefit from) income taxes	(51)	103	109	320
Operating income/(loss)	(1,339)	734	(569)	1,296
Depreciation and amortization (excluding integration and restructuring expenses)	247	253	490	487
Integration and restructuring expenses	4	14	4	41
Deal costs	—	5	—	13
Unrealized losses/(gains) on commodity hedges	(26)	(10)	117	(39)
Impairment losses	2,873	598	3,099	1,218
Equity award compensation expense (excluding integration and restructuring expenses)	40	6	73	15
Adjusted EBITDA	$ 1,799	$ 1,600	$ 3,214	$ 3,031
Segment Adjusted EBITDA:				
United States	$ 1,478	$ 1,257	$ 2,687	$ 2,396
International	275	267	520	505
Canada	110	143	165	264
General corporate expenses	(64)	(67)	(158)	(134)
Adjusted EBITDA	$ 1,799	$ 1,600	$ 3,214	$ 3,031

Appendix

Schedule 5

The Kraft Heinz Company
Reconciliation of Adjusted EBITDA to Constant Currency Adjusted EBITDA
For the Three Months Ended
(dollars in millions)
(Unaudited)

	Adjusted EBITDA	Currency	Constant Currency Adjusted EBITDA
June 27, 2020			
United States	$ 1,478	$ —	$ 1,478
International	275	(12)	287
Canada	110	(3)	113
General corporate expenses	(64)	—	(64)
	$ 1,799	$ (15)	$ 1,814
June 29, 2019			
United States	$ 1,257	$ —	$ 1,257
International	267	3	264
Canada	143	—	143
General corporate expenses	(67)	—	(67)
	$ 1,600	$ 3	$ 1,597
Year-over-year growth rates			
United States	17.6 %	0.0 pp	17.6 %
International	3.2 %	(5.7) pp	8.9 %
Canada	(23.2)%	(2.9) pp	(20.3)%
General corporate expenses	(4.1)%	(0.5) pp	(3.6)%
Kraft Heinz	12.4 %	(1.2) pp	13.6 %

Appendix

Schedule 6

The Kraft Heinz Company
Reconciliation of Adjusted EBITDA to Constant Currency Adjusted EBITDA
For the Six Months Ended
(dollars in millions)
(Unaudited)

	Adjusted EBITDA	Currency	Constant Currency Adjusted EBITDA
June 27, 2020			
United States	$ 2,687	$ —	$ 2,687
International	520	(20)	540
Canada	165	(5)	170
General corporate expenses	(158)	1	(159)
	$ 3,214	$ (24)	$ 3,238
June 29, 2019			
United States	$ 2,396	$ —	$ 2,396
International	505	7	498
Canada	264	—	264
General corporate expenses	(134)	—	(134)
	$ 3,031	$ 7	$ 3,024
Year-over-year growth rates			
United States	12.2 %	0.0 pp	12.2 %
International	2.8 %	(5.3) pp	8.1 %
Canada	(37.3)%	(2.1) pp	(35.2)%
General corporate expenses	17.9 %	(0.7) pp	18.6 %
Kraft Heinz	6.0 %	(1.1) pp	7.1 %

Appendix

Schedule 7

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

	For the Three Months Ended		For the Six Months Ended	
	June 27, 2020	June 29, 2019	June 27, 2020	June 29, 2019
Diluted EPS	$ (1.35)	$ 0.37	$ (1.04)	$ 0.70
Integration and restructuring expenses[a]	—	0.01	—	0.02
Deal costs[b]	—	—	—	0.01
Unrealized losses/(gains) on commodity hedges[c]	(0.02)	(0.01)	0.07	(0.02)
Impairment losses[d]	2.16	0.41	2.35	0.89
Losses/(gains) on sale of business[e]	—	—	—	(0.16)
Debt prepayment and extinguishment costs[f]	0.07	—	0.07	—
U.S. Tax Reform discrete income tax expense/ (benefit)[g]	(0.06)	—	(0.06)	—
Adjusted EPS	$ 0.80	$ 0.78	$ 1.39	$ 1.44

(a) Gross expenses included in integration and restructuring expenses were $4 million ($3 million after-tax) for the three and six months ended June 27, 2020 and $14 million ($8 million after-tax) for the three months and $41 million ($29 million after-tax) for the six months ended June 29, 2019 and were recorded in the following income statement line items:

- Cost of products sold included income of $2 million for three months and $1 million the six months ended June 27, 2020 and expenses of $6 million for the three months and $15 million for the six months ended June 29, 2019; and
- SG&A included expenses of $6 million for three months and $5 million for the six months ended June 27, 2020 and $8 million for the three months and $26 million for the six months ended June 29, 2019.

(b) Gross expenses included in deal costs were $5 million ($5 million after-tax) for the three months and $13 million ($11 million after-tax) for the six months ended June 29, 2019 and were recorded in SG&A.

(c) Gross expenses/(income) included in unrealized losses/(gains) on commodity hedges were income of $26 million ($19 million after-tax) for the three months and expenses of $117 million ($89 million after-tax) for the six months ended June 27, 2020 and income of $10 million ($8 million after-tax) for the three months and $39 million ($29 million after-tax) for the six months ended June 29, 2019 and were recorded in cost of products sold.

(d) Gross impairment losses which were recorded in SG&A, included the following:

- Goodwill impairment losses of $1.8 billion ($1.8 billion after-tax) for the three months and $2.0 billion ($2.0 billion after-tax) for the six months ended June 27, 2020 and $124 million ($123 million after-tax) for the three months and $744 million ($717 million after-tax) for the six months ended June 29, 2019; and
- Intangible asset impairment losses of $1.1 billion ($829 million after-tax) for the three and six months ended June 27, 2020 and $474 million ($374 million after-tax) for the three and six months ended June 29, 2019.

(e) Gross expenses/(income) included in losses/(gains) on sale of business were losses of $2 million ($2 million after-tax) for the six months ended June 27, 2020 and were income of $246 million ($190 million after-tax) for the six months ended June 29, 2019 and were recorded in other expense/(income).

(f) Gross expenses included in debt prepayment and extinguishment costs were $109 million ($82 million after-tax) for the three and six months ended June 27, 2020 and were recorded in interest expense.

(g) U.S. Tax Reform discrete income tax expense/(benefit) was a benefit of $81 million ($81 million after-tax) for the three and six months ended June 27, 2020. The benefit primarily relates to the revaluation of our deferred tax balances due to changes in state tax laws following U.S. Tax Reform and subsequent clarification or interpretation of state tax laws.

Appendix

Schedule 8

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

	June 27, 2020	December 28, 2019
ASSETS		
Cash and cash equivalents	$ 2,812	$ 2,279
Trade receivables, net	2,045	1,973
Inventories	2,815	2,721
Prepaid expenses	471	384
Other current assets	504	618
Assets held for sale	129	122
Total current assets	8,776	8,097
Property, plant and equipment, net	6,777	7,055
Goodwill	33,310	35,546
Intangible assets, net	47,202	48,652
Other non-current assets	2,241	2,100
TOTAL ASSETS	$ 98,306	$ 101,450
LIABILITIES AND EQUITY		
Commercial paper and other short-term debt	$ 6	$ 6
Current portion of long-term debt	757	1,022
Trade payables	3,880	4,003
Accrued marketing	938	647
Interest payable	378	384
Other current liabilities	2,083	1,804
Liabilities held for sale	8	9
Total current liabilities	8,050	7,875
Long-term debt	28,097	28,216
Deferred income taxes	11,374	11,878
Accrued postemployment costs	250	273
Other non-current liabilities	1,370	1,459
TOTAL LIABILITIES	49,141	49,701
Redeemable noncontrolling interest	(1)	—
Equity:		
Common stock, $0.01 par value	12	12
Additional paid-in capital	55,990	56,828
Retained earnings/(deficit)	(4,336)	(3,060)
Accumulated other comprehensive income/(losses)	(2,296)	(1,886)
Treasury stock, at cost	(330)	(271)
Total shareholders' equity	49,040	51,623
Noncontrolling interest	126	126
TOTAL EQUITY	49,166	51,749
TOTAL LIABILITIES AND EQUITY	$ 98,306	$ 101,450

Appendix

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

	For the Six Months Ended	
	June 27, 2020	June 29, 2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income/(loss)	$ (1,271)	$ 852
Adjustments to reconcile net income/(loss) to operating cash flows:		
Depreciation and amortization	490	494
Amortization of postretirement benefit plans prior service costs/(credits)	(61)	(153)
Equity award compensation expense	73	15
Deferred income tax provision/(benefit)	(489)	(40)
Postemployment benefit plan contributions	(15)	(13)
Goodwill and intangible asset impairment losses	3,099	1,218
Nonmonetary currency devaluation	4	6
Loss/(gain) on sale of business	2	(246)
Other items, net	198	(131)
Changes in current assets and liabilities:		
Trade receivables	(60)	75
Inventories	(197)	(484)
Accounts payable	(54)	63
Other current assets	(137)	5
Other current liabilities	634	(336)
Net cash provided by/(used for) operating activities	2,216	1,325
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(258)	(448)
Payments to acquire business, net of cash acquired	—	(200)
Proceeds from sale of business, net of cash disposed	—	640
Other investing activities, net	21	(10)
Net cash provided by/(used for) investing activities	(237)	(18)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayments of long-term debt	(3,824)	(4)
Proceeds from issuance of long-term debt	3,500	18
Debt prepayment and extinguishment costs	(101)	—
Proceeds from revolving credit facility	4,000	—
Repayments of revolving credit facility	(4,000)	—
Proceeds from issuance of commercial paper	—	377
Repayments of commercial paper	—	(377)
Dividends paid	(977)	(976)
Other financing activities, net	(35)	(15)
Net cash provided by/(used for) financing activities	(1,437)	(977)
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	(9)	(8)
Cash, cash equivalents, and restricted cash		
Net increase/(decrease)	533	322
Balance at beginning of period	2,280	1,136
Balance at end of period	$ 2,813	$ 1,458

Appendix

Schedule 10

The Kraft Heinz Company
Reconciliation of Net Cash Provided By/(Used for) Operating Activities to Free Cash Flow
(in millions)
(Unaudited)

	For the Six Months Ended	
	June 27, 2020	June 29, 2019
Net cash provided by/(used for) operating activities	$ 2,216	$ 1,325
Capital expenditures	(258)	(448)
Free Cash Flow	$ 1,958	$ 877