

Item 8. Financial Statements and Supplementary Data.

THE J. M. SMUCKER COMPANY
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REPORT OF MANAGEMENT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING

Shareholders

The J. M. Smucker Company

Management is responsible for establishing and maintaining adequate accounting and internal control systems over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Securities and Exchange Act of 1934, as amended. Our internal control system is designed to provide reasonable assurance that we have the ability to record, process, summarize, and report reliable financial information on a timely basis.

Our management, with the participation of the principal financial officer and principal executive officer, assessed the effectiveness of the internal control over financial reporting as of April 30, 2019 . In making this assessment, we used the criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework) (“the COSO criteria”).

Based on our assessment of internal control over financial reporting under the COSO criteria, we concluded the internal control over financial reporting was effective as of April 30, 2019 .

Ernst & Young LLP, an independent registered public accounting firm, audited the effectiveness of our internal control over financial reporting as of April 30, 2019 , and their report thereon is included on page 36 of this report.

Mark T. Smucker
President and
Chief Executive Officer

Mark R. Belgya
Vice Chair and
Chief Financial Officer

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM
ON INTERNAL CONTROL OVER FINANCIAL REPORTING

**Board of Directors and Shareholders
The J. M. Smucker Company**

Opinion on Internal Control Over Financial Reporting

We have audited The J. M. Smucker Company's internal control over financial reporting as of April 30, 2019, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) ("the COSO criteria"). In our opinion, The J. M. Smucker Company (the "Company") maintained, in all material respects, effective internal control over financial reporting as of April 30, 2019, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated balance sheets of the Company as of April 30, 2019 and 2018, and the related statements of consolidated income, comprehensive income, shareholders' equity, and cash flows for each of the three years in the period ended April 30, 2019, and the related notes and our report dated June 17, 2019, expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Report of Management on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the 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 audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

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 (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) 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 (3) 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.

/s/ Ernst & Young LLP

Akron, Ohio
June 17, 2019

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM
ON THE CONSOLIDATED FINANCIAL STATEMENTS

**Board of Directors and Shareholders
The J. M. Smucker Company**

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of The J. M. Smucker Company (the “Company”) as of April 30, 2019 and 2018 , and the related statements of consolidated income, comprehensive income, shareholders’ equity, and cash flows for each of the three years in the period ended April 30, 2019 , and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at April 30, 2019 and 2018 , and the results of its operations and its cash flows for each of the three years in the period ended April 30, 2019 , in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (“PCAOB”), the Company’s internal control over financial reporting as of April 30, 2019 , based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), and our report dated June 17, 2019 , expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the 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 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 financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young LLP

We have served as the Company’s auditor since 1955.

Akron, Ohio
June 17, 2019

REPORT OF MANAGEMENT ON RESPONSIBILITY
FOR FINANCIAL REPORTING

Shareholders

The J. M. Smucker Company

Management of The J. M. Smucker Company is responsible for the preparation, integrity, accuracy, and consistency of the consolidated financial statements and the related financial information in this report. Such information has been prepared in accordance with U.S. generally accepted accounting principles and is based on our best estimates and judgments.

We maintain systems of internal accounting controls supported by formal policies and procedures that are communicated throughout the Company. There is a program of audits performed by our internal audit staff designed to evaluate the adequacy of and adherence to these controls, policies, and procedures.

Ernst & Young LLP, an independent registered public accounting firm, has audited our financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Management has made all financial records and related data available to Ernst & Young LLP during its audit.

Our audit committee, comprised of three independent non-employee members of the Board of Directors, meets regularly with the independent registered public accounting firm and management to review the work of the internal audit staff and the work, audit scope, timing arrangements, and fees of the independent registered public accounting firm. The audit committee also regularly satisfies itself as to the adequacy of controls, systems, and financial records. The director of the internal audit department is required to report directly to the audit committee as to internal audit matters.

It is our best judgment that our policies and procedures, our program of internal and independent audits, and the oversight activity of the audit committee work together to provide reasonable assurance that our operations are conducted according to law and in compliance with the high standards of business ethics and conduct to which we subscribe.

Mark T. Smucker
President and
Chief Executive Officer

Mark R. Belgya
Vice Chair and
Chief Financial Officer

THE J. M. SMUCKER COMPANY
STATEMENTS OF CONSOLIDATED INCOME

(Dollars in millions, except per share data)	Year Ended April 30,		
	2019	2018	2017
Net sales	\$ 7,838.0	\$ 7,357.1	\$ 7,392.3
Cost of products sold	4,922.3	4,521.0	4,557.0
Gross Profit	2,915.7	2,836.1	2,835.3
Selling, distribution, and administrative expenses	1,508.6	1,362.9	1,379.6
Amortization	240.3	206.8	207.3
Goodwill impairment charges	97.9	145.0	—
Other intangible assets impairment charges	107.2	31.9	133.2
Other special project costs ^(A)	64.1	45.4	76.9
Other operating expense (income) – net	(31.0)	0.1	(4.3)
Operating Income	928.6	1,044.0	1,042.6
Interest expense – net	(207.9)	(174.1)	(163.1)
Other income (expense) – net	(19.1)	(8.9)	(1.1)
Income Before Income Taxes	701.6	861.0	878.4
Income tax expense (benefit)	187.2	(477.6)	286.1
Net Income	\$ 514.4	\$ 1,338.6	\$ 592.3
Earnings per common share:			
Net Income	\$ 4.52	\$ 11.79	\$ 5.11
Net Income – Assuming Dilution	\$ 4.52	\$ 11.78	\$ 5.10

(A) Other special project costs includes integration and restructuring costs. For more information, see Note 3: Integration and Restructuring Costs.

See notes to consolidated financial statements.

THE J. M. SMUCKER COMPANY
STATEMENTS OF CONSOLIDATED COMPREHENSIVE INCOME

(Dollars in millions)	Year Ended April 30,		
	2019	2018	2017
Net income	\$ 514.4	\$ 1,338.6	\$ 592.3
Other comprehensive income (loss):			
Foreign currency translation adjustments	(19.1)	26.6	(29.9)
Cash flow hedging derivative activity, net of tax	(37.5)	2.0	0.4
Pension and other postretirement benefit plans activity, net of tax	(9.0)	14.3	34.1
Available-for-sale securities activity, net of tax	0.5	(1.2)	0.4
Total Other Comprehensive Income (Loss)	(65.1)	41.7	5.0
Comprehensive Income	\$ 449.3	\$ 1,380.3	\$ 597.3

See notes to consolidated financial statements.

THE J. M. SMUCKER COMPANY
CONSOLIDATED BALANCE SHEETS

(Dollars in millions)	April 30,	
	2019	2018
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 101.3	\$ 192.6
Trade receivables, less allowance for doubtful accounts	503.8	385.6
Inventories:		
Finished products	590.8	542.1
Raw materials	319.5	312.3
Total Inventory	910.3	854.4
Other current assets	109.8	122.4
Total Current Assets	1,625.2	1,555.0
Property, Plant, and Equipment		
Land and land improvements	122.1	120.1
Buildings and fixtures	903.2	812.6
Machinery and equipment	2,185.0	2,111.5
Construction in progress	321.8	212.1
Gross Property, Plant, and Equipment	3,532.1	3,256.3
Accumulated depreciation	(1,619.7)	(1,527.2)
Total Property, Plant, and Equipment	1,912.4	1,729.1
Other Noncurrent Assets		
Goodwill	6,310.9	5,942.2
Other intangible assets – net	6,718.8	5,916.5
Other noncurrent assets	144.0	158.4
Total Other Noncurrent Assets	13,173.7	12,017.1
Total Assets	\$ 16,711.3	\$ 15,301.2
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable	\$ 591.0	\$ 512.1
Accrued compensation	85.0	79.8
Accrued trade marketing and merchandising	142.7	101.6
Dividends payable	96.7	88.6
Current portion of long-term debt	798.5	—
Short-term borrowings	426.0	144.0
Other current liabilities	201.6	107.7
Total Current Liabilities	2,341.5	1,033.8
Noncurrent Liabilities		
Long-term debt, less current portion	4,686.3	4,688.0
Defined benefit pensions	139.1	144.1
Other postretirement benefits	65.0	61.9
Deferred income taxes	1,398.6	1,377.2
Other noncurrent liabilities	110.3	105.1
Total Noncurrent Liabilities	6,399.3	6,376.3
Total Liabilities	8,740.8	7,410.1
Shareholders' Equity		
Serial preferred shares – no par value:		
Authorized – 6,000,000 shares; outstanding – none	—	—
Common shares – no par value:		
Authorized – 300,000,000 shares; outstanding – 113,742,296 at April 30, 2019, and 113,572,840 at April 30, 2018 (net of 32,755,434 and 32,924,890 treasury shares, respectively), at stated value	28.9	28.9
Additional capital	5,755.8	5,739.7

Retained income	2,367.6	2,239.2
Accumulated other comprehensive income (loss)	(181.8)	(116.7)
Total Shareholders' Equity	7,970.5	7,891.1
Total Liabilities and Shareholders' Equity	\$ 16,711.3	\$ 15,301.2

See notes to consolidated financial statements.

THE J. M. SMUCKER COMPANY
STATEMENTS OF CONSOLIDATED CASH FLOWS

(Dollars in millions)	Year Ended April 30,		
	2019	2018	2017
Operating Activities			
Net income	\$ 514.4	\$ 1,338.6	\$ 592.3
Adjustments to reconcile net income to net cash provided by (used for) operations:			
Depreciation	206.0	206.3	211.7
Amortization	240.3	206.8	207.3
Goodwill impairment charges	97.9	145.0	—
Other intangible assets impairment charges	107.2	31.9	133.2
Share-based compensation expense	20.7	15.4	22.0
Gain on divestiture	(27.7)	—	—
Deferred income tax expense (benefit)	(93.5)	(803.4)	(79.4)
Loss on disposal of assets – net	4.5	6.6	4.4
Other noncash adjustments – net	1.2	3.7	0.4
Defined benefit pension contributions	(29.3)	(39.6)	(28.7)
Changes in assets and liabilities, net of effect from acquisition and divestiture:			
Trade receivables	(53.0)	54.7	8.9
Inventories	(5.3)	54.0	(10.4)
Other current assets	13.3	(5.3)	8.9
Accounts payable	43.7	19.0	2.1
Accrued liabilities	66.7	20.5	(39.8)
Income and other taxes	51.8	(28.7)	7.9
Other – net	(17.7)	(7.5)	18.2
Net Cash Provided by (Used for) Operating Activities	1,141.2	1,218.0	1,059.0
Investing Activities			
Business acquired, net of cash acquired	(1,903.0)	—	—
Additions to property, plant, and equipment	(359.8)	(321.9)	(192.4)
Proceeds from divestiture	369.5	—	—
Proceeds from sale of investment	—	—	40.6
Proceeds from disposal of property, plant, and equipment	1.1	13.4	0.5
Other – net	(32.0)	30.9	(38.4)
Net Cash Provided by (Used for) Investing Activities	(1,924.2)	(277.6)	(189.7)
Financing Activities			
Short-term borrowings (repayments) – net	282.0	(310.0)	170.0
Proceeds from long-term debt	1,500.0	799.6	—
Repayments of long-term debt	(700.0)	(1,050.3)	(200.0)
Quarterly dividends paid	(377.9)	(350.3)	(339.3)
Purchase of treasury shares	(5.4)	(7.0)	(437.6)
Other – net	0.3	(4.0)	0.8
Net Cash Provided by (Used for) Financing Activities	699.0	(922.0)	(806.1)
Effect of exchange rate changes on cash	(7.3)	7.4	(6.2)
Net increase (decrease) in cash and cash equivalents	(91.3)	25.8	57.0
Cash and cash equivalents at beginning of year	192.6	166.8	109.8
Cash and Cash Equivalents at End of Year	\$ 101.3	\$ 192.6	\$ 166.8

() Denotes use of cash

See notes to consolidated financial statements.

THE J. M. SMUCKER COMPANY
STATEMENTS OF CONSOLIDATED SHAREHOLDERS' EQUITY

(Dollars in millions)	Common Shares Outstanding	Common Shares	Additional Capital	Retained Income	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
Balance at May 1, 2016	116,306,894	\$ 29.1	\$ 5,860.1	\$ 1,267.7	\$ (148.4)	\$ 7,008.5
Net income				592.3		592.3
Other comprehensive income (loss)					5.0	5.0
Comprehensive Income						597.3
Purchase of treasury shares	(3,147,659)	(0.8)	(163.6)	(273.2)		(437.6)
Stock plans	280,318	0.1	28.1			28.2
Cash dividends declared, \$3.00 per common share				(346.5)		(346.5)
Other			0.1	0.2		0.3
Balance at April 30, 2017	113,439,553	28.4	5,724.7	1,240.5	(143.4)	6,850.2
Net income				1,338.6		1,338.6
Other comprehensive income (loss)					41.7	41.7
Comprehensive Income						1,380.3
Purchase of treasury shares	(54,535)	—	(5.8)	(1.2)		(7.0)
Stock plans	187,822	—	21.3			21.3
Cash dividends declared, \$3.12 per common share				(353.7)		(353.7)
Reclassification of stranded tax effects (A)				15.0	(15.0)	—
Other		0.5	(0.5)			—
Balance at April 30, 2018	113,572,840	28.9	5,739.7	2,239.2	(116.7)	7,891.1
Net income				514.4		514.4
Other comprehensive income (loss)					(65.1)	(65.1)
Comprehensive Income						449.3
Purchase of treasury shares	(50,723)	—	(5.4)	—		(5.4)
Stock plans	220,179	—	21.5			21.5
Cash dividends declared, \$3.40 per common share				(386.0)		(386.0)
Other		—		—		—
Balance at April 30, 2019	113,742,296	\$ 28.9	\$ 5,755.8	\$ 2,367.6	\$ (181.8)	\$ 7,970.5

(A) During the fourth quarter of 2018, we elected to early adopt Accounting Standards Update (“ASU”) 2018-02, *Income Statement – Reporting Comprehensive Income (Topic 220) Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*, which allowed us to reclassify the stranded income tax effects resulting from the Act from accumulated other comprehensive income (loss) to retained earnings.

See notes to consolidated financial statements.

THE J. M. SMUCKER COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Dollars and shares in millions, unless otherwise noted, except per share data)

Note 1: Accounting Policies

Principles of Consolidation: The consolidated financial statements include the accounts of the Company, its wholly-owned subsidiaries, and its majority-owned investments, if any. Intercompany transactions and accounts are eliminated in consolidation.

Use of Estimates: The preparation of consolidated financial statements in conformity with U.S. GAAP requires that we make certain estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Significant estimates in these consolidated financial statements include, among others: estimates of future cash flows associated with assets, potential asset impairments, useful lives and residual values of long-lived assets used in determining depreciation and amortization, net realizable value of inventories, accruals for trade marketing and merchandising programs, income taxes, and the determination of discount and other assumptions for defined benefit pension and other postretirement benefit expenses. Actual results could differ from these estimates.

Cash and Cash Equivalents: We consider all short-term, highly-liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Revenue Recognition: Most of our revenue is derived from the sale of food and beverage products to food retailers and foodservice distributors and operators. We recognize revenue when obligations under the terms of a contract with a customer have been satisfied. This occurs when control of our products transfers, which typically takes place upon delivery to or pick up by the customer. Amounts due from our customers are classified as trade receivables in the Consolidated Balance Sheets and require payment on a short-term basis.

Transaction price is based on the list price included in our published price list, which is then reduced by the estimated impact of variable consideration, such as trade marketing and merchandising programs, discounts, unsaleable product allowances, returns, and similar items, in the same period that the revenue is recognized. To estimate the impact of these costs, we consider customer contract provisions, historical data, and our current expectations.

Our trade marketing and merchandising programs consist of various promotional activities conducted through retail trade, distributors, or directly with consumers, including in-store display and product placement programs, feature price discounts, coupons, and other similar activities. We regularly review and revise, when we deem necessary, estimates of costs for these promotional programs based on estimates of what will be redeemed by retail trade, distributors, or consumers. These estimates are made using various techniques, including historical data on performance of similar promotional programs. Differences between estimated expenditures and actual performance are recognized as a change in estimate in a subsequent period. During 2019, 2018, and 2017, subsequent period adjustments were less than 2 percent of both consolidated pre-tax income and cash provided by operating activities. Total promotional expenditures, including amounts classified as a reduction of sales, represented 36 percent, 35 percent, and 33 percent of net sales in 2019, 2018, and 2017, respectively. The possibility exists that reported results could be different if factors such as the level and success of the promotional programs or other conditions differ from expectations.

For revenue disaggregated by reportable segment, geographical region, and product category, see Note 5: Reportable Segments.

Shipping and Handling Costs: Transportation costs included in cost of products sold relate to the costs incurred to ship our products. Distribution costs are included in selling, distribution, and administrative ("SD&A") expenses and primarily relate to the warehousing costs incurred to store our products. Total distribution costs recorded within SD&A were \$266.6, \$245.4, and \$252.9 in 2019, 2018, and 2017, respectively.

Advertising Expense: Advertising costs are expensed as incurred. Advertising expense was \$237.5, \$194.2, and \$169.8 in 2019, 2018, and 2017, respectively.

Research and Development Costs: Research and development ("R&D") costs are expensed as incurred and are included in SD&A in the Statements of Consolidated Income. R&D costs include expenditures for new product and manufacturing process innovation, which are comprised primarily of internal salaries and wages, consulting, and other supplies attributable

to time spent on R&D activities. Other costs include the depreciation and maintenance of research facilities. Total R&D expense was \$56.0 , \$56.0 , and \$58.1 in 2019 , 2018 , and 2017 , respectively.

Share-Based Payments: Share-based compensation expense, excluding stock options, is recognized on a straight-line basis over the requisite service period, which includes a one -year performance period plus the defined forfeiture period. Compensation expense related to stock options is recognized ratably over the service period for each vesting tranche from the grant date through the end of the requisite service period if it is probable that the performance criteria will be met. The stock options vest over a period of one to three years , dependent on continued service of the option holder, as well as the achievement of the performance objectives established on the grant date.

The following table summarizes amounts related to share-based payments.

	Year Ended April 30,		
	2019	2018	2017
Share-based compensation expense included in SD&A	\$ 20.1	\$ 13.7	\$ 22.3
Share-based compensation expense (benefit) included in other special project costs ^(A)	0.6	1.7	(0.3)
Total share-based compensation expense	\$ 20.7	\$ 15.4	\$ 22.0
Related income tax benefit	\$ 4.9	\$ 4.6	\$ 7.2

(A) During 2017, we concluded that a portion of the performance objectives were unachievable, and therefore reversed the life-to-date compensation cost recognized. For additional information, see Note 12: Share-Based Payments.

As of April 30, 2019 , total unrecognized share-based compensation cost related to nonvested share-based awards was \$45.1 . The weighted-average period over which this amount is expected to be recognized is 3.3 years .

Realized excess tax benefits are presented in the Statements of Consolidated Cash Flows as an operating activity and are recognized within income taxes in the Statements of Consolidated Income. For 2019 , 2018 , and 2017 , the excess tax benefits realized upon exercise or vesting of share-based compensation were \$0.5 , \$1.5 , and \$3.3 , respectively. For further discussion on share-based compensation expense, see Note 12: Share-Based Payments.

Defined Contribution Plans: We offer employee savings plans for domestic and Canadian employees. Our contributions under these plans are based on a specified percentage of employee contributions. Charges to operations for these plans in 2019 , 2018 , and 2017 were \$37.1 , \$36.3 , and \$31.9 , respectively. For information on our defined benefit plans, see Note 9: Pensions and Other Postretirement Benefits.

Income Taxes: We account for income taxes using the liability method. Accordingly, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in the applicable tax rate is recognized in income or expense in the period that the change is enacted. A tax benefit is recognized when it is more likely than not to be sustained. A valuation allowance is established when it is more likely than not that all or a portion of a deferred tax asset will not be realized.

We account for the financial statement recognition and measurement criteria of a tax position taken or expected to be taken in a tax return under FASB ASC 740, *Income Taxes* . ASC 740 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, and disclosure. In accordance with the requirements of ASC 740, uncertain tax positions have been classified in the Consolidated Balance Sheets as noncurrent, except to the extent payment is expected within one year. We recognize net interest and penalties related to unrecognized tax benefits in income tax expense.

On December 22, 2017, the U.S. government enacted the Act, legislating comprehensive tax reform that reduced the U.S. federal statutory corporate tax rate from 35.0 percent to 21.0 percent effective January 1, 2018, broadened the U.S. federal income tax base, required companies to pay a one-time transition tax, and created new taxes on certain foreign-sourced earnings as part of a new territorial tax regime. For additional information, see Note 13: Income Taxes.

Trade Receivables: In the normal course of business, we extend credit to customers. Trade receivables, less allowances, reflects the net realizable value of receivables and approximates fair value. We evaluate our trade receivables and establish an allowance for doubtful accounts based on a combination of factors. When aware that a specific customer has been impacted

by circumstances such as bankruptcy filings or deterioration in the customer's operating results or financial position, potentially making it unable to meet its financial obligations, we record a specific reserve for bad debt to reduce the related receivable to the amount we reasonably believe is collectible. We also record reserves for bad debt for all other customers based on a variety of factors, including the length of time the receivables are past due, historical collection experience, and an evaluation of current and projected economic conditions at the balance sheet date. Trade receivables are charged off against the allowance after we determine that the potential for recovery is remote. At April 30, 2019 and 2018, the allowance for doubtful accounts was \$1.8 and \$1.1, respectively. We believe there is no concentration of risk with any single customer whose failure or nonperformance would materially affect results other than as discussed in Note 5: Reportable Segments.

Inventories: Inventories are stated at the lower of cost or market, with market being defined as net realizable value, less costs to sell. Cost for all inventories is determined using the first-in, first-out method applied on a consistent basis.

The cost of finished products and work-in-process inventory includes materials, direct labor, and overhead. Work-in-process is included in finished products in the Consolidated Balance Sheets and was \$72.5 and \$80.9 at April 30, 2019 and 2018, respectively.

Derivative Financial Instruments: We account for derivative instruments in accordance with FASB ASC 815, *Derivatives and Hedging*, which requires all derivative instruments to be recognized in the financial statements and measured at fair value, regardless of the purpose or intent for holding them.

We do not qualify commodity derivatives or instruments used to manage foreign currency exchange exposures for hedge accounting treatment and, as a result, the derivative gains and losses are immediately recognized in earnings. Although we do not perform the assessments required to achieve hedge accounting for derivative positions, we believe all of our derivatives are economic hedges of our risk exposure. The exposures hedged have a high inverse correlation to price changes of the derivative instrument. Thus, we would expect that over time any gain or loss in the estimated fair value of the derivatives would generally be offset by an increase or decrease in the estimated fair value of the underlying exposures.

We utilize derivative instruments to manage interest rate risk associated with anticipated debt transactions, as well as to manage changes in the fair value of our long-term debt. At the inception of the contract, the instrument is evaluated and documented for hedge accounting treatment. If the contract is designated as a cash flow hedge, the mark-to-market gains or losses on the contract are deferred and included as a component of accumulated other comprehensive income (loss), and reclassified to interest expense in the period during which the hedged transaction affects earnings. If the contract is designated as a fair value hedge, the contract is recognized at fair value on the balance sheet, and changes in the fair value are recognized in interest expense. Generally, changes in the fair value of the contract are equal to changes in the fair value of the underlying debt and have no net impact on earnings.

Property, Plant, and Equipment: Property, plant, and equipment is recognized at cost and is depreciated on a straight-line basis over the estimated useful life of the asset (3 to 20 years for machinery and equipment, 1 to 7 years for capitalized software costs, and 5 to 40 years for buildings, fixtures, and improvements).

We lease certain land, buildings, and equipment for varying periods of time, with renewal options. Rent expense in 2019, 2018, and 2017 totaled \$99.2, \$95.2, and \$101.0, respectively. As of April 30, 2019, our minimum operating lease obligations were as follows: \$43.0 in 2020, \$36.7 in 2021, \$30.5 in 2022, \$24.8 in 2023, and \$12.3 in 2024.

In accordance with FASB ASC 360, *Property, Plant, and Equipment*, long-lived assets, other than goodwill and other indefinite-lived intangible assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the assets to future net undiscounted cash flows estimated to be generated by such assets. If such assets are considered to be impaired, the impairment to be recognized is the amount by which the carrying amount of the assets exceeds its estimated fair value of the assets. Assets to be disposed of by sale are recognized as held for sale at the lower of carrying value or fair value less costs to sell. Furthermore, determining fair value is subject to estimates of both cash flows and discount rates, and different estimates could yield different results. There are no events or changes in circumstances of which we are aware of that indicate the carrying value of our long-lived assets may not be recoverable at April 30, 2019.

Goodwill and Other Intangible Assets: Goodwill is the excess of the purchase price paid over the estimated fair value of the net assets of a business acquired. In accordance with FASB ASC 350, *Intangibles – Goodwill and Other*, goodwill and other indefinite-lived intangible assets are not amortized but are reviewed at least annually for impairment. We conduct our annual test for impairment of goodwill and other indefinite-lived intangible assets as of February 1 of each year. As of the

current year annual impairment test date, we had seven reporting units. A discounted cash flow valuation technique was utilized to estimate the fair value of our reporting units and indefinite-lived intangible assets. We also used a market-based approach to estimate the fair value of our reporting units. The discount rates utilized in the cash flow analyses were developed using a weighted-average cost of capital methodology. In addition to the annual test, we test for impairment if events or circumstances occur that would more likely than not reduce the fair value of a reporting unit or an indefinite-lived intangible asset below its carrying amount. Finite-lived intangible assets are amortized on a straight-line basis over their estimated useful lives, which are evaluated on an annual basis. For additional information, see Note 7: Goodwill and Other Intangible Assets.

Marketable Securities and Other Investments: We maintain funds for the payment of benefits associated with nonqualified retirement plans. These funds include investments considered to be available-for-sale marketable securities. At April 30, 2019 and 2018, the fair value of these investments was \$40.9 and \$45.8, respectively, and was included in other noncurrent assets in the Consolidated Balance Sheets. Included in accumulated other comprehensive income (loss) at April 30, 2019 and 2018, were unrealized pre-tax gains of \$5.4 and \$4.7, respectively.

Equity Method Investments: Investments in common stock of entities other than our consolidated subsidiaries are accounted for under the equity method in accordance with FASB ASC 323, *Investments – Equity Method and Joint Ventures*. Under the equity method, the initial investment is recorded at cost and the investment is subsequently adjusted for its proportionate share of earnings or losses, including consideration of basis differences resulting from the difference between the initial carrying amount of the investment and the underlying equity in net assets. The difference between the carrying amount of the investment and the underlying equity in net assets is primarily attributable to goodwill and other intangible assets.

During 2017, we sold our 25 percent equity interest in Guilin Seamild Biologic Technology Development Co., Ltd. (“Seamild”), a privately-owned manufacturer and marketer of oats products in China. We received proceeds from the sale of \$40.6, net of transaction costs, and recognized a pre-tax gain of \$3.8 during 2017. The initial investment in Seamild was in 2012 for \$35.9 and was included in other noncurrent assets in the Consolidated Balance Sheets. The investment in Seamild did not have a material impact on International and Away From Home or the consolidated financial statements for the year ended April 30, 2017.

Additionally, we have a 20 percent equity interest in Mountain Country Foods, LLC, and a 44 percent equity interest in Numi, Inc. The carrying amount of these investments is included in other noncurrent assets in the Consolidated Balance Sheets. The investments did not have a material impact on the consolidated financial statements or the respective reportable segment to which they relate for the years ended April 30, 2019 and 2018.

Foreign Currency Translation: Assets and liabilities of foreign subsidiaries are translated using the exchange rates in effect at the balance sheet dates, while income and expenses are translated using average rates throughout the periods. Translation adjustments are reported as a component of shareholders’ equity in accumulated other comprehensive income (loss). Included in accumulated other comprehensive income (loss) at April 30, 2019 and 2018, were foreign currency losses of \$35.5 and \$16.4, respectively.

Recently Issued Accounting Standards: In August 2018, the FASB issued ASU 2018-15, *Intangibles – Goodwill and Other – Internal-Use Software (Subtopic 350-40) Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract*. ASU 2018-15 aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. It will be effective for us on May 1, 2020, with the option to early adopt at any time prior to the effective date, and will require adoption on either a retrospective or prospective basis for all implementation costs incurred after the date of adoption. We expect to early adopt as of May 1, 2019, and apply this standard on a prospective basis. We anticipate capitalizing implementation costs of approximately \$10.0 related to third-party cloud computing services during 2020.

In August 2018, the FASB also issued ASU 2018-14, *Compensation – Retirement Benefits – Defined Benefit Plans – General (Subtopic 715-20) Disclosure Framework – Changes to the Disclosure Requirements for Defined Benefit Plans*, which modifies the disclosure requirements for employers that sponsor defined benefit pension or other postretirement benefit plans. The guidance removes disclosures that are no longer considered cost beneficial and adds new and clarifies certain other disclosure requirements. ASU 2018-14 will be effective for us on May 1, 2020, with the option to early adopt at any time prior to the effective date, and it will require adoption on a retrospective basis. We do not anticipate that the adoption of this ASU will have a material impact on our disclosures.

In August 2018, the SEC adopted the final rule under SEC Release No. 33-10532, *Disclosure Update and Simplification*, to eliminate or modify certain disclosure rules that are redundant, outdated, or duplicative of U.S. GAAP or other regulatory requirements. Among other changes, the amendments remove the requirement to provide the ratio of earnings to fixed charges exhibit and reduce the requirements for supplemental pro forma information related to business combinations. The annual requirement to disclose dividends declared and the high and low trading prices of our common stock each quarter of the two previous years is also removed. In addition, the disclosure requirements related to the analysis of shareholders' equity are expanded for interim financial statements. An analysis of the changes in each caption of shareholders' equity presented in the balance sheet must be provided in a note or separate statement, as well as the amount of dividends per share for each class of shares. Although this rule was effective on November 5, 2018, the SEC is allowing an extended transition period to implement the expanded shareholders' equity disclosure requirements, which will be effective for us on May 1, 2019. While the new shareholders' equity disclosure requirements will impact our interim financial statements beginning in 2020, the amendments in this rule did not have a material impact on our financial statements and disclosures.

In March 2017, the FASB issued ASU 2017-07, *Compensation – Retirement Benefits (Topic 715) Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*, which requires the service cost component of the net periodic pension cost to be presented separately from the other components of the net periodic pension cost in the income statement. Additionally, only the service cost component of the net periodic pension cost is eligible for capitalization.

ASU 2017-07 was effective for us on May 1, 2018. The change in presentation of service cost was applied retrospectively, while the capitalization of service cost will be applied on a prospective basis. The adoption of this ASU did not have a material impact on our financial statements and disclosures.

In October 2016, the FASB issued ASU 2016-16, *Income Taxes (Topic 740) Intra-Entity Transfers of Assets Other Than Inventory*, which requires the recognition of the income tax consequences of an intra-entity transfer of an asset, other than inventory, when the transfer occurs rather than deferring such recognition until the asset is sold to an outside party.

ASU 2016-16 was effective for us on May 1, 2018, and required adoption on a modified retrospective basis through a cumulative-effect adjustment directly to retained earnings as of the beginning of the period of adoption. The adoption of this ASU did not have an impact on our financial statements and disclosures.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230) Classification of Certain Cash Receipts and Cash Payments*, which makes changes to how certain cash receipts and cash payments are presented and classified in the statement of cash flows. ASU 2016-15 was effective for us on May 1, 2018, and required adoption on a retrospective basis. The adoption of this ASU did not impact the presentation of our financial statements and disclosures.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which requires lessees to recognize a right-of-use asset and lease liability for all leases with a term of more than 12 months. ASU 2016-02 will be effective for us on

May 1, 2019, and requires a modified retrospective application. In July 2018, the FASB issued ASU 2018-11, *Leases (Topic 842) Targeted Improvements*, which provides an additional transition method that allows entities to initially apply the new standard at the adoption date and recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption without restating prior periods. We plan to utilize this transition method upon adoption, and as a result, we will not adjust comparative period financial information or make the new required lease disclosures for periods before the effective date.

Our preparation for the adoption of ASU 2016-02 is substantially complete. We have compiled an inventory of our lease arrangements in order to determine the impact the new guidance will have on our financial statements and disclosures and have implemented new lease accounting software in preparation for the standard's additional reporting requirements. We have elected certain practical expedients available under the guidance, including a package of practical expedients which allows us to not reassess prior conclusions related to contracts containing leases, lease classification, and initial direct costs.

Based on our assessment to date, we expect that the adoption of ASU 2016-02 will result in the recognition of right-of-use assets and corresponding lease liabilities in the range of \$160.0 to \$175.0 in our Consolidated Balance Sheet as of

May 1, 2019. We do not expect the new standard to have a material impact on our Statement of Consolidated Income or Statement of Consolidated Cash Flows.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The core principle of the new guidance is that an entity must recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. It requires additional disclosures to enable users to understand the nature, amount, timing, and uncertainty of revenue and cash flows relating to customer contracts. We adopted the requirements of ASU 2014-09 and all related amendments on

May 1, 2018, using the modified retrospective transition method. The adoption did not have an impact on our financial statements. The additional disclosures required are presented above within the Revenue Recognition accounting policy and within Note 5: Reportable Segments.

Risks and Uncertainties: The raw materials we use are primarily commodities, agricultural-based products, and packaging materials. The principal packaging materials we use are plastic, glass, metal cans, caps, carton board, and corrugate. Green coffee, peanuts, animal protein meals, oils and fats, sweeteners, grains, fruit, and other ingredients are obtained from various suppliers. The availability, quality, and cost of many of these commodities have fluctuated, and may continue to fluctuate over time. Green coffee is sourced solely from foreign countries, and its supply and price are subject to high volatility due to factors such as weather, global supply and demand, plant disease, investor speculation, and political and economic conditions in the source countries. Raw materials are generally available from numerous sources, although we have elected to source certain plastic packaging materials and finished goods, such as K-Cup[®] pods and our *Pup-Peroni* dog snacks, from single sources of supply pursuant to long-term contracts. While availability may vary from year to year, we believe that we will continue to be able to obtain adequate supplies and that alternatives to single-sourced materials are available. We have not historically encountered significant shortages of key raw materials. We consider our relationships with key raw material suppliers to be in good standing.

We have consolidated our production capacity for certain products, including substantially all of our coffee, *Milk-Bone* dog snacks, fruit spreads, toppings, and syrups, into single manufacturing sites. Although steps are taken at all of our manufacturing sites to reduce the likelihood of a production disruption, an interruption at a single manufacturing site would result in a reduction or elimination of the availability of some of our products for a period of time.

Of our total employees, 24 percent are covered by union contracts at nine manufacturing locations. The contracts vary in term, with seven contracts expiring in 2020, representing 19 percent of our total employees.

We insure our business and assets in each country against insurable risks, to the extent that we deem appropriate, based upon an analysis of the relative risks and costs.

Note 2: Acquisition

On May 14, 2018, we acquired the stock of Ainsworth in an all-cash transaction, valued at \$1.9 billion, inclusive of a working capital adjustment. The transaction was funded with a bank term loan and borrowings under our commercial paper program of approximately \$1.5 billion and \$400.0, respectively. For additional information on the financing associated with this transaction, refer to Note 8: Debt and Financing Arrangements.

Ainsworth is a leading producer, distributor, and marketer of premium pet food and pet snacks, predominantly within the U.S. The majority of Ainsworth's sales are generated by the *Rachael Ray Nutrish* brand, which is driving significant growth in the premium pet food category. Ainsworth also sells pet food and pet snacks under several additional branded and private label trademarks. Prior to acquisition, Ainsworth was a privately-held company headquartered in Meadville, Pennsylvania. In addition to its headquarters, the transaction included two manufacturing facilities owned by Ainsworth, which are located in Meadville, Pennsylvania, and Frontenac, Kansas, and a leased distribution facility in Greenville, Pennsylvania.

The transaction was accounted for under the acquisition method of accounting, and accordingly, the results of Ainsworth's operations, including \$747.0 in net sales and \$40.8 in operating income, are included in our consolidated financial statements in 2019. The operating income was reduced by the recognition of an unfavorable fair value purchase accounting adjustment of \$10.9, attributable to the acquired inventory.

The final purchase price was allocated to the underlying assets acquired and liabilities assumed based upon their estimated fair values at the date of acquisition. We determined the estimated fair values based on independent appraisals, discounted cash flow analyses, quoted market prices, and other estimates made by management. The purchase price exceeded the estimated fair value of the net identifiable tangible and intangible assets acquired, and the excess was recognized as goodwill. Changes to the preliminary fair values during 2019 resulted in a net adjustment to goodwill of \$64.1, which was primarily attributable to the finalization of the acquisition date fair value of the identifiable intangibles and the related impact on deferred taxes. The impact of this adjustment to previous period earnings and the consolidated financial statements is immaterial.

The following table summarizes the final fair values of the assets acquired and liabilities assumed at the acquisition date.

Assets acquired:	
Cash and cash equivalents	\$ 1.6
Trade receivables	66.3
Inventories	97.8
Other current assets	4.8
Property, plant, and equipment	83.8
Goodwill	617.8
Other intangible assets	1,260.6
Other noncurrent assets	0.3
Total assets acquired	\$ 2,133.0
Liabilities assumed:	
Current liabilities	\$ 83.3
Deferred tax liabilities	126.1
Other noncurrent liabilities	19.0
Total liabilities assumed	\$ 228.4
Net assets acquired	\$ 1,904.6

As a result of the acquisition, we recognized goodwill of \$617.8 within the U.S. Retail Pet Foods segment. Goodwill represents the value we expect to achieve through the implementation of operational synergies and growth opportunities as we integrate Ainsworth into our U.S. Retail Pet Foods segment. Of the total goodwill, \$446.0 was deductible for income tax purposes at the acquisition date, of which \$416.3 remains deductible at April 30, 2019. The goodwill and indefinite-lived trademarks within the U.S. Retail Pet Foods segment, inclusive of the recently acquired Ainsworth business, remain susceptible to future impairment charges, as the carrying values approximate estimated fair values. Any significant adverse change in our near or long-term projections or macroeconomic conditions would result in future impairment charges. For more information, see Note 7: Goodwill and Other Intangible Assets.

The purchase price was allocated to the identifiable other intangible assets acquired as follows:

Intangible assets with finite lives:	
Customer and contractual relationships (25-year useful life)	\$ 951.0
Trademarks (5-year useful life)	1.6
Intangible assets with indefinite lives:	
Trademarks	308.0
Total other intangible assets	\$ 1,260.6

Ainsworth's results of operations are included in our consolidated financial statements from the date of the transaction within the U.S. Retail Pet Foods segment. Had the transaction occurred on May 1, 2017, unaudited pro forma consolidated results for 2019 and 2018, would have been as follows:

	Year Ended April 30,	
	2019	2018
Net sales	\$ 7,865.4	\$ 8,036.9
Net income	522.6	1,234.6

The unaudited pro forma consolidated results are based on our historical financial statements and those of Ainsworth, and do not necessarily indicate the results of operations that would have resulted had the acquisition been completed at the beginning of the applicable period presented. The most significant pro forma adjustments relate to the elimination of nonrecurring acquisition-related costs incurred prior to the close of the transaction, amortization of acquired intangible assets, depreciation of acquired property, plant, and equipment, and higher interest expense associated with acquisition-related financing. The unaudited pro forma consolidated results do not give effect to the synergies of the acquisition and are not indicative of the results of operations in future periods.

Note 3: Integration and Restructuring Costs

Integration and restructuring costs primarily consist of employee-related costs and other transition and termination costs related to certain acquisition or restructuring activities. Employee-related costs include severance, retention bonuses, and relocation costs. Severance costs and retention bonuses are recognized over the estimated future service period of the affected employees, and relocation costs are expensed as incurred. Other transition and termination costs include fixed asset-related charges, contract and lease termination costs, professional fees, and other miscellaneous expenditures associated with the integration or restructuring activities, which are expensed as incurred. These integration and restructuring costs are not allocated to segment profit, and the majority of these costs are reported in other special project costs in the Statements of Consolidated Income. The obligation related to employee separation costs is included in other current liabilities in the Consolidated Balance Sheets.

Integration Costs: Total integration costs related to the acquisition of Ainsworth are anticipated to be approximately \$50.0, the majority of which are expected to be cash charges. Of the total anticipated integration costs, we expect approximately half to be employee-related. All remaining integration costs are expected to be incurred by the end of 2020.

The following table summarizes our integration costs incurred related to the Ainsworth acquisition.

	2019	Total Costs Incurred to Date at April 30, 2019
Employee-related costs	\$ 15.5	\$ 15.5
Other transition and termination costs	16.6	16.6
Total integration costs	<u>\$ 32.1</u>	<u>\$ 32.1</u>

Noncash charges of \$4.1 were included in the integration costs incurred during 2019, which primarily consisted of accelerated depreciation, and also represents the cumulative noncash charges incurred to date. The obligation related to severance costs and retention bonuses was \$1.6 at April 30, 2019.

All integration activities related to the acquisition of Big Heart were complete as of April 30, 2018, and as a result, we did not incur any integration costs during 2019. During 2018 and 2017, we incurred total integration costs of \$26.6 and \$64.1, respectively. Noncash charges of \$2.6 and \$3.2 were included in the total integration costs incurred in 2018 and 2017, respectively, and primarily consisted of share-based compensation and accelerated depreciation. The obligation related to severance costs and retention bonuses was \$0.1 at April 30, 2018, and was fully satisfied at April 30, 2019.

Restructuring Costs: An organization optimization program was approved by the Board during the fourth quarter of 2016. Under this program, we identified opportunities to reduce costs and optimize the organization. Related projects included an organizational redesign and the optimization of our manufacturing footprint. The program was expanded at the end of 2018 to include the restructuring of our geographic footprint, which includes the centralization of our pet food and pet snacks business, as well as certain international non-manufacturing functions, to our corporate headquarters in Orrville, Ohio, furthering collaboration and enhanced agility, while improving cost efficiency.

The organization optimization program was completed during 2019, and as a result, we closed our international offices in China and Mexico, as well as the San Francisco and Burbank, California, offices. Furthermore, all coffee production at our Harahan, Louisiana, facility was consolidated into one of our coffee facilities in New Orleans, Louisiana, during 2018. The program resulted in total headcount reductions of approximately 450 full-time positions.

The following table summarizes our final restructuring costs incurred related to the organization optimization program.

	2019	2018	2017	Total Costs Incurred to Date at April 30, 2019
Employee-related costs	\$ 24.9	\$ 10.1	\$ 12.4	\$ 48.7
Other transition and termination costs	7.1	12.6	6.2	25.9
Total restructuring costs	<u>\$ 32.0</u>	<u>\$ 22.7</u>	<u>\$ 18.6</u>	<u>\$ 74.6</u>

Noncash charges of \$3.3 , \$9.8 and \$2.1 were included in the restructuring costs incurred during 2019 , 2018 and 2017 , respectively. Noncash charges included in total restructuring costs incurred to date were \$15.2 , and primarily consisted of accelerated depreciation. The obligation related to severance costs and retention bonuses was \$0.8 and \$0.3 at April 30, 2019 and 2018 , respectively.

Note 4: Divestiture

On August 31, 2018, we sold our U.S. baking business to Brynwood Partners VII L.P. and Brynwood Partners VIII L.P., subsidiaries of Brynwood Partners, an unrelated party. The transaction included products that were primarily sold in U.S. retail channels under the *Pillsbury* , *Martha White* , *Hungry Jack* , *White Lily* , and *Jim Dandy* brands, along with all relevant trademarks and licensing agreements, and our manufacturing facility in Toledo, Ohio. This business generated net sales of approximately \$370.0 in 2018. The transaction did not include our baking business in Canada.

The operating results for this business were primarily included in the U.S. Retail Consumer Foods segment prior to the sale. We received proceeds from the divestiture of \$369.5 , which were net of cash transaction costs and included a working capital adjustment. Upon completion of the transaction, we recognized a pre-tax gain of \$27.7 during 2019, which is included in other operating expense (income) – net within the Statement of Consolidated Income.

Note 5: Reportable Segments

We operate in one industry: the manufacturing and marketing of food and beverage products. We have four reportable segments: U.S. Retail Coffee, U.S. Retail Consumer Foods, U.S. Retail Pet Foods, and International and Away From Home.

The U.S. Retail Coffee segment primarily includes the domestic sales of *Folgers* , *Dunkin' Donuts* , and *Café Bustelo* branded coffee; the U.S. Retail Consumer Foods segment primarily includes domestic sales of *Smucker's* , *Jif* , and *Crisco* branded products; and the U.S. Retail Pet Foods segment primarily includes domestic sales of *Rachael Ray Nutrish* , *Meow Mix* , *Milk-Bone* , *Natural Balance* , *Kibbles 'n Bits* , *9Lives* , *Nature's Recipe* , and *Pup-Peroni* branded products. The International and Away From Home segment comprises products distributed domestically and in foreign countries through retail channels and foodservice distributors and operators (e.g., restaurants, lodging, schools and universities, health care operators).

Effective May 1, 2018, the convenience store channel, which was previously included in the U.S. retail segments, is now included in the International and Away From Home segment. Segment performance for 2018 and 2017 has been reclassified for this realignment.

Segment profit represents net sales, less direct and allocable operating expenses, and is consistent with the way in which we manage our segments. However, we do not represent that the segments, if operated independently, would report operating profit equal to the segment profit set forth below, as segment profit excludes certain expenses such as corporate administrative expenses, unallocated gains and losses on commodity and foreign currency exchange derivative activities, as well as amortization expense and impairment charges related to intangible assets.

Commodity and foreign currency exchange derivative gains and losses are reported in unallocated derivative gains and losses outside of segment operating results until the related inventory is sold. At that time, we reclassify the hedge gains and losses from unallocated derivative gains and losses to segment profit, allowing our segments to realize the economic effect of the hedge without experiencing any mark-to-market volatility. We would expect that any gain or loss in the estimated fair value of the derivatives would generally be offset by a change in the estimated fair value of the underlying exposures.

	Year Ended April 30,		
	2019	2018	2017
Net sales:			
U.S. Retail Coffee	\$ 2,122.3	\$ 2,086.8	\$ 2,102.3
U.S. Retail Consumer Foods	1,761.5	1,985.6	2,072.6
U.S. Retail Pet Foods	2,879.5	2,165.3	2,131.8
International and Away From Home	1,074.7	1,119.4	1,085.6
Total net sales	\$ 7,838.0	\$ 7,357.1	\$ 7,392.3
Segment profit:			
U.S. Retail Coffee	\$ 676.3	\$ 612.4	\$ 679.7
U.S. Retail Consumer Foods	406.1	475.3	457.1
U.S. Retail Pet Foods	503.4	439.4	479.0
International and Away From Home	198.5	200.1	190.9
Total segment profit	\$ 1,784.3	\$ 1,727.2	\$ 1,806.7
Amortization	(240.3)	(206.8)	(207.3)
Goodwill impairment charges	(97.9)	(145.0)	—
Other intangible assets impairment charges	(107.2)	(31.9)	(133.2)
Interest expense – net	(207.9)	(174.1)	(163.1)
Unallocated derivative gains (losses)	(54.2)	37.3	(27.2)
Cost of products sold – special project costs ^(A)	—	(3.9)	(5.7)
Other special project costs ^(A)	(64.1)	(45.4)	(76.9)
Corporate administrative expenses	(292.0)	(287.5)	(313.8)
Other income (expense) – net	(19.1)	(8.9)	(1.1)
Income before income taxes	\$ 701.6	\$ 861.0	\$ 878.4
Assets:			
U.S. Retail Coffee	\$ 4,771.9	\$ 4,815.4	\$ 4,909.9
U.S. Retail Consumer Foods	2,850.8	3,217.5	3,157.2
U.S. Retail Pet Foods	7,847.0	5,932.3	6,232.9
International and Away From Home	1,019.5	1,043.9	1,053.4
Unallocated ^(B)	222.1	292.1	286.3
Total assets	\$ 16,711.3	\$ 15,301.2	\$ 15,639.7
Depreciation, amortization, and impairment charges:			
U.S. Retail Coffee	\$ 98.3	\$ 96.6	\$ 95.7
U.S. Retail Consumer Foods	162.4	80.2	73.2
U.S. Retail Pet Foods	301.4	314.8	280.8
International and Away From Home	52.8	57.8	61.9
Unallocated ^(C)	36.5	40.6	40.6
Total depreciation, amortization, and impairment charges	\$ 651.4	\$ 590.0	\$ 552.2
Additions to property, plant, and equipment:			
U.S. Retail Coffee	\$ 63.9	\$ 89.4	\$ 40.9
U.S. Retail Consumer Foods	138.9	168.9	49.7
U.S. Retail Pet Foods	136.0	34.3	70.5
International and Away From Home	21.0	29.3	31.3
Total additions to property, plant, and equipment	\$ 359.8	\$ 321.9	\$ 192.4

(A) Special project costs include integration and restructuring costs. For more information, see Note 3: Integration and Restructuring Costs.

(B) Primarily represents unallocated cash and cash equivalents and corporate-held investments.

(C) Primarily represents unallocated corporate administrative expense, mainly depreciation and software amortization.

The following table presents certain geographical information.

	Year Ended April 30,		
	2019	2018	2017
Net sales:			
United States	\$ 7,298.0	\$ 6,786.5	\$ 6,865.1
International:			
Canada	\$ 421.9	\$ 431.8	\$ 414.3
All other international	118.1	138.8	112.9
Total international	\$ 540.0	\$ 570.6	\$ 527.2
Total net sales	<u>\$ 7,838.0</u>	<u>\$ 7,357.1</u>	<u>\$ 7,392.3</u>
Assets:			
United States	\$ 16,338.0	\$ 14,828.2	\$ 15,214.3
International:			
Canada	\$ 362.1	\$ 428.7	\$ 380.9
All other international	11.2	44.3	44.5
Total international	\$ 373.3	\$ 473.0	\$ 425.4
Total assets	<u>\$ 16,711.3</u>	<u>\$ 15,301.2</u>	<u>\$ 15,639.7</u>
Long-lived assets (excluding goodwill and other intangible assets):			
United States	\$ 2,037.5	\$ 1,869.8	\$ 1,757.1
International:			
Canada	\$ 18.9	\$ 17.4	\$ 13.4
All other international	—	0.3	0.4
Total international	\$ 18.9	\$ 17.7	\$ 13.8
Total long-lived assets (excluding goodwill and other intangible assets)	<u>\$ 2,056.4</u>	<u>\$ 1,887.5</u>	<u>\$ 1,770.9</u>

The following table presents product category information.

	Year Ended April 30,			Primary Reportable Segment ^(A)
	2019	2018	2017	
Coffee	\$ 2,479.4	\$ 2,469.7	\$ 2,492.1	U.S. Retail Coffee
Dog food	1,313.1	756.8	718.6	U.S. Retail Pet Foods
Pet snacks	815.1	767.2	770.7	U.S. Retail Pet Foods
Cat food	812.8	702.5	704.7	U.S. Retail Pet Foods
Peanut butter	756.6	745.1	718.4	U.S. Retail Consumer Foods
Fruit spreads	341.6	353.8	348.6	U.S. Retail Consumer Foods
Frozen handheld	289.0	254.1	226.2	U.S. Retail Consumer Foods
Shortening and oils	253.6	258.1	307.2	U.S. Retail Consumer Foods
Baking mixes and ingredients	185.2	437.9	484.2	U.S. Retail Consumer Foods
Portion control	162.7	160.3	151.9	International and Away From Home
Juices and beverages	123.9	140.8	146.0	U.S. Retail Consumer Foods
Other	305.0	310.8	323.7	International and Away From Home
Total net sales	<u>\$ 7,838.0</u>	<u>\$ 7,357.1</u>	<u>\$ 7,392.3</u>	

(A) The primary reportable segment generally represents at least 75 percent of total net sales for each respective product category.

Sales to Walmart Inc. and subsidiaries amounted to 32 percent, 31 percent, and 30 percent of net sales in 2019, 2018, and 2017, respectively. These sales are primarily included in our U.S. retail market segments. No other customer exceeded 10 percent of net sales for any year. Trade receivables at April 30, 2019 and 2018, included amounts due from Walmart Inc. and subsidiaries of \$137.7 and \$123.1, respectively.

Note 6: Earnings Per Share

The following table sets forth the computation of net income per common share and net income per common share – assuming dilution under the two-class method.

	Year Ended April 30,		
	2019	2018	2017
Net income	\$ 514.4	\$ 1,338.6	\$ 592.3
Less: Net income allocated to participating securities	2.6	6.8	2.8
Net income allocated to common stockholders	\$ 511.8	\$ 1,331.8	\$ 589.5
Weighted-average common shares outstanding	113.1	113.0	115.5
Add: Dilutive effect of stock options	—	—	0.1
Weighted-average common shares outstanding – assuming dilution	113.1	113.0	115.6
Net income per common share	\$ 4.52	\$ 11.79	\$ 5.11
Net income per common share – assuming dilution	\$ 4.52	\$ 11.78	\$ 5.10

Note 7: Goodwill and Other Intangible Assets

A summary of changes in goodwill by reportable segment is as follows:

	U.S. Retail Coffee	U.S. Retail Consumer Foods	U.S. Retail Pet Foods	International and Away From Home	Total
Balance at May 1, 2017	\$ 2,090.9	\$ 1,599.0	\$ 1,969.5	\$ 417.7	\$ 6,077.1
Impairment charge ^(A)	—	—	(145.0)	—	(145.0)
Other ^(B)	—	1.4	—	8.7	10.1
Balance at April 30, 2018	\$ 2,090.9	\$ 1,600.4	\$ 1,824.5	\$ 426.4	\$ 5,942.2
Acquisition	—	—	617.8	—	617.8
Divestiture	—	(144.3)	—	—	(144.3)
Impairment charge ^(A)	—	(97.9)	—	—	(97.9)
Other ^(B)	—	—	—	(6.9)	(6.9)
Balance at April 30, 2019	\$ 2,090.9	\$ 1,358.2	\$ 2,442.3	\$ 419.5	\$ 6,310.9

(A) The amounts reflected in this table represent the accumulated goodwill impairment charges, as there have been no goodwill impairment charges recognized prior to these periods.

(B) The amounts classified as other represent foreign currency exchange adjustments.

The following table summarizes our other intangible assets and related accumulated amortization and impairment charges, including foreign currency exchange adjustments.

	April 30, 2019			April 30, 2018		
	Acquisition Cost	Accumulated Amortization/ Impairment Charges/ Foreign Currency Exchange	Net	Acquisition Cost	Accumulated Amortization/ Impairment Charges/ Foreign Currency Exchange	Net
Finite-lived intangible assets subject to amortization:						
Customer and contractual relationships	\$ 4,471.1	\$ 1,156.8	\$ 3,314.3	\$ 3,520.1	\$ 959.3	\$ 2,560.8
Patents and technology	168.5	127.4	41.1	168.5	114.4	54.1
Trademarks	499.9	166.9	333.0	556.4	145.0	411.4
Total intangible assets subject to amortization	\$ 5,139.5	\$ 1,451.1	\$ 3,688.4	\$ 4,245.0	\$ 1,218.7	\$ 3,026.3
Indefinite-lived intangible assets not subject to amortization:						
Trademarks	\$ 3,321.1	\$ 290.7	\$ 3,030.4	\$ 3,078.1	\$ 187.9	\$ 2,890.2
Total other intangible assets	\$ 8,460.6	\$ 1,741.8	\$ 6,718.8	\$ 7,323.1	\$ 1,406.6	\$ 5,916.5

Amortization expense for finite-lived intangible assets was \$239.1 , \$204.8 , and \$205.9 in 2019 , 2018 , and 2017 , respectively. The weighted-average useful lives of the customer and contractual relationships, patents and technology, and trademarks are 24 years , 14 years , and 17 years , respectively. The weighted-average useful life of total finite-lived intangible assets is 23 years . Based on the carrying amount of intangible assets subject to amortization at April 30, 2019 , the estimated amortization expense is \$235.3 for 2020 , \$233.3 for 2021 , \$229.0 for 2022 , \$221.4 for 2023 , and \$216.4 for 2024 .

We review goodwill and other indefinite-lived intangible assets at least annually on February 1 for impairment and more often if indicators of impairment exist.

During the third quarter of 2019, we began our annual planning cycle, inclusive of a strategy review within our strategic business areas. Our planning process was not complete at the end of the third quarter; however, we made some decisions related to certain brands resulting in a reduction in our long-term forecasted net sales of certain indefinite-lived trademarks within the U.S. Retail Pet Foods segment, excluding the acquired Ainsworth business. As a result of the strategic decisions made at that time, the reduction in long-term forecasted net sales for these indefinite-lived trademarks, and the narrow differences between fair value and carrying value as of April 30, 2018, we performed an interim impairment analysis on these trademarks during the third quarter of 2019, which resulted in an impairment charge of \$107.2 . This charge was included as a noncash charge in our Statement of Consolidated Income.

As of February 1, 2019, we completed the annual impairment review, in which goodwill impairment was tested at the reporting unit level for our seven reporting units. As a result, we recognized an impairment charge of \$97.9 , related to the goodwill of the Natural Foods reporting unit within the U.S. Retail Consumer Foods segment, which was driven by a reduction in our long-term net sales and profitability projections. The reduction in projections for the Natural Foods reporting unit was driven by certain brand-specific strategic decisions made during the fourth quarter of 2019 that prioritized investments in growth brands outside of the reporting unit, as well as the impact of recent category trends. The goodwill impairment charge was included as a noncash charge in our Statement of Consolidated Income and represents the remaining carrying value of the goodwill within the reporting unit. Furthermore, we completed an impairment review of the remaining long-lived assets within the Natural Foods reporting unit and did not recognize any additional impairment. Related to the remaining reporting units, we did not recognize any impairment charges related to goodwill or any of their respective indefinite-lived trademarks.

As of the annual test date, the estimated fair value was substantially in excess of the carrying value for the majority of the remaining reporting units and material indefinite-lived intangible assets, and in all instances, the estimated fair value exceeded the carrying value by greater than 10 percent, with the exception of the Pet Foods reporting unit and all indefinite-lived trademarks within the U.S. Retail Pet Foods segment. The carrying values of the goodwill and indefinite-lived intangible assets within the U.S. Retail Pet Foods segment were

\$2.4 billion and \$1.5 billion, respectively, as of April 30, 2019. These intangible assets are susceptible to future impairment charges due to narrow differences between fair value and carrying value as a result of recent impairment charges and the acquisition of Ainsworth in May 2018. Additional sensitivity analyses were performed for the Pet Foods reporting unit, assuming a hypothetical 50-basis-point decrease in the expected long-term growth rate or a hypothetical 50-basis-point increase in the weighted-average cost of capital. Both scenarios independently yielded an estimated fair value for the Pet Foods reporting unit below carrying value. Therefore, any significant adverse changes to the forecasted net sales or profitability, as well as any significant adverse changes in strategy, could result in future impairment charges which could be material.

During the third quarter of 2018, as a result of a decline in forecasted net sales for the U.S. Retail Pet Foods segment in combination with the narrow differences between estimated fair value and carrying value of the Pet Foods reporting unit and indefinite-lived trademarks as of April 30, 2017, we performed an interim impairment analysis on the goodwill of the Pet Foods reporting unit and the indefinite-lived trademarks included within the U.S. Retail Pet Foods segment. We recognized total impairment charges of \$176.9 in 2018, of which \$145.0 and \$31.9 related to the goodwill of the Pet Foods reporting unit and certain indefinite-lived trademarks within the U.S. Retail Pet Foods segment, respectively. These noncash charges were included in our Statement of Consolidated Income. Furthermore, at that time, we adopted ASU 2017-04, *Intangibles - Goodwill and Other (Topic 350) Simplifying the Test for Goodwill Impairment*, in connection with the third quarter of 2018 interim impairment analysis. As a result, we did not perform Step 2 of the goodwill impairment test for the goodwill of the Pet Foods reporting unit, and recorded the impairment charge based on the excess of the reporting unit's carrying value over its fair value, not to exceed the carrying amount of the goodwill.

Note 8: Debt and Financing Arrangements

Long-term debt consists of the following:

	April 30, 2019		April 30, 2018	
	Principal Outstanding	Carrying Amount ^(A)	Principal Outstanding	Carrying Amount ^(A)
2.20% Senior Notes due December 6, 2019	\$ 300.0	\$ 299.5	\$ 300.0	\$ 298.6
2.50% Senior Notes due March 15, 2020	500.0	499.0	500.0	497.8
3.50% Senior Notes due October 15, 2021	750.0	768.4	750.0	775.6
3.00% Senior Notes due March 15, 2022	400.0	398.0	400.0	397.3
3.50% Senior Notes due March 15, 2025	1,000.0	995.2	1,000.0	994.4
3.38% Senior Notes due December 15, 2027	500.0	496.2	500.0	495.8
4.25% Senior Notes due March 15, 2035	650.0	643.5	650.0	643.1
4.38% Senior Notes due March 15, 2045	600.0	586.0	600.0	585.4
Term Loan Credit Agreement due May 14, 2021	800.0	799.0	—	—
Total long-term debt	\$ 5,500.0	\$ 5,484.8	\$ 4,700.0	\$ 4,688.0
Current portion of long-term debt	800.0	798.5	—	—
Total long-term debt, less current portion	\$ 4,700.0	\$ 4,686.3	\$ 4,700.0	\$ 4,688.0

(A) Represents the carrying amount included in the Consolidated Balance Sheets, which includes the impact of capitalized debt issuance costs, terminated interest rate contracts, and offering discounts.

We entered into interest rate contracts in November 2018 and June 2018, with notional values of \$300.0 and \$500.0, respectively, to manage our exposure to interest rate volatility associated with anticipated debt financing in 2020. These interest rate contracts are designated as cash flow hedges, and as a result, the mark-to-market gains or losses on these contracts are deferred and included as a component of accumulated other comprehensive income (loss) and reclassified to interest expense in the period during which the hedged transactions affect earnings. At April 30, 2019, unrealized losses of \$49.1 were deferred in accumulated other comprehensive income (loss) for these derivative instruments. For additional information, see Note 10: Derivative Financial Instruments.

In April 2018, we entered into a Term Loan with a syndicate of banks and an available commitment amount of \$1.5 billion. The full amount of the Term Loan was drawn on May 14, 2018, to partially finance the Ainsworth acquisition, as discussed in Note 2: Acquisition. Borrowings under the Term Loan bear interest on the prevailing U.S. Prime Rate or LIBOR, based on our election, and is payable either on a quarterly basis or at the end of the borrowing term. The Term Loan does not require scheduled amortization payments. Voluntary prepayments are permitted without premium or penalty. As of April 30, 2019, we have prepaid \$700.0 on the Term Loan to date. The interest rate on the Term Loan at April 30, 2019, was 3.62 percent. We

have incurred total capitalized debt issuance costs of \$2.8 , of which \$2.0 was incurred upon drawing on the Term Loan in 2019, and is being amortized to interest expense over the time period for which the debt is outstanding.

All of our Senior Notes outstanding at April 30, 2019 , are unsecured, and interest is paid semiannually, with no required scheduled principal payments until maturity. We may prepay all or part of the Senior Notes at 100 percent of the principal amount thereof, together with the accrued and unpaid interest, and any applicable make-whole amount.

We have available a \$1.8 billion unsecured revolving credit facility with a group of 11 banks that matures in September 2022. Borrowings under the revolving credit facility bear interest on the prevailing U.S. Prime Rate, LIBOR, or Canadian Dealer Offered Rate, based on our election. Interest is payable either on a quarterly basis or at the end of the borrowing term. We did not have a balance outstanding under the revolving credit facility at both April 30, 2019 and 2018.

We participate in a commercial paper program under which we can issue short-term, unsecured commercial paper not to exceed \$1.8 billion at any time. The commercial paper program is backed by our revolving credit facility and reduces what we can borrow under the revolving credit facility by the amount of commercial paper outstanding. Commercial paper will be used as a continuing source of short-term financing for general corporate purposes. As of April 30, 2019 and 2018 , we had \$426.0 and \$144.0 of short-term borrowings outstanding, respectively, which were issued under our commercial paper program at weighted-average interest rates of 2.75 percent and 2.20 percent, respectively.

Interest paid totaled \$213.3 , \$158.9 , and \$162.2 in 2019 , 2018 , and 2017 , respectively. This differs from interest expense due to the amortization of debt issuance costs and discounts, effect of interest rate contracts, capitalized interest, payment of other debt fees, and timing of interest payments.

Our debt instruments contain certain financial covenant restrictions, including a leverage ratio and an interest coverage ratio. We are in compliance with all covenants.

Note 9: Pensions and Other Postretirement Benefits

We have defined benefit pension plans covering certain U.S. and Canadian employees. Pension benefits are based on the employee's years of service and compensation levels. Our plans are funded in conformity with the funding requirements of applicable government regulations.

In addition to providing pension benefits, we sponsor several unfunded postretirement plans that provide health care and life insurance benefits to certain retired U.S. and Canadian employees. These plans are contributory, with retiree contributions adjusted periodically, and contain other cost-sharing features, such as deductibles and coinsurance. Covered employees generally are eligible for these benefits when they reach age 55 and have attained 10 years of credited service .

The following table summarizes the components of net periodic benefit cost and the change in accumulated other comprehensive income (loss) related to the defined benefit pension and other postretirement plans.

<u>Year Ended April 30,</u>	Defined Benefit Pension Plans			Other Postretirement Benefits		
	2019	2018	2017	2019	2018	2017
Service cost	\$ 2.1	\$ 5.2	\$ 12.7	\$ 1.9	\$ 2.0	\$ 2.3
Interest cost	23.2	21.6	25.3	2.3	2.1	2.6
Expected return on plan assets	(26.8)	(28.8)	(29.3)	—	—	—
Amortization of prior service cost (credit)	0.9	0.9	1.1	(1.3)	(1.4)	(1.5)
Amortization of net actuarial loss (gain)	8.3	11.5	13.8	(0.6)	(0.3)	(0.2)
Curtailment loss (gain)	0.3	—	—	—	—	—
Settlement loss (gain)	7.1	2.3	(0.7)	—	—	—
Termination benefit cost	—	—	—	0.2	—	—
Net periodic benefit cost	<u>\$ 15.1</u>	<u>\$ 12.7</u>	<u>\$ 22.9</u>	<u>\$ 2.5</u>	<u>\$ 2.4</u>	<u>\$ 3.2</u>
Other changes in plan assets and benefit liabilities recognized in accumulated other comprehensive income (loss) before income taxes:						
Prior service credit (cost) arising during the year	\$ —	\$ —	\$ 2.1	\$ (2.0)	\$ (0.2)	\$ 3.0
Net actuarial gain (loss) arising during the year	(22.9)	3.5	1.5	(2.8)	5.5	2.3
Amortization of prior service cost (credit)	0.9	0.9	1.1	(1.3)	(1.4)	(1.5)
Amortization of net actuarial loss (gain)	8.3	11.5	13.8	(0.6)	(0.3)	(0.2)
Curtailment loss (gain)	0.3	—	28.8	—	—	0.1
Settlement loss (gain)	7.1	2.3	(0.7)	—	—	—
Foreign currency translation	1.2	(1.8)	2.5	—	(0.1)	—
Net change for year	<u>\$ (5.1)</u>	<u>\$ 16.4</u>	<u>\$ 49.1</u>	<u>\$ (6.7)</u>	<u>\$ 3.5</u>	<u>\$ 3.7</u>

Weighted-average assumptions used in determining net periodic benefit costs:

U.S. plans:						
Discount rate used to determine benefit obligation	4.17%	3.95%	3.85%	4.13%	3.86%	3.80%
Discount rate used to determine service cost	4.29	4.20	3.85	4.23	4.06	3.80
Discount rate used to determine interest cost	3.87	3.38	3.85	3.79	3.24	3.80
Expected return on plan assets	5.66	6.27	6.27	—	—	—
Rate of compensation increase	3.59	3.78	3.96	—	—	—
Canadian plans:						
Discount rate used to determine benefit obligation	3.57%	3.22%	3.60%	3.55%	3.19%	3.50%
Discount rate used to determine service cost	3.64	3.39	3.60	3.77	3.70	3.50
Discount rate used to determine interest cost	3.23	2.60	3.60	3.23	2.58	3.50
Expected return on plan assets	5.25	5.00	5.25	—	—	—
Rate of compensation increase	3.00	3.00	3.00	—	—	—

We amortize gains and losses for our postretirement plans over the average expected future period of vested service. For plans that consist of less than 5 percent of participants that are active, average life expectancy is used instead of the average expected useful service period.

We use a measurement date of April 30 to determine defined benefit pension and other postretirement benefit plans' assets and benefit obligations. The following table sets forth the combined status of the plans as recognized in the Consolidated Balance Sheets.

April 30,	Defined Benefit Pension Plans		Other Postretirement Benefits	
	2019	2018	2019	2018
Change in benefit obligation:				
Benefit obligation at beginning of year	\$ 639.7	\$ 677.3	\$ 65.9	\$ 70.7
Service cost	2.1	5.2	1.9	2.0
Interest cost	23.2	21.6	2.3	2.1
Amendments	—	—	2.0	0.2
Actuarial loss (gain)	17.0	(10.8)	2.8	(5.5)
Benefits paid	(33.9)	(36.0)	(4.7)	(4.3)
Foreign currency translation adjustments	(3.6)	5.8	(0.3)	0.7
Curtailment	(1.3)	—	—	—
Settlement	(27.7)	(23.4)	—	—
Termination benefit cost	—	—	0.2	—
Benefit obligation at end of year	\$ 615.5	\$ 639.7	\$ 70.1	\$ 65.9
Change in plan assets:				
Fair value of plan assets at beginning of year	\$ 497.0	\$ 489.2	\$ —	\$ —
Actual return on plan assets	19.6	21.5	—	—
Company contributions	29.3	39.6	4.7	4.3
Benefits paid	(33.9)	(36.0)	(4.7)	(4.3)
Settlement	(27.7)	(23.4)	—	—
Foreign currency translation adjustments	(4.0)	6.1	—	—
Fair value of plan assets at end of year	\$ 480.3	\$ 497.0	\$ —	\$ —
Funded status of the plans	\$ (135.2)	\$ (142.7)	\$ (70.1)	\$ (65.9)
Defined benefit pensions	\$ (139.1)	\$ (144.1)	\$ —	\$ —
Other noncurrent assets	8.0	9.5	—	—
Accrued compensation	(4.1)	(8.1)	(5.1)	(4.0)
Other postretirement benefits	—	—	(65.0)	(61.9)
Net benefit liability	\$ (135.2)	\$ (142.7)	\$ (70.1)	\$ (65.9)

The following table summarizes amounts recognized in accumulated other comprehensive income (loss) in the Consolidated Balance Sheets, before income taxes.

April 30,	Defined Benefit Pension Plans		Other Postretirement Benefits	
	2019	2018	2019	2018
Net actuarial gain (loss)	\$ (157.2)	\$ (150.9)	\$ 10.2	\$ 13.6
Prior service credit (cost)	(3.5)	(4.7)	5.8	9.1
Total recognized in accumulated other comprehensive income (loss)	\$ (160.7)	\$ (155.6)	\$ 16.0	\$ 22.7

During 2020 , we expect to recognize amortization of net actuarial losses and prior service credit of \$7.7 and \$0.3 , respectively, in net periodic benefit cost.

As of April 30, 2017, we changed the approach utilized to estimate the service and interest cost components of net periodic benefit cost for our defined benefit pension and other postretirement benefit plans. Historically, we estimated the service and interest cost components using a single weighted-average discount rate derived from the yield curve used to measure the benefit obligation at the beginning of the period. As of April 30, 2017, we utilized a spot rate approach for the estimation of service and interest cost for our plans by applying specific spot rates along the yield curve to the relevant projected cash flows, to provide a better estimate of service and interest costs. This approach does not affect the measurement of the total benefit obligations, and has been accounted for as a change in estimate that is effected by a change in accounting principle. As such, we accounted for this change in methodology on a prospective basis beginning May 1, 2017, which resulted in a benefit of approximately \$4.3 in 2018.

The following table sets forth the weighted-average assumptions used in determining the benefit obligations.

April 30,	Defined Benefit Pension Plans		Other Postretirement Benefits	
	2019	2018	2019	2018
U.S. plans:				
Discount rate	3.99%	4.17%	3.91%	4.13%
Rate of compensation increase	3.56	3.59	—	—
Canadian plans:				
Discount rate	3.21%	3.57%	3.19%	3.55%
Rate of compensation increase	3.00	3.00	—	—

For 2020, the assumed health care trend rates are 6.5 percent and 4.5 percent for the U.S. and Canadian plans, respectively. The rate for participants under age 65 is assumed to decrease to 5.0 percent in calendar 2026 for the U.S. plan and remain at 4.5 percent for the Canadian plan. The health care cost trend rate assumption impacts the amount of the other postretirement benefits obligation and periodic other postretirement benefits cost reported. A one percentage point annual change in the assumed health care cost trend rate would have the following effect as of April 30, 2019:

	One Percentage Point	
	Increase	Decrease
Effect on total service and interest cost components	\$ —	\$ —
Effect on benefit obligation	1.1	1.1

The following table sets forth selective information pertaining to our Canadian pension and other postretirement benefit plans, which is included in the consolidated information presented on pages 58 and 59.

Year Ended April 30,	Defined Benefit Pension Plans		Other Postretirement Benefits	
	2019	2018	2019	2018
Benefit obligation at end of year	\$ 84.8	\$ 87.6	\$ 7.1	\$ 7.3
Fair value of plan assets at end of year	92.1	96.4	—	—
Funded status of the plans	\$ 7.3	\$ 8.8	\$ (7.1)	\$ (7.3)
Components of net periodic benefit cost:				
Service cost	\$ 0.1	\$ 0.2	\$ —	\$ —
Interest cost	2.7	2.4	0.2	0.3
Expected return on plan assets	(4.8)	(5.0)	—	—
Amortization of net actuarial loss (gain)	0.9	0.8	—	—
Net periodic benefit cost (credit)	\$ (1.1)	\$ (1.6)	\$ 0.2	\$ 0.3
Changes in plan assets:				
Company contributions	\$ 0.1	\$ 0.9	\$ 0.5	\$ 0.5
Benefits paid	(6.5)	(6.8)	(0.5)	(0.5)
Actual return on plan assets	6.1	1.5	—	—
Foreign currency translation	(3.9)	6.0	—	—

The following table sets forth additional information related to our defined benefit pension plans.

	April 30,	
	2019	2018
Accumulated benefit obligation for all pension plans	\$ 605.6	\$ 627.9
Plans with an accumulated benefit obligation in excess of plan assets:		
Accumulated benefit obligation	\$ 521.5	\$ 541.3
Fair value of plan assets	388.2	400.6
Plans with a projected benefit obligation in excess of plan assets:		
Projected benefit obligation	\$ 531.4	\$ 552.9
Fair value of plan assets	388.2	400.6

We employ a total return on investment approach for the defined benefit pension plans' assets. A mix of equity, fixed-income, and alternative investments is used to maximize the long-term rate of return on assets for the level of risk. In determining the expected long-term rate of return on the defined benefit pension plans' assets, we consider the historical rates of return, the nature of investments, the asset allocation, and expectations of future investment strategies. The actual rate of return was

3.8 percent and 5.4 percent for the years ended April 30, 2019 and 2018, respectively, which excludes administrative and investment expenses.

Our current investment policy is to invest approximately 60 percent of assets in fixed-income securities, with the remaining invested primarily in equity securities.

The following tables summarize the major asset classes for the U.S. and Canadian defined benefit pension plans and the levels within the fair value hierarchy for those assets measured at fair value.

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Plan Assets At April 30, 2019
Cash and cash equivalents ^(A)	\$ 0.5	\$ —	\$ —	\$ 0.5
Equity securities:				
U.S. ^(B)	65.7	1.8	—	67.5
International ^(C)	74.3	9.2	—	83.5
Fixed-income securities:				
Bonds ^(D)	220.6	—	—	220.6
Fixed income ^(E)	51.8	—	—	51.8
Other types of investments ^(F)	—	46.3	—	46.3
Total financial assets measured at fair value	<u>\$ 412.9</u>	<u>\$ 57.3</u>	<u>\$ —</u>	<u>\$ 470.2</u>
Total financial assets measured at net asset value ^(G)				10.1
Total plan assets				<u>\$ 480.3</u>

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Plan Assets At April 30, 2018
Cash and cash equivalents ^(A)	\$ 3.7	\$ —	\$ —	\$ 3.7
Equity securities:				
U.S. ^(B)	94.8	1.9	—	96.7
International ^(C)	73.2	9.7	—	82.9
Fixed-income securities:				
Bonds ^(D)	231.8	—	—	231.8
Fixed income ^(E)	53.0	—	—	53.0
Other types of investments ^(F)	—	16.8	3.2	20.0
Total financial assets measured at fair value	<u>\$ 456.5</u>	<u>\$ 28.4</u>	<u>\$ 3.2</u>	<u>\$ 488.1</u>
Total financial assets measured at net asset value ^(G)				8.9
Total plan assets				<u>\$ 497.0</u>

(A) This category includes money market holdings with maturities of three months or less and are classified as Level 1 assets. Based on the short-term nature of these assets, carrying value approximates fair value.

(B) This category is invested in a diversified portfolio of common stocks and index funds that primarily invest in U.S. stocks with broad market capitalization ranges similar to those found in the S&P 500 Index and/or the various Russell Indices and are traded on active exchanges. The Level 1 assets are valued using quoted market prices for identical securities in active markets. The Level 2 asset is comprised of a pooled fund that consists of equity securities traded on active exchanges.

(C) This category is invested primarily in common stocks and other equity securities traded on active exchanges of foreign issuers located outside the U.S. The fund invests primarily in developed countries, but may also invest in emerging markets. The Level 1 assets are valued using quoted market prices for identical securities in active markets. The Level 2 asset is comprised of a pooled fund that consists of equity securities traded on active exchanges.

(D) This category is primarily comprised of bond funds, which seek to duplicate the return characteristics of high-quality U.S. and foreign corporate bonds with a duration range of 10 to 13 years, as well as various U.S. Treasury Separate Trading of Registered Interest and

Principal holdings, with wide-ranging maturity dates. The Level 1 assets are valued using quoted market prices for identical securities in active markets.

- (E) This category is comprised of fixed-income funds that invest primarily in government-related bonds of non-U.S. issuers and include investments in the Canadian, as well as emerging markets. The Level 1 assets are valued using quoted market prices for identical securities in active markets.
- (F) This category is comprised of a real estate fund whereby the underlying investments are contained in the Canadian market, a common collective trust fund investing in direct commercial property funds, and a private limited investment partnership in 2018. The real estate fund and the collective trust fund investing in direct commercial property are classified as a Level 2 asset, whereby the underlying securities are valued utilizing quoted market prices for identical securities in active markets and based on the quoted market prices of the underlying investments in the common collective trust, respectively. The private investment limited partnership in 2018 is classified as a Level 3 asset. The investments in this partnership were valued at estimated fair value based on audited financial statements received from the general partner.
- (G) This category is comprised of a private equity fund that consists primarily of limited partnership interests in corporate finance and venture capital funds, as well as a private limited investment partnership. The fair value estimates of the private equity fund and private limited investment partnership are based on the underlying funds' net asset values further as a practical expedient equivalent to the Company's defined benefit plan's ownership interest in partners' capital, whereby a proportionate share of the net assets is attributed and further corroborated by our review. The private equity fund and private limited investment partnership are non-redeemable, and the return of principal is based on the liquidation of the underlying assets. In accordance with ASU 2015-07, the private equity fund and private limited investment partnership are removed from the total financial assets measured at fair value and disclosed separately.

We expect to contribute approximately \$1.2 to the defined benefit pension plans in 2020 . We expect the following payments to be made from the defined benefit pension and other postretirement benefit plans: \$49.5 in 2020 , \$47.4 in 2021 , \$47.0 in 2022 , \$51.0 in 2023 , \$46.4 in 2024 , and \$222.4 in 2025 through 2029 .

Multi-Employer Pension Plan: We participate in one multi-employer pension plan, the Bakery and Confectionery Union and Industry International Pension Fund ("Bakery and Confectionery Union Fund") (52-6118572), which provides defined benefits to certain union employees. During 2019 and 2018 , a total of \$2.3 and \$2.0 was contributed to the plan, respectively, and we anticipate contributions of \$2.2 in 2020 .

The risks of participating in multi-employer pension plans are different from the risks of participating in single-employer pension plans. For instance, the assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers, and if a participating employer stops contributing to the plan, the unfunded obligations of the plan allocable to the withdrawing employer may be the responsibility of the remaining participating employers. Additionally, if we stop participating in the multi-employer pension plan, we may be required to pay the plan an amount based on our allocable share of the underfunded status of the plan, referred to as a withdrawal liability.

The Pension Protection Act of 2006 ranks the funded status of multi-employer pension plans depending upon a plan's current and projected funding. A plan is in the Red Zone (Critical) if it has a current funded percentage less than 65 percent. A plan is in the Yellow Zone (Endangered) if it has a current funded percentage of less than 80 percent or projects a credit balance deficit within seven years. A plan is in the Green Zone (Healthy) if it has a current funded percentage greater than 80 percent and does not have a projected credit balance deficit within seven years. The zone status is based on the plan's year-end, not our fiscal year-end. The zone status is based on information that we received from the plan and is certified by the plan's actuary. During calendar year 2018, the Bakery and Confectionery Union Fund was in Red Zone status, as the current funding status was 51.6 percent. A funding improvement plan, or rehabilitation plan, has been implemented.

Note 10: Derivative Financial Instruments

We are exposed to market risks, such as changes in commodity prices, foreign currency exchange rates, and interest rates. To manage the volatility related to these exposures, we enter into various derivative transactions. We have policies in place that define acceptable instrument types we may enter into and establish controls to limit our market risk exposure.

Commodity Price Management: We enter into commodity derivatives to manage the price volatility and reduce the variability of future cash flows related to anticipated inventory purchases of key raw materials, notably green coffee, corn, edible oils, soybean meal, and wheat. We also enter into commodity derivatives to manage price risk for energy input costs, including diesel fuel and natural gas. Our derivative instruments generally have maturities of less than one year .

We do not qualify commodity derivatives for hedge accounting treatment, and as a result, the derivative gains and losses are immediately recognized in earnings. Although we do not perform the assessments required to achieve hedge accounting for derivative positions, we believe all of our commodity derivatives are economic hedges of our risk exposure.

The commodities hedged have a high inverse correlation to price changes of the derivative instrument. Thus, we would expect that over time any gain or loss in the estimated fair value of the derivatives would generally be offset by an increase or decrease in the estimated fair value of the underlying exposures.

Foreign Currency Exchange Rate Hedging: We utilize foreign currency derivatives to manage the effect of foreign currency exchange fluctuations on future cash payments primarily related to purchases of certain raw materials and finished goods. The contracts generally have maturities of less than one year. We do not qualify instruments used to manage foreign currency exchange exposures for hedge accounting treatment.

Interest Rate Hedging: We utilize derivative instruments to manage interest rate risk associated with anticipated debt transactions, as well as to manage changes in the fair value of our long-term debt. At the inception of an interest rate contract, the instrument is evaluated and documented for qualifying hedge accounting treatment. If the contract is designated as a cash flow hedge, the mark-to-market gains or losses on the contract are deferred and included as a component of accumulated other comprehensive income (loss) and reclassified to interest expense in the period during which the hedged transaction affects earnings. If the contract is designated as a fair value hedge, the contract is recognized at fair value on the balance sheet and changes in the fair value are recognized in interest expense. Generally, changes in the fair value of the contract are equal to changes in the fair value of the underlying debt and have no net impact on earnings.

We entered into interest rate contracts in November 2018 and June 2018, with notional values of \$300.0 and \$500.0, respectively, to manage our exposure to interest rate volatility associated with anticipated debt financing in 2020. These interest rate contracts are designated as cash flow hedges, and as a result, unrealized losses of \$49.1 were deferred in accumulated other comprehensive income (loss) at April 30, 2019.

In 2018, we terminated a treasury lock concurrent with the pricing of the Senior Notes due December 15, 2027, which was designated as a cash flow hedge and used to manage our exposure to interest rate volatility. The termination resulted in a gain of \$2.7, which was deferred and included as a component of accumulated other comprehensive income (loss) and is being amortized as a reduction to interest expense over the life of the debt.

In 2015, we terminated the interest rate swap on the Senior Notes due October 15, 2021, which was designated as a fair value hedge and used to hedge against the changes in the fair value of the debt. As a result of the early termination, we received \$58.1 in cash, which included \$4.6 of accrued and prepaid interest. The gain on termination was recorded as an increase in the long-term debt balance and is being recognized over the remaining life of the underlying debt as a reduction of interest expense. To date, we have recognized \$33.0 of the gain, of which \$ 8.0, \$7.8, and \$7.6 were recognized in 2019, 2018, and 2017, respectively. The remaining gain will be recognized as follows: \$8.1 in 2020, \$8.4 in 2021, and \$4.0 in 2022.

The following tables set forth the gross fair value amounts of derivative instruments recognized in the Consolidated Balance Sheets.

	April 30, 2019			
	Other Current Assets	Other Current Liabilities	Other Noncurrent Assets	Other Noncurrent Liabilities
Derivatives designated as hedging instruments:				
Interest rate contracts	\$ —	\$ 49.1	\$ —	\$ —
Total derivatives designated as hedging instruments	\$ —	\$ 49.1	\$ —	\$ —
Derivatives not designated as hedging instruments:				
Commodity contracts	\$ 4.8	\$ 25.8	\$ —	\$ —
Foreign currency exchange contracts	1.4	0.2	—	—
Total derivative not designated as hedging instruments	\$ 6.2	\$ 26.0	\$ —	\$ —
Total derivative instruments	\$ 6.2	\$ 75.1	\$ —	\$ —
	April 30, 2018			
	Other Current Assets	Other Current Liabilities	Other Noncurrent Assets	Other Noncurrent Liabilities
Derivatives not designated as hedging instruments:				
Commodity contracts	\$ 14.8	\$ 6.8	\$ 0.4	\$ 0.2
Foreign currency exchange contracts	2.2	0.7	—	—
Total derivative instruments	\$ 17.0	\$ 7.5	\$ 0.4	\$ 0.2

We have elected to not offset fair value amounts recognized for our exchange-traded derivative instruments and our cash margin accounts executed with the same counterparty that are generally subject to enforceable netting agreements. We are required to maintain cash margin accounts in connection with funding the settlement of our open positions. At April 30, 2019 and 2018, we maintained cash margin account balances of \$40.7 and \$10.9, respectively, included in other current assets in the Consolidated Balance Sheets. The change in the cash margin account balances is included in other – net, investing activities in the Statements of Consolidated Cash Flows. In the event of default and immediate net settlement of all of our open positions with individual counterparties, all of our derivative liabilities would be fully offset by either our derivative asset positions or margin accounts based on the net asset or liability position with our individual counterparties.

Interest expense – net, as presented in the Statements of Consolidated Income, was \$207.9, \$174.1, and \$163.1 in 2019, 2018, and 2017, respectively. The following table presents information on the pre-tax gains and losses recognized on interest rate contracts designated as cash flow hedges.

	Year Ended April 30,		
	2019	2018	2017
Gains (losses) recognized in other comprehensive income (loss)	\$ (49.1)	\$ 2.7	\$ —
Less: Gains (losses) reclassified from accumulated other comprehensive income (loss) to interest expense	(0.4)	(0.5)	(0.6)
Change in accumulated other comprehensive income (loss)	\$ (48.7)	\$ 3.2	\$ 0.6

Included as a component of accumulated other comprehensive income (loss) at April 30, 2019 and 2018, were deferred net pre-tax losses of \$52.5 and \$3.8, respectively, related to the active and terminated interest rate contracts. The related net tax benefit recognized in accumulated other comprehensive income (loss) was \$12.1 and \$0.9 at April 30, 2019 and 2018, respectively. Approximately \$0.8 of the net pre-tax loss will be recognized over the next 12 months related to the active and terminated interest rate contracts.

The following table presents the net gains and losses recognized in cost of products sold on derivatives not designated as hedging instruments.

	Year Ended April 30,		
	2019	2018	2017
Gains (losses) on commodity contracts	\$ (98.6)	\$ 6.5	\$ (45.2)
Gains (losses) on foreign currency exchange contracts	3.0	(5.9)	9.8
Total gains (losses) recognized in costs of products sold	<u>\$ (95.6)</u>	<u>\$ 0.6</u>	<u>\$ (35.4)</u>

Commodity and foreign currency exchange derivative gains and losses are reported in unallocated derivative gains and losses outside of segment operating results until the related inventory is sold. At that time, we reclassify the hedge gains and losses from unallocated derivative gains and losses to segment profit, allowing our segments to realize the economic effect of the hedge without experiencing any mark-to-market volatility. The following table presents the activity in unallocated derivative gains and losses.

	Year Ended April 30,		
	2019	2018	2017
Net gains (losses) on mark-to-market valuation of unallocated derivative positions	\$ (95.6)	\$ 0.6	\$ (35.4)
Less: Net gains (losses) on derivative positions reclassified to segment operating profit	(41.4)	(36.7)	(8.2)
Unallocated derivative gains (losses)	<u>\$ (54.2)</u>	<u>\$ 37.3</u>	<u>\$ (27.2)</u>

The net cumulative unallocated derivative gains and losses at April 30, 2019 and 2018 , were losses of \$52.5 and gains of \$1.7 , respectively.

The following table presents the gross notional value of outstanding derivative contracts.

	Year Ended April 30,	
	2019	2018
Commodity contracts	\$ 544.8	\$ 658.0
Foreign currency exchange contracts	144.9	122.1
Interest rate contracts	800.0	—

Note 11: Other Financial Instruments and Fair Value Measurements

Financial instruments, other than derivatives, that potentially subject us to significant concentrations of credit risk consist principally of cash investments, short-term borrowings, and trade receivables. The carrying value of these financial instruments approximates fair value. Our remaining financial instruments, with the exception of long-term debt, are recognized at estimated fair value in the Consolidated Balance Sheets.

The following table provides information on the carrying amounts and fair values of our financial instruments.

	April 30, 2019		April 30, 2018	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Marketable securities and other investments	\$ 40.9	\$ 40.9	\$ 45.8	\$ 45.8
Derivative financial instruments – net	(68.9)	(68.9)	9.7	9.7
Total long-term debt	(5,484.8)	(5,504.0)	(4,688.0)	(4,579.8)

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. Valuation techniques are based on observable and unobservable inputs. Observable inputs reflect readily obtainable data from independent sources, while unobservable inputs reflect our market assumptions.

The following tables summarize the fair values and the levels within the fair value hierarchy in which the fair value measurements fall for our financial instruments.

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value at April 30, 2019
Marketable securities and other investments: ^(A)				
Equity mutual funds	\$ 8.7	\$ —	\$ —	\$ 8.7
Municipal obligations	—	31.7	—	31.7
Money market funds	0.5	—	—	0.5
Derivative financial instruments: ^(B)				
Commodity contracts – net	(20.7)	(0.3)	—	(21.0)
Foreign currency exchange contracts – net	(0.1)	1.3	—	1.2
Interest rate contracts	—	(49.1)	—	(49.1)
Total long-term debt ^(C)	(4,646.6)	(857.4)	—	(5,504.0)
Total financial instruments measured at fair value	\$ (4,658.2)	\$ (873.8)	\$ —	\$ (5,532.0)

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value at April 30, 2018
Marketable securities and other investments: ^(A)				
Equity mutual funds	\$ 9.3	\$ —	\$ —	\$ 9.3
Municipal obligations	—	36.1	—	36.1
Money market funds	0.4	—	—	0.4
Derivative financial instruments: ^(B)				
Commodity contracts – net	7.2	1.0	—	8.2
Foreign currency exchange contracts – net	0.1	1.4	—	1.5
Total long-term debt ^(C)	(4,579.8)	—	—	(4,579.8)
Total financial instruments measured at fair value	\$ (4,562.8)	\$ 38.5	\$ —	\$ (4,524.3)

- (A) Marketable securities and other investments consist of funds maintained for the payment of benefits associated with nonqualified retirement plans. The funds include equity securities listed in active markets, municipal obligations valued by a third-party using valuation techniques that utilize inputs that are derived principally from or corroborated by observable market data, and money market funds with maturities of three months or less. Based on the short-term nature of these money market funds, carrying value approximates fair value. As of April 30, 2019, our municipal obligations are scheduled to mature as follows: \$0.4 in 2020, \$1.0 in 2021, \$0.5 in 2022, \$1.5 in 2023, and the remaining \$28.3 in 2024 and beyond. For additional information, see Marketable Securities and Other Investments in Note 1: Accounting Policies.
- (B) Level 1 commodity and foreign currency exchange derivatives are valued using quoted market prices for identical instruments in active markets. Level 2 commodity and foreign currency exchange derivatives are valued using quoted prices for similar assets or liabilities in active markets. The Level 2 interest rate contracts are valued using standard valuation techniques, the income approach, and observable Level 2 market expectations at the measurement date to convert future amounts to a single discounted present value. Level 2 inputs for the valuation of the interest rate contracts are limited to prices that are observable for the asset or liability. For additional information, see Note 10: Derivative Financial Instruments.
- (C) Long-term debt is composed of public Senior Notes classified as Level 1 and the Term Loan classified as Level 2. The public Senior Notes are traded in an active secondary market and valued using quoted prices. The fair value of the Term Loan is based on the net present value of each interest and principal payment calculated utilizing an interest rate derived from an estimated yield curve obtained from independent pricing sources for similar types of term loan borrowing arrangements. For additional information, see Note 8: Debt and Financing Arrangements.

Furthermore, we recognized impairment charges of \$205.1 during 2019, of which \$97.9 and \$107.2 related to the goodwill of the Natural Foods reporting unit within the U.S. Retail Consumer Foods segment and certain indefinite-lived trademarks in the U.S. Retail Pet Foods segment, respectively. During 2018, we recognized impairment charges of \$176.9, of which \$145.0 and \$31.9 related to the goodwill of the Pet Foods reporting unit and certain indefinite-lived trademarks within the U.S. Retail Pet Foods segment, respectively. These adjustments were included as noncash charges in our Statements of

Consolidated Income. We utilized Level 3 inputs based on management's best estimates and assumptions to estimate the fair value of the reporting unit and indefinite-lived trademarks. For additional information, see Goodwill and Other Intangible Assets in Note 1: Accounting Policies and Note 7: Goodwill and Other Intangible Assets.

Note 12: Share-Based Payments

We provide for equity-based incentives to be awarded to key employees and non-employee directors. Currently, these incentives consist of restricted shares, restricted stock units (which may also be referred to as deferred stock units), performance units, and stock options. These awards are administered primarily through the 2010 Equity and Incentive Compensation Plan initially approved by our shareholders in August 2010 and re-approved in August 2015. Awards under this plan may be in the form of stock options, stock appreciation rights, restricted shares, restricted stock units, performance shares, performance units, incentive awards, and other share-based awards. Awards under this plan may be granted to our non-employee directors, consultants, officers, and other employees. Deferred stock units granted to non-employee directors vest immediately and, along with dividends credited on those deferred stock units, are paid out in the form of common shares upon termination of service as a non-employee director. At April 30, 2019, there were 5,380,499 shares available for future issuance under this plan.

Under the 2010 Equity and Incentive Compensation Plan, we have the option to settle share-based awards by issuing common shares from treasury, issuing new Company common shares, or issuing a combination of common shares from treasury and new Company common shares.

Stock Options: No stock options have been granted under the 2010 Equity and Incentive Compensation Plan since 2016. Stock options granted in 2016 vested over periods of one to three years, dependent on the continued service of the option holder, as well as the achievement of performance objectives established on the grant date. The exercise price of all stock options granted was equal to the market value of the shares on the date of grant, and all stock options granted and outstanding have a contractual term of 10 years.

The following table is a summary of our stock option activity.

	Number of Stock Options	Weighted-Average Exercise Price
Outstanding at May 1, 2018	823,332	\$ 113.20
Exercised	—	—
Cancelled	423,332	113.16
Outstanding at April 30, 2019	400,000	\$ 113.24
Exercisable at April 30, 2019	400,000	\$ 113.24

The intrinsic value of a stock option is the amount by which the market value of the underlying stock exceeds the exercise price of the stock option. The total intrinsic value for stock options both outstanding and exercisable was \$3.8 at

April 30, 2019, both with an average remaining contractual term of 6.0 years. The total intrinsic value of stock options exercised during 2018 was \$0.6, and during both 2019 and 2017, there were no stock options exercised. The closing market price of our common stock on the last trading day of 2019 was \$122.63 per share.

Compensation cost related to stock options is recognized ratably over the service period from the grant date through the end of the requisite service period to the extent the performance objectives are likely to be achieved. During 2019, we did not recognize any compensation cost related to stock options, as the requisite service period ended on April 30, 2018. The compensation cost for stock option awards totaled \$0.4 for the year ended April 30, 2018, and the compensation net benefit totaled \$1.0 for the year ended April 30, 2017, which was included in other special project costs in the Statements of Consolidated Income. During 2017, we concluded that a portion of the performance objectives were unachievable, and therefore reversed the life-to-date compensation cost recognized. The tax expense related to the stock option expense was \$0.1 for 2018, and the net benefit was \$0.4 for 2017. There was no unrecognized compensation cost related to stock options at April 30, 2019.

We did not receive cash from stock option exercises for the years ended April 30, 2019 and 2017. Cash received from stock option exercises was \$3.9 for the year ended April 30, 2018.

Other Equity Awards: The following table is a summary of our restricted shares, deferred stock units, and performance units.

	Restricted Shares and Deferred Stock Units	Weighted- Average Grant Date Fair Value	Performance Units	Weighted- Average Conversion Date Fair Value
Outstanding at May 1, 2018	542,358	\$ 122.39	84,051	\$ 103.86
Granted	194,932	104.33	85,154	123.68
Converted	84,051	103.86	(84,051)	103.86
Vested	(158,914)	107.16	—	—
Forfeited	(78,851)	118.02	—	—
Outstanding at April 30, 2019	583,576	\$ 118.44	85,154	\$ 123.68

The weighted-average grant date fair value of equity awards other than stock options that vested in 2019 , 2018 , and 2017 was \$17.0 , \$17.1 , and \$24.6 , respectively. The vesting date fair value of equity awards other than stock options that vested in 2019 , 2018 , and 2017 was \$17.0 , \$20.7 , and \$32.7 , respectively. The weighted-average grant date fair value of restricted shares and deferred stock units is the average of the high and the low share price on the date of grant. The weighted-average conversion date fair value of performance units is the average of the high and the low share price on the date of conversion to restricted shares. The following table summarizes the weighted-average fair values of the equity awards granted.

Year Ended April 30,	Restricted Shares and Deferred Stock Units	Weighted- Average Grant Date Fair Value	Performance Units	Weighted- Average Conversion Date Fair Value
2019	194,932	\$ 104.33	85,154	\$ 123.68
2018	136,127	126.80	84,051	103.86
2017	180,997	133.92	73,701	126.80

The performance units column represents the number of restricted shares received by certain executive officers, subsequent to year-end, upon conversion of the performance units earned during the year. Restricted shares and deferred stock units generally vest four years from the date of grant or upon the attainment of a defined age and years of service, subject to certain retention requirements.

Note 13: Income Taxes

Income before income taxes is as follows:

	Year Ended April 30,		
	2019	2018	2017
Domestic	\$ 659.2	\$ 828.6	\$ 836.8
Foreign	42.4	32.4	41.6
Income before income taxes	\$ 701.6	\$ 861.0	\$ 878.4

The components of the provision for income taxes are as follows:

	Year Ended April 30,		
	2019	2018	2017
Current:			
Federal	\$ 227.9	\$ 277.9	\$ 325.1
Foreign	16.0	7.9	11.0
State and local	36.8	40.0	29.4
Deferred:			
Federal	(73.6)	(802.3)	(78.3)
Foreign	(0.1)	0.5	1.6
State and local	(19.8)	(1.6)	(2.7)
Total income tax expense (benefit)	\$ 187.2	\$ (477.6)	\$ 286.1

A reconciliation of the statutory federal income tax rate and the effective income tax rate is as follows:

(Percent of Pre-tax Income)	Year Ended April 30,		
	2019	2018	2017
Statutory federal income tax rate	21.0 %	30.4 %	35.0 %
Tax reform – net impact on U.S. deferred tax assets and liabilities	—	(92.0)	—
Tax reform – transition tax	(0.5)	3.0	—
Goodwill impairment charges	2.9	5.5	—
Sale of the U.S. baking business	2.4	—	—
State and local income taxes	2.7	1.9	2.1
Domestic manufacturing deduction	—	(3.0)	(3.7)
Deferred tax benefit from integration	(2.4)	—	—
Other items – net	0.6	(1.3)	(0.8)
Effective income tax rate	26.7 %	(55.5)%	32.6 %
Income taxes paid	\$ 250.9	\$ 336.8	\$ 367.2

Income tax expense of \$187.2 for 2019 includes the permanent tax impacts associated with the sale of the U.S. baking business and a goodwill impairment charge, partially offset by a noncash deferred tax benefit related to the integration of Ainsworth into the Company. The income tax benefit of \$477.6 for 2018 included the net benefit of our discrete adjustments resulting directly from U.S. tax reform, as discussed below, partially offset by the permanent tax impact of a goodwill impairment charge.

U.S. Tax Reform: On December 22, 2017, the U.S. government enacted the Act, legislating comprehensive tax reform that reduced the U.S. federal statutory corporate tax rate from 35.0 percent to 21.0 percent effective January 1, 2018, broadened the U.S. federal income tax base, required companies to pay a one-time transition tax, and created new taxes on certain foreign-sourced earnings as part of a new territorial tax regime.

During the third quarter of 2019, we finalized our accounting for the income tax effects of enactment of the Act, as required by ASU 2018-05, *Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 118*, which resulted in an immaterial adjustment to the net provisional benefit of \$765.8 previously recorded during 2018. The net benefit included the revaluation of net deferred tax liabilities at the reduced federal income tax rate, offset in part by the estimated impact of the one-time transition tax.

Despite the completion of our accounting for the Act, the amounts recorded may change as a result of future guidance and interpretation from the Internal Revenue Service (“IRS”) and various other taxing jurisdictions, all of which are continuing to analyze the complexities and interdependencies of the provisions within the Act. Any future legislative and interpretive actions could result in additional income tax impacts which could be material in the period any such changes are enacted.

We are a voluntary participant in the Compliance Assurance Process (“CAP”) program offered by the IRS and are currently under a CAP examination for the tax years ended April 30, 2019 and 2018. Through the contemporaneous exchange of information with the IRS, this program is designed to identify and resolve tax positions with the IRS prior to the filing of a tax return, which allows us to remain current with our IRS examinations. The IRS has completed the CAP examinations for the tax years ended April 30, 2017 and 2016. The tax years prior to 2016 are no longer subject to U.S. federal tax examination. With limited exceptions, we are no longer subject to examination for state and local jurisdictions for the tax years prior to 2015 and for the tax years prior to 2012 for foreign jurisdictions.

Deferred income taxes reflect the tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax reporting. Significant components of our deferred tax assets and liabilities are as follows:

	April 30,	
	2019	2018
Deferred tax liabilities:		
Intangible assets	\$ 1,428.3	\$ 1,393.6
Property, plant, and equipment	120.5	98.5
Other	13.4	14.2
Total deferred tax liabilities	<u>\$ 1,562.2</u>	<u>\$ 1,506.3</u>
Deferred tax assets:		
Post-employment and other employee benefits	\$ 84.9	\$ 75.5
Tax credit and loss carryforwards	10.0	0.2
Intangible assets	17.2	18.8
Inventory	7.6	5.9
Property, plant, and equipment	7.0	6.4
Hedging transactions	15.6	0.9
Other	24.8	24.3
Total deferred tax assets	<u>\$ 167.1</u>	<u>\$ 132.0</u>
Valuation allowance	<u>(3.5)</u>	<u>(2.9)</u>
Total deferred tax assets, less allowance	<u>\$ 163.6</u>	<u>\$ 129.1</u>
Net deferred tax liability	<u>\$ 1,398.6</u>	<u>\$ 1,377.2</u>

In accordance with purchase accounting, we recorded a deferred tax asset of \$20.9 in respect of a federal net operating loss carryforward acquired as part of the Ainsworth acquisition, of which \$10.9 was utilized in 2019. We expect to fully utilize the remaining \$10.0 in 2020. We evaluate the realizability of deferred tax assets for each of the jurisdictions in which we operate. The total valuation allowance increased by a net amount of \$0.6 during the year.

During 2019, we repatriated \$122.9 of international cash in conjunction with the restructuring of our foreign subsidiaries discussed in Note 3: Integration and Restructuring Costs. Applicable foreign withholding taxes and state income taxes, which were not significant, have been included in income tax expense. Deferred income taxes have not been provided on approximately \$57.1 of remaining temporary differences related to our investments in foreign subsidiaries since these amounts remain permanently reinvested. It is not practical to estimate the amount of additional taxes that might be payable on these basis differences because of the numerous methods by which these differences could reverse.

Our unrecognized tax benefits were \$15.0 , \$32.3 , and \$40.4 , of which \$12.0 , \$21.5 , and \$23.1 would affect the effective tax rate, if recognized, as of April 30, 2019 , 2018 , and 2017 , respectively. Our accrual for tax-related net interest and penalties totaled \$3.3 , \$4.0 , and \$4.1 as of April 30, 2019 , 2018 , and 2017 , respectively. The amount of tax related to net interest and penalties credited to earnings totaled \$0.8 for 2019, and charged to earnings totaled \$0.1 and \$0.3 during 2018 and 2017 , respectively.

Within the next 12 months , it is reasonably possible that we could decrease our unrecognized tax benefits by an estimated \$3.1 , primarily as a result of the expiration of statute of limitation periods.

A reconciliation of our unrecognized tax benefits is as follows:

	2019	2018	2017
Balance at May 1,	\$ 32.3	\$ 40.4	\$ 46.3
Increases:			
Current year tax positions	0.9	1.1	0.7
Prior year tax positions	0.3	0.5	1.2
Acquired businesses	—	—	—
Decreases:			
Prior year tax positions	—	—	0.9
Settlement with tax authorities	9.0	3.0	1.1
Expiration of statute of limitations periods	9.5	6.7	5.8
Balance at April 30,	\$ 15.0	\$ 32.3	\$ 40.4

Note 14: Accumulated Other Comprehensive Income (Loss)

The components of accumulated other comprehensive income (loss), including the reclassification adjustments for items that are reclassified from accumulated other comprehensive income (loss) to net income, are shown below.

	Foreign Currency Translation Adjustment	Net Gains (Losses) on Cash Flow Hedging Derivatives ^(A)	Pension and Other Postretirement Liabilities ^(B)	Unrealized Gain (Loss) on Available-for-Sale Securities	Accumulated Other Comprehensive Income (Loss)
Balance at May 1, 2016	\$ (13.1)	\$ (4.8)	\$ (134.1)	\$ 3.6	\$ (148.4)
Reclassification adjustments	—	0.6	13.2	—	13.8
Current period credit (charge)	(29.9)	—	39.6	0.6	10.3
Income tax benefit (expense)	—	(0.2)	(18.7)	(0.2)	(19.1)
Balance at April 30, 2017	\$ (43.0)	\$ (4.4)	\$ (100.0)	\$ 4.0	\$ (143.4)
Reclassification adjustments	—	0.5	10.7	—	11.2
Current period credit (charge)	26.6	2.7	9.2	(1.7)	36.8
Income tax benefit (expense)	—	(1.2)	(5.6)	0.5	(6.3)
Reclassification of stranded tax effects ^(C)	—	(0.5)	(15.3)	0.8	(15.0)
Balance at April 30, 2018	\$ (16.4)	\$ (2.9)	\$ (101.0)	\$ 3.6	\$ (116.7)
Reclassification adjustments	—	0.4	7.3	—	7.7
Current period credit (charge)	(19.1)	(49.1)	(19.1)	0.7	(86.6)
Income tax benefit (expense)	—	11.2	2.8	(0.2)	13.8
Balance at April 30, 2019	\$ (35.5)	\$ (40.4)	\$ (110.0)	\$ 4.1	\$ (181.8)

(A) The reclassification from accumulated other comprehensive income (loss) to interest expense was related to terminated interest rate contracts. The current period charge in 2019 relates to the unrealized losses on the interest rate contracts entered into in November 2018 and June 2018. The prior year credit relates to the gain on the interest rate contract terminated in 2018. For additional information, see Note 10: Derivative Financial Instruments.

(B) Amortization of net losses and prior service costs was reclassified from accumulated other comprehensive income (loss) to other income (expense) – net.

(C) During 2018, we adopted ASU 2018-02, *Income Statement – Reporting Comprehensive Income (Topic 220) Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*, which allowed us to reclassify the stranded income tax effects resulting from the Act from accumulated other comprehensive income (loss) to retained earnings.

Note 15: Contingencies

We, like other food manufacturers, are from time to time subject to various administrative, regulatory, and other legal proceedings arising in the ordinary course of business. We are currently a defendant in a variety of such legal proceedings, including certain lawsuits related to the alleged price-fixing of shelf stable tuna products prior to 2011 by a business previously owned by, but divested prior to our acquisition of, Big Heart, the significant majority of which we settled during the second half of 2019 and the remainder of which we anticipate resolving in the near future. While we cannot predict with certainty the ultimate results of these proceedings or potential settlements associated with these matters, we have accrued losses for certain contingent liabilities that we have determined are probable and reasonably estimable at April 30, 2019.

Based on the information known to date, with the exception of the matter discussed below, we do not believe the final outcome of these proceedings could have a material adverse effect on our financial position, results of operations, or cash flows.

On May 9, 2011, CERT filed a lawsuit in the Superior Court of the State of California, County of Los Angeles, against us and additional defendants who manufacture, package, distribute, or sell packaged coffee. The lawsuit is CERT v. Brad Barry LLC, et al., and was a tag along to a 2010 lawsuit against companies selling “ready-to-drink” coffee based on the same claims. Both cases have since been consolidated and now include nearly eighty defendants, which constitute the great majority of the coffee industry in California. The Plaintiff alleges that we and the other defendants failed to provide warnings for our coffee products of exposure to the chemical acrylamide as required under Proposition 65. The Plaintiff seeks equitable relief, including providing warnings to consumers of coffee products, as well as civil penalties in the amount of the statutory maximum of \$2,500.00 per day per violation of Proposition 65. The Plaintiff asserts that every consumed cup of coffee, absent a compliant warning, is equivalent to a violation under Proposition 65.

As part of a joint defense group organized to defend against the lawsuit, we dispute the claims of the Plaintiff. Acrylamide is not added to coffee but is inherently present in all coffee in small amounts (measured in parts per billion) as a byproduct of the coffee bean roasting process. We have asserted multiple affirmative defenses. Trial of the first phase of the case commenced on September 8, 2014, and was limited to three affirmative defenses shared by all defendants. On September 1, 2015, the trial court issued a final ruling adverse to the defendants on all Phase 1 defenses. Trial of the second phase of the case commenced in the fall of calendar year 2017. On March 28, 2018, the trial court issued a proposed ruling adverse to the defendants on the Phase 2 defense, our last remaining defense to liability. The trial court finalized and affirmed its Phase 2 ruling on May 7, 2018, and therefore, the trial on the third phase regarding remedies issues was scheduled to commence on October 15, 2018. The trial did not proceed on the scheduled date as further described below.

On June 15, 2018, the state agency responsible for administering the Proposition 65 program, the California Office of Environmental Health Hazard Assessment (“OEHHA”), issued a proposed regulation clarifying that cancer warnings are not required for coffee under Proposition 65. The California Court of Appeals granted defendants’ requests to stay the trial on remedies until a final determination was made on OEHHA’s proposed regulation. The California Office of Administrative Law approved the proposed regulation on June 3, 2019, and the regulation will go into effect on October 1, 2019, which should result in the dismissal of this case. However, prior to the approval of the proposed regulation, CERT challenged the authority of OEHHA to propose the regulation. Considering the regulation is final, we expect this challenge to continue. At this stage of the proceedings, prior to and without knowing whether the trial on remedies issues will move forward in light of the challenge, we are unable to predict or reasonably estimate the potential loss or effect on our operations. Accordingly, no loss contingency has been recorded for this matter as of April 30, 2019, as the likelihood of loss is not considered probable or estimable. The trial court has discretion to impose zero penalties against us or to impose significant statutory penalties if the case proceeds. Significant labeling or warning requirements that could potentially be imposed by the trial court may increase our costs and adversely affect sales of our coffee products, as well as involve substantial expense and operational disruption, which could have a material adverse impact on our financial position, results of operations, or cash flows. Furthermore, a future appellate court decision could reverse the trial court rulings. The outcome and the financial impact of settlement, the trial, or the appellate court rulings of the case, if any, cannot be predicted at this time.

Note 16: Common Shares

Voting: The Amended Articles of Incorporation (“Articles”) provide that each holder of a common share outstanding is entitled to one vote on each matter submitted to a vote of the shareholders, except for the following specific matters:

- any matter that relates to or would result in the dissolution or liquidation of the Company;
- the adoption of any amendment to the Articles or Amended Regulations, or the adoption of amended Articles, other than the adoption of any amendment or amended Articles that increases the number of votes to which holders of our common shares are entitled or expands the matters to which time-phased voting applies;
- any proposal or other action to be taken by our shareholders relating to any successor plan to the Rights Agreement, dated as of May 20, 2009, between the Company and Computershare Trust Company, N.A.;
- any matter relating to any stock option plan, stock purchase plan, executive compensation plan, executive benefit plan, or other similar plan, arrangement, or agreement;
- the adoption of any agreement or plan of or for the merger, consolidation, or majority share acquisition of us or any of our subsidiaries with or into any other person, whether domestic or foreign, corporate or noncorporate, or the authorization of the lease, sale, exchange, transfer, or other disposition of all, or substantially all, of our assets;

- any matter submitted to our shareholders pursuant to Article Fifth (which relates to procedures applicable to certain business combinations) or Article Seventh (which relates to procedures applicable to certain proposed acquisitions of specified percentages of our outstanding common shares) of the Articles, as they may be further amended, or any issuance of our common shares for which shareholder approval is required by applicable stock exchange rules; and
- any matter relating to the issuance of our common shares or the repurchase of our common shares that the Board determines is required or appropriate to be submitted to our shareholders under the Ohio Revised Code or applicable stock exchange rules.

On the matters listed above, common shares are entitled to 10 votes per share if they meet the requirements set forth in the Articles. Common shares which would be entitled to 10 votes per share must meet one of the following criteria:

- common shares for which there has not been a change in beneficial ownership in the past four years; or
- common shares received through our various equity plans that have not been sold or otherwise transferred.

In the event of a change in beneficial ownership, the new owner of that common share will be entitled to only one vote with respect to that share on all matters until four years pass without a further change in beneficial ownership of the share.

Repurchase Programs: During both 2019 and 2018, we did not repurchase any common shares under a repurchase plan authorized by the Board. At April 30, 2019, approximately 3.6 million common shares were remaining available for repurchase pursuant to the Board's authorizations.

Note 17: Quarterly Results of Operations (Unaudited)

The following tables summarize the unaudited quarterly results of operations for the years ended April 30, 2019 and 2018.

	2019			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Net Sales	\$ 1,902.5	\$ 2,021.5	\$ 2,011.9	\$ 1,902.1
Gross Profit	678.2	771.3	773.8	692.4
Net Income	133.0	188.5	121.4	71.5
Earnings per Common Share ^(A) :				
Net Income	\$ 1.17	\$ 1.66	\$ 1.07	\$ 0.63
Net Income – Assuming Dilution	\$ 1.17	\$ 1.66	\$ 1.07	\$ 0.63
Dividends Declared per Common Share	\$ 0.85	\$ 0.85	\$ 0.85	\$ 0.85

	2018			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Net Sales	\$ 1,748.9	\$ 1,923.6	\$ 1,903.3	\$ 1,781.3
Gross Profit	662.1	755.0	728.5	690.5
Net Income	126.8	194.6	831.3	185.9
Earnings per Common Share ^(A) :				
Net Income	\$ 1.12	\$ 1.71	\$ 7.32	\$ 1.64
Net Income – Assuming Dilution	\$ 1.12	\$ 1.71	\$ 7.32	\$ 1.64
Dividends Declared per Common Share	\$ 0.78	\$ 0.78	\$ 0.78	\$ 0.78

(A) Annual net income per common share may not equal the sum of the individual quarters due to differences in the average number of shares outstanding during the respective periods, primarily due to share repurchases.