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Mondelēz International Reports Q2 2024 Results

Second Quarter Highlights

- Net revenues decreased -1.9%; Organic Net Revenue[1] grew +2.5% with underlying Volume/Mix of -2.2%
- Diluted EPS was $0.45, down -34.8%; Adjusted EPS[1] was $0.86, up +25.0% on a constant currency basis
- Year-to-date cash provided by operating activities was $2.1 billion, up $0.2 billion versus prior year; Free Cash Flow[1] was $1.5 billion, flat versus prior year
- Return of capital to shareholders was $2.2 billion in the first half of the year
- Announcing +11% increase to quarterly dividend
- Launching transformative ERP program to drive enterprise efficiencies

CHICAGO, July 30, 2024 (GLOBE NEWSWIRE) -- Mondelēz International, Inc. (Nasdaq: MDLZ) today reported its second quarter 2024 results.

"We continued to execute against our strategic growth agenda in the second quarter with strong profitability and attractive cash flow generation. Our performance was fueled by our commitment to reinvesting in our brands, capabilities, ongoing price execution and cost discipline," said Dirk Van de Put, Chair and Chief Executive Officer. "We are well positioned for the second half of the year with the completion of European pricing, the addition of new value offerings in the U.S. and significant distribution runway across key emerging markets. Our teams remain focused on delivering our long-term growth agenda while remaining agile in this dynamic operating environment."

Net Revenue

$ in millions	**Reported Net Revenues**		**Organic Net Revenue Growth**		
	Q2 2024	**% Chg vs PY**	**Q2 2024**	**Vol/Mix**	**Pricing**
Quarter 2					
Latin America	$ 1,232	0.3%	4.5%	(3.2) pp	7.7 pp
Asia, Middle East & Africa	1,587	(1.4)	4.2	(1.8)	6.0
Europe	2,874	(1.8)	2.7	(3.1)	5.8
North America	2,650	(3.4)	0.3	(1.2)	1.5
Mondelēz International	**$ 8,343**	**(1.9)%**	**2.5%**	**(2.2) pp**	**4.7 pp**
Emerging Markets	$ 3,260	(1.4)%	4.5%	(2.2) pp	6.7 pp
Developed Markets	$ 5,083	(2.3)%	1.2%	(2.2) pp	3.4 pp
June Year-to-Date	**YTD 2024**		**YTD 2024**		
Latin America	$ 2,551	4.6%	5.8%	(2.2) pp	8.0 pp
Asia, Middle East & Africa	3,537	(0.3)	5.2	(0.9)	6.1
Europe	6,242	0.1	3.6	(3.3)	6.9
North America	5,303	(2.8)	0.8	(1.6)	2.4
Mondelēz International	**$ 17,633**	**(0.2)%**	**3.4%**	**(2.1) pp**	**5.5 pp**
Emerging Markets	$ 6,993	1.3%	6.5%	(1.0) pp	7.5 pp
Developed Markets	$ 10,640	(1.2)%	1.3%	(3.0) pp	4.3 pp

Operating Income and Diluted EPS

$ in millions, except per share data	**Reported**		**Adjusted**		
	Q2 2024	**vs PY (Rpt Fx)**	**Q2 2024**	**vs PY (Rpt Fx)**	**vs PY (Cst Fx)**
Quarter 2					
Gross Profit	$ 2,797	(16.6)%	$ 3,383	9.0%	11.3%
Gross Profit Margin	33.5%	(5.9)pp	40.5%	3.3 pp	
Operating Income	$ 854	(40.1)%	$ 1,492	17.6%	22.1%
Operating Income Margin	10.2%	(6.6)pp	17.9%	2.7 pp	
Net Earnings[2]	$ 601	(36.3)%	$ 1,162	18.5%	23.1%
Diluted EPS	$ 0.45	(34.8)%	$ 0.86	19.4%	25.0%
June Year-to-Date	**YTD 2024**		**YTD 2024**		
Gross Profit	$ 7,547	11.0%	$ 7,012	9.2%	11.5%
Gross Profit Margin	42.8%	4.3 pp	39.8%	2.8 pp	
Operating Income	$ 3,581	22.2%	$ 3,202	14.6%	19.2%
Operating Income Margin	20.3%	3.7 pp	18.2%	2.1 pp	
Net Earnings	$ 2,013	(33.5)%	$ 2,456	13.7%	18.4%
Diluted EPS	$ 1.49	(32.3)%	$ 1.82	15.9%	20.4%

Second Quarter Commentary

- **Net revenues** decreased 1.9 percent as Organic Net Revenue growth of 2.5 percent was more than offset by unfavorable currency-related items and the impact of our 2023 divestiture of the developed market gum business. Organic Net Revenue growth was driven by higher net pricing, partially offset by unfavorable volume/mix.
- **Gross profit** decreased $557 million, and gross profit margin decreased 590 basis points to 33.5 percent primarily driven by unfavorable year-over-year change in mark-to-market impacts from derivatives and the impact of our 2023 divestiture of the developed market gum business, partially offset by an increase in Adjusted Gross Profit[1] margin. Adjusted Gross Profit increased $352 million at constant currency, and Adjusted Gross Profit margin increased 330 basis points to 40.5 percent due primarily to higher pricing and lower manufacturing costs driven by productivity, partially offset by higher raw material and transportation costs.
- **Operating income** decreased $571 million, and operating income margin was 10.2 percent, down 660 basis points primarily due to unfavorable year-over-year change in mark-to-market gains/(losses) from currency and commodity hedging activities, the impact of our 2023 divestiture of the developed market gum business, higher acquisition integration costs and contingent consideration adjustments, costs incurred for the ERP System Implementation program and higher costs incurred for the Simplify to Grow program. These unfavorable items were partially offset by higher Adjusted Operating Income margin, lower divestiture-related costs and lower remeasurement loss of net monetary position. Adjusted Operating Income increased $280 million at constant currency while Adjusted Operating Income margin increased 270 basis points to 17.9 percent, driven primarily by higher net pricing, lower manufacturing costs driven by productivity and overhead leverage partially offset by higher advertising and consumer promotion costs and input cost inflation.
- **Diluted EPS** was $0.45, down 34.8 percent, primarily due to an unfavorable year-over-year change in mark-to-market impacts from currency and commodity derivatives, lapping prior-year operating results from the developed market gum business divested in 2023, unfavorable initial impacts from enacted tax law changes, higher acquisition integration costs and contingent consideration adjustments and higher equity method investee items. These unfavorable items were partially offset by an increase in Adjusted EPS, lapping prior-year losses on marketable securities and equity method investment transactions, lower remeasurement loss of net monetary position and lower divestiture-related costs.
- **Adjusted EPS** was $0.86, up 25.0 percent on a constant currency basis driven by strong operating gains, lower interest expense and fewer shares outstanding, partially offset by higher taxes.
- **Capital Return**: The company returned $2.2 billion to shareholders in cash dividends and share repurchases in the first half of 2024. Today, the company's Board of Directors declared a quarterly cash dividend of $0.470 per share of Class A common stock, an increase of 11 percent. This dividend is payable on October 14, 2024, to shareholders of record as of September 30, 2024.

2024 Outlook
Mondelēz International provides its outlook on a non-GAAP basis, as the company cannot predict some elements that are included in reported GAAP results, including the impact of foreign exchange. Refer to the Outlook section in the discussion of non-GAAP financial measures below for more details.

For 2024, the company expects Organic Net Revenue growth to be at the upper end of 3 to 5 percent and high single-digit Adjusted EPS growth on a constant currency basis based on 2023 Adjusted EPS incl. developed market gum[1]. The company expects 2024 Free Cash Flow of $3.5+ billion. The company estimates currency translation would decrease 2024 net revenue growth by approximately 1.5 percent[3] with a negative $0.09 impact to Adjusted EPS[3].

Outlook is provided in the context of greater than usual volatility as a result of geopolitical uncertainty.

Conference Call
Mondelēz International will host a conference call for investors with accompanying slides to review its results at 5 p.m. ET today. A listen-only webcast will be provided at www.mondelezinternational.com. An archive of the webcast will be available on the company's web site.

About Mondelēz International

Mondelēz International, Inc. (Nasdaq: MDLZ) empowers people to snack right in over 150 countries around the world. With 2023 net revenues of approximately $36 billion, MDLZ is leading the future of snacking with iconic global and local brands such as *Oreo*, *Ritz, LU, Clif Bar* and *Tate's Bake Shop* biscuits and baked snacks, as well as *Cadbury Dairy Milk*, *Milka* and *Toblerone* chocolate. Mondelēz International is a proud member of the Standard and Poor's 500, Nasdaq 100 and Dow Jones Sustainability Index.
Visit www.mondelezinternational.com or follow the company on Twitter at www.twitter.com/MDLZ.

End Notes

1. Organic Net Revenue, Adjusted Gross Profit (and Adjusted Gross Profit margin), Adjusted Operating Income (and Adjusted Operating Income margin), Adjusted EPS, Adjusted EPS incl. developed market gum, Free Cash Flow and presentation of amounts in constant currency are non-GAAP financial measures. Please see discussion of non-GAAP financial measures at the end of this press release for more information.
2. Earnings attributable to Mondelēz International.
3. Currency estimate is based on published rates from XE.com on July 23, 2024.

Additional Definitions
Emerging markets consist of the Latin America region in its entirety; the Asia, Middle East and Africa region excluding Australia, New Zealand and Japan; and the following countries from the Europe region: Russia, Ukraine, Türkiye, Kazakhstan, Georgia, Poland, Czech Republic, Slovak Republic, Hungary, Bulgaria, Romania, the Baltics and the East Adriatic countries.

Developed markets include the entire North America region, the Europe region excluding the countries included in the emerging markets definition, and Australia, New Zealand and Japan from the Asia, Middle East and Africa region.

Forward-Looking Statements
This press release contains contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All statements other than statements of historical fact are "forward-looking statements" for purposes of federal and state securities laws, including any projections of earnings, revenue or other financial items; any statements of the plans, strategies and objectives of management, including for future operations, capital expenditures or share repurchases; any statements concerning proposed new products, services, or developments; any statements regarding future economic conditions or performance; any statements of belief or expectation; and any statements of assumptions underlying any of the foregoing or other future events. Forward-looking statements may include, among others, the words, and variations of words, "will," "may," "expect," "would," "could," "might," "intend," "plan," "believe," "likely," "estimate," "anticipate," "objective," "predict," "project," "drive," "seek," "aim," "target," "potential," "commitment," "outlook," "continue" or any other similar words.

Although we believe that the expectations reflected in any of our forward-looking statements are reasonable, actual results or outcomes could differ materially from those projected or assumed in any of our forward-looking statements. Our future financial condition and results of operations, as well as any forward-looking statements, are subject to change and to inherent risks and uncertainties, many of which are beyond our control. Important factors that could cause our actual results or performance to differ materially from those contained in or implied by our forward-looking statements include, but are not limited to, the following:

- weakness in macroeconomic conditions in our markets, including as a result of inflation (and related monetary policy actions by governments in response to inflation) and the instability of certain financial institutions;
- volatility of commodity and other input costs and availability of commodities, including but not limited to cocoa;
- geopolitical uncertainty, including the impact of ongoing or new developments in Ukraine and the Middle East, related current and future sanctions imposed by governments and other authorities and related impacts, including on our business operations, employees, reputation, brands, financial condition and results of operations;
- competition and our response to channel shifts and pricing and other competitive pressures;
- pricing actions and customer and consumer responses to such actions;
- promotion and protection of our reputation and brand image;
- weakness in consumer spending and/or changes in consumer preferences and demand and our ability to predict, identify, interpret and meet these changes;
- risks from operating globally, including in emerging markets, such as political, economic and regulatory risks;
- the outcome and effects on us of legal and tax proceedings and government investigations, including the European Commission legal matter;
- use of information technology and third party service providers;
- unanticipated disruptions to our business, such as malware incidents, cyberattacks or other security breaches, and supply, commodity, labor and transportation constraints;
- our ability to identify, complete, implement, manage and realize the full extent of the benefits, cost savings, efficiencies and/or synergies presented by strategic transactions and initiatives, such as our ERP System Implementation program;
- our investments and our ownership interests in those investments, including JDE Peet's;
- the restructuring program and our other transformation initiatives not yielding the anticipated benefits;
- changes in the assumptions on which the restructuring program is based;
- the impact of climate change on our supply chain and operations;
- global or regional health pandemics or epidemics;
- consolidation of retail customers and competition with retailer and other economy brands;
- changes in our relationships with customers, suppliers or distributors;
- management of our workforce and shifts in labor availability or labor costs;
- compliance with legal, regulatory, tax and benefit laws and related changes, claims or actions;
- perceived or actual product quality issues or product recalls;
- failure to maintain effective internal control over financial reporting or disclosure controls and procedures;
- our ability to protect our intellectual property and intangible assets;
- tax matters including changes in tax laws and rates, disagreements with taxing authorities and imposition of new taxes;
- changes in currency exchange rates, controls and restrictions;
- volatility of and access to capital or other markets, rising interest rates, the effectiveness of our cash management programs and our liquidity;
- pension costs;
- significant changes in valuation factors that may adversely affect our impairment testing of goodwill and intangible assets; and
- the risks and uncertainties, as they may be amended from time to time, set forth in our filings with the U.S. Securities and Exchange Commission, including our most recently filed Annual Report on Form 10-K and subsequent Quarterly Reports on Form 10-Q.

There may be other factors not presently known to us or which we currently consider to be immaterial that could cause our actual results to differ materially from those projected in any forward-looking statements we make. We disclaim and do not undertake any obligation to update or revise any forward-looking statement in this press release except as required by applicable law or regulation. In addition, historical, current and forward-looking sustainability-related statements may be based on standards for measuring progress that are still developing, internal controls and processes that continue to evolve, and assumptions that are subject to change in the future.

Schedule 1

Mondelēz International, Inc. and Subsidiaries
Condensed Consolidated Statements of Earnings
(in millions of U.S. dollars and shares, except per share data)
(Unaudited)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2024	**2023**	**2024**	**2023**
Net revenues	$ 8,343	$ 8,507	$ 17,633	$ 17,673
Cost of sales	(5,546)	(5,153)	(10,086)	(10,873)
Gross profit	2,797	3,354	7,547	6,800
Gross profit margin	*33.5%*	*39.4%*	*42.8%*	*38.5%*
Selling, general and administrative expenses	(1,891)	(1,869)	(3,829)	(3,724)
Asset impairment and exit costs	(15)	(23)	(62)	(70)
Amortization of intangible assets	(37)	(37)	(75)	(76)
Operating income	854	1,425	3,581	2,930
Operating income margin	*10.2%*	*16.8%*	*20.3%*	*16.6%*
Benefit plan non-service income	28	22	51	41
Interest and other expense, net	(32)	(97)	(100)	(192)
(Loss)/gain on marketable securities	-	(189)	-	607
Earnings before income taxes	850	1,161	3,532	3,386
Income tax provision	(295)	(268)	(927)	(926)
Effective tax rate	*34.7%*	*23.1%*	*26.2%*	*27.3%*
(Loss)/gain on equity method investment transactions including impairments	-	(23)	(665)	464
Equity method investment net earnings	48	71	79	106
Net earnings	603	941	2,019	3,030
less: Noncontrolling interest earnings	(2)	3	(6)	(5)
Net earnings attributable to Mondelēz International	$ 601	$ 944	$ 2,013	$ 3,025

Per share data:

Basic earnings per share attributable to Mondelēz International	$ 0.45	$ 0.69	$ 1.50	$ 2.22
Diluted earnings per share attributable to Mondelēz International	$ 0.45	$ 0.69	$ 1.49	$ 2.20
Average shares outstanding:				
Basic	1,343	1,364	1,346	1,365
Diluted	1,348	1,372	1,352	1,372

Schedule 2

Mondelēz International, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets
(in millions of U.S. dollars)
(Unaudited)

	June 30, 2024	December 31, 2023
ASSETS		
Cash and cash equivalents	$ 1,399	$ 1,810
Trade receivables	3,165	3,634
Other receivables	846	878
Inventories, net	4,009	3,615
Other current assets	5,751	1,766
Total current assets	15,170	11,703
Property, plant and equipment, net	9,488	9,694
Operating lease right-of-use assets	627	683
Goodwill	23,386	23,896
Intangible assets, net	19,397	19,836
Prepaid pension assets	1,060	1,043
Deferred income taxes	279	408
Equity method investments	2,451	3,242
Other assets	1,238	886
TOTAL ASSETS	$ 73,096	$ 71,391
LIABILITIES		
Short-term borrowings	$ 838	$ 420
Current portion of long-term debt	2,774	2,101
Accounts payable	8,370	8,321
Accrued marketing	2,463	2,683
Accrued employment costs	838	1,158
Other current liabilities	7,147	4,330
Total current liabilities	22,430	19,013
Long-term debt	16,141	16,887
Long-term operating lease liabilities	492	537
Deferred income taxes	3,349	3,292
Accrued pension costs	373	437
Accrued postretirement health care costs	122	124
Other liabilities	2,471	2,735
TOTAL LIABILITIES	45,378	43,025
EQUITY		
Common Stock	-	-
Additional paid-in capital	32,200	32,216
Retained earnings	35,108	34,236
Accumulated other comprehensive losses	(11,515)	(10,946)
Treasury stock	(28,104)	(27,174)
Total Mondelēz International Shareholders' Equity	27,689	28,332
Noncontrolling interest	29	34
TOTAL EQUITY	27,718	28,366
TOTAL LIABILITIES AND EQUITY	$ 73,096	$ 71,391

	June 30, 2024	December 31, 2023	Incr/(Decr)
Short-term borrowings	$ 838	$ 420	$ 418
Current portion of long-term debt	2,774	2,101	673
Long-term debt	16,141	16,887	(746)
Total Debt	19,753	19,408	345
Cash and cash equivalents	1,399	1,810	(411)
Net Debt [1]	$ 18,354	$ 17,598	$ 756

(1) Net debt is defined as total debt, which includes short-term borrowings, current portion of long-term debt and long-term debt, less cash and cash equivalents.

Schedule 3

Mondelēz International, Inc. and Subsidiaries
Condensed Consolidated Statements of Cash Flows
(in millions of U.S. dollars)
(Unaudited)

	For the Six Months Ended June 30, 2024	For the Six Months Ended June 30, 2023
CASH PROVIDED BY/(USED IN) OPERATING ACTIVITIES		
Net earnings	$ 2,019	$ 3,030
Adjustments to reconcile net earnings to operating cash flows:		
Depreciation and amortization	636	593
Stock-based compensation expense	69	75
Deferred income tax provision	205	101
Asset impairments and accelerated depreciation	22	44
Loss on early extinguishment of debt	-	1
Loss/(gain) on equity method investment transactions including impairments	665	(464)
Equity method investment net earnings	(79)	(106)
Distributions from equity method investments	82	102
Unrealized gain on derivative contracts	(605)	(229)
Gain on marketable securities	-	(593)
Other non-cash items, net	114	27
Change in assets and liabilities, net of acquisitions and divestitures:		
Receivables, net	348	(90)
Inventories, net	(516)	(428)
Accounts payable	358	(62)
Other current assets	(406)	(130)
Other current liabilities	(702)	190
Change in pension and postretirement assets and liabilities, net	(64)	(88)
Net cash provided by operating activities	2,146	1,973
CASH PROVIDED BY/(USED IN) INVESTING ACTIVITIES		
Capital expenditures	(666)	(495)
Acquisitions, net of cash received	-	19
Proceeds from divestitures including equity method and marketable security investments	4	1,960
Proceeds from derivative settlements	114	76
Payments for derivative settlements	(114)	(27)
Contributions to investments	(206)	(393)
Proceeds from sale of property, plant and equipment and other	21	110
Net cash (used in)/provided by investing activities	(847)	1,250
CASH PROVIDED BY/(USED IN) FINANCING ACTIVITIES		
Issuance of commercial paper, maturities greater than 90 days	-	67
Net issuances/(repayments) of short-term borrowings	414	(186)
Long-term debt proceeds	702	189
Long-term debt repayments	(569)	(2,056)
Repurchases of Common Stock	(1,074)	(596)
Dividends paid	(1,151)	(1,055)
Other	74	98
Net cash used in financing activities	(1,604)	(3,539)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(108)	(79)
Cash, Cash Equivalents and Restricted Cash		
Decrease	(413)	(395)
Balance at beginning of period	1,884	1,948
Balance at end of period	$ 1,471	$ 1,553

Mondelēz International, Inc. and Subsidiaries
Reconciliation of GAAP and Non-GAAP Financial Measures
(Unaudited)

The company reports its financial results in accordance with accounting principles generally accepted in the United States ("U.S. GAAP"). However, management believes that also presenting certain non-GAAP financial measures provides additional information to facilitate the comparison of the company's historical operating results and trends in its underlying operating results, and provides additional transparency on how the company evaluates its business. Management uses these non-GAAP financial measures in making financial, operating and planning decisions and in evaluating the company's performance. The company also believes that presenting these measures allows investors to view its performance using the same measures that the company uses in evaluating its financial and business performance and trends.

The company considers quantitative and qualitative factors in assessing whether to adjust for the impact of items that may be significant or that could affect an understanding of its ongoing financial and business performance and trends. The adjustments generally fall within the following categories: acquisition & divestiture activities, gains and losses on intangible asset sales and non-cash impairments, major program restructuring activities, constant currency and related adjustments, major program financing and hedging activities and other major items affecting comparability of operating results. See below for a description of adjustments to the company's U.S. GAAP financial measures included herein.

Non-GAAP information should be considered as supplemental in nature and is not meant to be considered in isolation or as a substitute for the related financial information prepared in accordance with U.S. GAAP. In addition, the company's non-GAAP financial measures may not be the same as or comparable to similar non-GAAP measures presented by other companies.

DEFINITIONS OF THE COMPANY'S NON-GAAP FINANCIAL MEASURES

The company's non-GAAP financial measures and corresponding metrics reflect how the company evaluates its operating results currently and provide improved comparability of operating results. As new events or circumstances arise, these definitions could change. When these definitions change, the company provides the updated definitions and presents the related non-GAAP historical results on a comparable basis. When items no longer impact the company's current or future presentation of non-GAAP operating results, the company removes these items from its non-GAAP definitions. Beginning in Q1 2024, due to a significant devaluation of the Argentinean peso that occurred in December 2023 and the resulting distortion it would cause on our non-GAAP constant currency growth rate measures, the company now excludes the impact of pricing in excess of 26% year-over-year ("extreme pricing") in Argentina. The benchmark of 26% represents the minimum annual inflation rate for each year over a 3-year period which would result in a cumulative inflation rate in excess of 100%, the level at which an economy is considered hyperinflationary under U.S. GAAP. The company has excluded the impact of extreme pricing in Argentina from its calculation of Organic Net Revenue, Organic Net Revenue growth and other non-GAAP financial constant currency growth measures with a corresponding adjustment to changes in currency exchange rates. The company made this change on a prospective basis due to the distorting effect expected in the current period and future periods following the Argentinian peso devaluation that occurred in December 2023 and did not revise its historical non-GAAP constant currency growth measures. Beginning in Q2 2024, the company added to its non-GAAP definitions the exclusion of operating expenses associated with its ERP System Implementation program as they represent incremental transformational costs above the normal ongoing level of spending on information technology to support operations. These operating expenses will be excluded from the company's non-GAAP financial measures as they are nonrecurring and excluding those costs will better facilitate comparisons of the company's underlying operating performance across periods.

- **"Organic Net Revenue"** is defined as net revenues (the most comparable U.S. GAAP financial measure) excluding the impacts of acquisitions, divestitures, short-term distributor agreements related to the sale of a business and currency rate fluctuations. The company also evaluates Organic Net Revenue growth from emerging markets and developed markets.
- **"Adjusted Gross Profit"** is defined as gross profit (the most comparable U.S. GAAP financial measure) excluding the impacts of the Simplify to Grow Program; acquisition integration costs; the operating results of divestitures; operating results from short-term distributor agreements related to the sale of a business; mark-to-market impacts from commodity, forecasted currency and equity method investment transaction derivative contracts; inventory step-up charges; 2017 malware incident net recoveries; and incremental costs due to the war in Ukraine. The company also presents "Adjusted Gross Profit margin," which is subject to the same adjustments as Adjusted Gross Profit. The company also evaluates growth in the company's Adjusted Gross Profit on a constant currency basis.
- **"Adjusted Operating Income"** and **"Adjusted Segment Operating Income"** are defined as operating income (the most comparable U.S. GAAP financial measures) or segment operating income excluding the impacts of the items listed in the Adjusted Gross Profit definition as well as gains or losses (including non-cash impairment charges) on goodwill and intangible assets; divestiture or acquisition gains or losses, divestiture-related costs, acquisition-related costs, and acquisition integration costs and contingent consideration adjustments; remeasurement of net monetary position; impacts from resolution of tax matters; the European commission legal matter; impact from pension participation changes; and operating costs from the ERP System Implementation program. The company also presents "Adjusted Operating Income margin" and "Adjusted Segment Operating Income margin," which are subject to the same adjustments as Adjusted Operating Income and Adjusted Segment Operating Income. The company also evaluates growth in the company's Adjusted Operating Income and Adjusted Segment Operating Income on a constant currency basis.
- **"Adjusted EPS"** is defined as diluted EPS attributable to Mondelēz International from continuing operations (the most comparable U.S. GAAP financial measure) excluding the impacts of the items listed in the Adjusted Operating Income definition, as well as losses on debt extinguishment and related expenses; gains or losses on interest rate swaps no longer designated as accounting cash flow hedges due to changed financing and hedging plans; mark-to-market unrealized gains or losses and realized gains or losses from marketable securities; initial impacts from enacted tax law changes; and gains or losses on equity method investment transactions. Similarly, within Adjusted EPS, the company's equity method investment net earnings exclude its proportionate share of its investee's significant operating and non-operating items. The tax impact of each of the items excluded from the company's U.S GAAP results was computed based on the facts and tax assumptions associated with each item, and such impacts have also been excluded from Adjusted EPS. The company also evaluates growth in the company's Adjusted EPS on a constant currency basis.
- **"Adjusted EPS including the developed market gum business"** is defined as the sum of (1) Adjusted EPS as described above within the non-GAAP financial measures definitions, and (2) the net earnings contribution from the developed market gum business divested on October 1, 2023, that has been removed from Adjusted EPS results for the periods prior to completion of this divestiture. Please see the 8-K issued on January 30, 2024 for additional details. As the developed market gum business was divested towards the end of 2023, the company determined to include its net earnings for the partial year through October 1, 2023 in this additional non-GAAP EPS financial measure to facilitate comparison to the company's 2024 outlook, as this financial measure was the basis for the 2024 outlook.
- **"Free Cash Flow"** is defined as net cash provided by operating activities less capital expenditures (the most comparable U.S. GAAP financial measure). Free Cash Flow is the company's primary measure used to monitor its cash flow performance.

See the attached schedules for supplemental financial data and corresponding reconciliations of the non-GAAP financial measures referred to above to the most comparable U.S. GAAP financial measures for the three and six months ended June 30, 2024 and June 30, 2023. See *Items Impacting Comparability of Operating Results* below for more information about the items referenced in these definitions that specifically impacted the company's results.

SEGMENT OPERATING INCOME

The company uses segment operating income to evaluate segment performance and allocate resources. The company believes it is appropriate to disclose this measure to help investors analyze segment performance and trends. Segment operating income excludes unrealized gains and losses on hedging activities (which are a component of cost of sales), general corporate expenses (which are a component of selling, general and administrative expenses), amortization of intangibles, gains and losses on divestitures and acquisition-related costs (which are a component of selling, general and administrative expenses) in all periods presented. The company excludes these items from segment operating income in order to provide better transparency of its segment operating results. Furthermore, the company centrally manages benefit plan non-service income and interest and other expense, net. Accordingly, the company does not present these items by segment because they are excluded from the segment profitability measure that management reviews.

ITEMS IMPACTING COMPARABILITY OF OPERATING RESULTS

The following information is provided to give qualitative and quantitative information related to items impacting comparability of operating results. The company identifies these based on how management views the company's business; makes financial, operating and planning decisions; and evaluates the company's ongoing performance. In addition, the company discloses the impact of changes in currency exchange rates on the company's financial results in order to reflect results on a constant currency basis.

Divestitures, Divestiture-related costs and Gains/(losses) on divestitures

Divestitures include completed sales of businesses, exits of major product lines upon completion of a sale or licensing agreement. the partial or full sale of an equity method investment and changes from equity method investment accounting to accounting for marketable securities. As the company records its share of JDE Peet's ongoing earnings on a one-quarter lag basis, any JDE Peet's ownership reductions are reflected as divestitures within the company's non-GAAP results the following quarter. Divestiture-related costs, which includes costs incurred in relation to the preparation and completion (including one-time costs such as severance related to elimination of stranded costs) for the company's divestitures as defined above, also includes costs incurred associated with the company's publicly announced processes to sell businesses.

- On October 1, 2023, the company completed the sale of its developed market gum business in the United States, Canada, and Europe to Perfetti Van Melle Group, excluding the Portugal business which the company sold on October 23, 2023 after obtaining regulatory approval. The company received cash proceeds of $1.4 billion and recorded a pre-tax gain of $108 million on the sale. The divestiture of this business resulted in a year-over-year reduction in net revenues of $157 million in the three months and $304 million in the six months ended June 30, 2024. The company incurred divestiture-related costs of $4 million in the six months ended June 30, 2024 and $22 million in the three months and $52 million in the six months ended June 30, 2023.
- The company's 2023 divestitures, impacting its historical results, also included the company's sales of JDE Peet's shares during the three months ended September 30, 2023, the April 3, 2023 sale of JDE Peet's shares and the March 2, 2023 sale of KDP shares and the change from equity method investment accounting to accounting for marketable securities for the company's remaining equity interest in KDP. See the section on gains/losses on equity method investment transactions and marketable securities below for more information.

Operating results from short-term distributor agreements
In the fourth quarter of 2023, the company began to exclude the operating results from short-term distributor agreements that have been executed in conjunction with the sale of a business. The company excludes this item to better facilitate comparisons of underlying performance across periods.

As part of the sale of the company's developed market gum business on October 1, 2023, the company entered into a short-term distribution agreement with the buyer, Perfetti Van Melle Group, to distribute gum products in certain European markets for up to six months. The company recorded net revenues of $25 million and operating income of $2 million in the first quarter of 2024.

Acquisitions, Acquisition-related costs and Acquisition integration costs and contingent consideration adjustments
Acquisition-related costs, which includes transaction costs such as third party advisor, investment banking and legal fees, also includes one-time compensation expense related to the buyout of non-vested employee stock ownership plan shares and realized gains or losses from hedging activities associated with acquisition funds. Acquisition integration costs and contingent consideration adjustments include one-time costs related to the integration of acquisitions as well as any adjustments made to the fair market value of contingent compensation liabilities that have been previously booked for earn-outs related to acquisitions that do not relate to employee compensation expense. The company excludes these items to better facilitate comparisons of its underlying operating performance across periods.

On November 1, 2022, the company acquired 100% of the equity of Grupo Bimbo's confectionery business, Ricolino, located primarily in Mexico. The acquisition of Ricolino builds on our continued prioritization of fast-growing snacking segments in key geographies. The company incurred acquisition integration costs of $9 million in the three months and $26 million in the six months ended June 30, 2024 and $10 million in the three months and $16 million in the six months ended June 30, 2023.

On August 1, 2022, the company acquired 100% of the equity of Clif Bar & Company ("Clif Bar"), a leading U.S. maker of nutritious energy bars with organic ingredients. The acquisition expands our global snacks bar business and complements our refrigerated snacking and performance nutrition bar portfolios. The company incurred acquisition integration costs and contingent consideration adjustments of $16 million in the three months and $36 million in the six months ended June 30, 2024 and $16 million in the three months and $55 million in the six months ended June 30, 2023. These acquisition integration costs include an increase to the contingent consideration liability due to changes to underlying assumptions.

On January 3, 2022, the company acquired 100% of the equity of Chipita Global S.A. ("Chipita"), a leading croissants and baked snacks company in the Central and Eastern European markets. The acquisition of Chipita offers a strategic complement to the company's existing portfolio and advances its strategy to become the global leader in broader snacking. The company incurred acquisition integration costs of $1 million in the three and six months ended June 30, 2024, and $4 million in the three months and $10 million in the six months ended June 30, 2023.

On April 1, 2020, the company acquired a majority interest in Give & Go, a North American leader in fully-finished sweet baked goods and owner of the famous *two-bite®* brand of brownies and the *Create-A-Treat®* brand, known for cookie and gingerbread house decorating kits. The acquisition of Give & Go provides access to the in-store bakery channel and expands the company's position in broader snacking. The company incurred acquisition integration costs and contingent consideration adjustments of $9 million in the three months and $15 million in the six months ended June 30, 2024, which primarily includes an increase to the contingent consideration liability due to changes to underlying assumptions, and $1 million in the three and six months ended June 30, 2023.

Simplify to Grow Program
The primary objective of the Simplify to Grow Program is to reduce the company's operating cost structure in both its supply chain and overhead costs. The program covers severance as well as asset disposals and other manufacturing and procurement-related one-time costs.

Restructuring costs
The company recorded restructuring charges of $3 million in the three months and $45 million in the six months ended June 30, 2024, and $2 million in the three months and $32 million in the six months ended June 30, 2023. This activity was recorded within asset impairment and exit costs and benefit plan non-service income. These charges were for severance and related costs, non-cash asset write-downs (including accelerated depreciation and asset impairments) and other adjustments, including any gains on sale of restructuring program assets.

Implementation costs
Implementation costs primarily relate to reorganizing the company's operations and facilities in connection with its supply chain reinvention program and other identified productivity and cost saving initiatives. The costs include incremental expenses related to the closure of facilities, costs to terminate certain contracts and the simplification of the company's information systems. The company recorded implementation costs of $12 million in the three months and $23 million in the six months ended June 30, 2024, and $4 million in the three months and $9 million in the six months ended June 30, 2023.

Mark-to-market impacts from commodity and currency derivative contracts
The company excludes unrealized gains and losses (mark-to-market impacts) from outstanding commodity and forecasted currency and equity method investment transaction derivative contracts from its non-GAAP earnings measures. The mark-to-market impacts of commodity and forecasted currency transaction derivatives are excluded until such time that the related exposures impact the company's operating results. Since the company purchases commodity and forecasted currency transaction contracts to mitigate price volatility primarily for inventory requirements in future periods, the company makes this adjustment to remove the volatility of these future inventory purchases on current operating results to facilitate comparisons of its underlying operating performance across periods. The company excludes equity method investment derivative contract settlements as they represent protection of value for future divestitures. The company recorded commodity, forecasted currency and equity method transaction derivatives net unrealized losses of $573 million in the three months and gains of $551 million in the six months ended June 30, 2024, and gains of $168 million in the three months and $216 million in the six months ended June 30, 2023.

Remeasurement of net monetary position
The company translates the results of operations of its subsidiaries from multiple currencies using average exchange rates during each period and translate balance sheet accounts using exchange rates at the end of each period. The company records currency translation adjustments as a component of equity (except for highly inflationary currencies) and realized exchange gains and losses on transactions in earnings.

Highly inflationary accounting is triggered when a country's three-year cumulative inflation rate exceeds 100%. It requires the remeasurement of financial statements of subsidiaries in the country, from the functional currency of the subsidiary to our U.S. dollar reporting currency, with currency remeasurement gains or losses recorded in earnings. At this time, within the company's consolidated entities, Argentina and Türkiye are accounted for as highly inflationary economies. For Argentina, the company recorded a remeasurement loss of $8 million in the three months and $10 million in the six months ended June 30, 2024, and $10 million in the three months and $21 million in the six months ended June 30, 2023 related to the revaluation of the Argentinean peso denominated net monetary position over these periods. For Türkiye, the company recorded a remeasurement loss of $1 million in the three months and $7 million in the six months ended June 30, 2024, and $16 million in the three months and $17 million in the six months ended June 30, 2023 related to the revaluation of the Turkish lira denominated net monetary position over these periods. The company recorded these charges for Argentina and Türkiye within selling, general and administrative expenses.

Impact from pension participation changes
The impact from pension participation changes represent the charges incurred when employee groups are withdrawn from multiemployer pension plans and other changes in employee group pension plan participation. The company excludes these charges from its non-GAAP results because those amounts do not reflect the company's ongoing pension obligations.

On July 11, 2019, the company received an undiscounted withdrawal liability assessment related to the company's complete withdrawal from the Bakery and Confectionery Union and Industry International Pension Fund totaling $491 million requiring pro-rata monthly payments over 20 years. The company began making monthly payments during the third quarter of 2019. In connection with the discounted long-term liability, the company recorded accreted interest of $3 million in the three months and $5 million in the six months ended June 30, 2024 and $2 million in the three months and $5 million in the six months ended June 30, 2023 within interest and other expense, net. As of June 30, 2024, the remaining discounted withdrawal liability was $320 million, with $16 million recorded in other current liabilities and $304 million recorded in long-term other liabilities.

Incremental costs due to the war in Ukraine
In February 2022, Russia began a military invasion of Ukraine and the company closed its operations and facilities in Ukraine. In March 2022, the company's two Ukrainian manufacturing facilities in Trostyanets and Vyshhorod were significantly damaged. In the second quarter of 2024, the company fully resumed production at both facilities after completing targeted repairs. The company continues to consolidate both its Ukrainian and Russian subsidiaries and continues to evaluate its ability to control its operating activities and businesses on an ongoing basis. The company continues to evaluate the uncertainty of the ongoing effects of the war in Ukraine and its impact on the global economic environment, and the company cannot predict if it will have a significant impact in the future. The company incurred costs of $1 million in the three months and $2 million in the six months ended June 30, 2024.

ERP System Implementation
In July 2024, the company's Board of Directors approved funding of $1.2 billion for a multi-year systems transformation program to upgrade its global ERP and supply chain systems (the "ERP System Implementation"). The ERP System Implementation spending comprises both capital expenditures and operating expenses, of which a majority is expected to relate to operating expenses. The ERP System Implementation program will be implemented by region in several phases with spending occurring over the next five years, with expected completion by year-end 2028. The operating expenses associated with the ERP System Implementation represent incremental transformational costs above the normal ongoing level of spending on information technology to support operations. These expenses include third-party consulting fees, direct labor costs associated with the program, accelerated depreciation of the company's existing SAP financial systems and various other expenses, all associated with the implementation of the company's information technology upgrades. The company excludes these expenses from its non-GAAP results as they are nonrecurring and will better facilitate comparisons of the company's underlying operating performance across periods.

The company recorded operating expenses of $9 million in the three months and six months ended June 30, 2024, which represented preliminary planning costs.

Initial impacts from enacted tax law changes
The company excludes initial impacts from enacted tax law changes from its non-GAAP financial measures as they do not reflect its ongoing tax obligations under the enacted tax law changes. Initial impacts include items such as the remeasurement of deferred tax balances and the transition tax from the 2017 U.S. tax reform.

The company recorded a net tax expense from the increase of its deferred tax liabilities resulting from enacted tax legislation of $25 million in the three months and $23 million in the six months ended June 30, 2024, and $2 million in the three months and six months ended June 30, 2023.

Gains and losses on marketable securities and equity method investment transactions (including impairment charges)
Keurig Dr Pepper
During the first quarter of 2023, the company's reduction in ownership in Keurig Dr Pepper Inc. (NASDAQ: "KDP") fell to below 5% of the outstanding shares, resulting in a change of accounting for its KDP investment, from equity method investment accounting to accounting for equity interests with readily determinable fair values ("marketable securities") as the company no longer had significant influence over KDP. Marketable securities are measured at fair value based on quoted prices in active markets for identical assets (Level 1).

On June 8, 2023, the company sold 23 million shares of KDP, which reduced its ownership by 1.6 percentage points, from 3.2% to 1.6% of the total outstanding shares. The company received proceeds of approximately $708 million.

On March 2, 2023, the company sold 30 million shares of KDP, which reduced its ownership interest by 2.1 percentage points, from 5.3% to 3.2% of the total outstanding shares. The company received proceeds of approximately $1.0 billion and prior to the change of accounting for its KDP investment, recorded a pre-tax gain on equity method transactions of $493 million ($368 million after-tax) during the first quarter of 2023.

Subsequently in 2023, the company sold the remainder of its shares of KDP and exited its investment in KDP.

Pre-tax (losses)/gains for marketable securities for the three and six months ended June 30, 2023 are summarized below:

	Three Months Ended June 30, 2023	Six Months Ended June 30, 2023
	(in millions)	
(Loss)/gain on marketable securities sold during the period	$ (104)	$ 293
Unrealized (loss)/gain on marketable securities held as of the end of the period	(90)	300
Dividend income and other	5	14
Total (loss)/gain on marketable securities	$ (189)	$ 607

Due to the change in accounting for the company's KDP investment, from equity method investment accounting to accounting as marketable securities, the company has treated the historical equity method earnings from KDP as a divestiture under the definitions of our non-GAAP financial measures. Therefore, the company has removed the equity method investment net earnings for KDP from its non-GAAP financial results for all historical periods presented to facilitate comparison of results.

JDEP
During the three months ended March 31, 2024, the company determined there was an other-than-temporary impairment based on the period of time for which the quoted market price fair value had been less than the carrying value of the investment and the uncertainty surrounding JDEP's stock price recovering to the carrying value. As a result, the investment was written down to its estimated fair value based on the closing price of the underlying equity security of €19.46 per share on March 28, 2024, resulting in an impairment charge of €612 million ($665 million). This charge was included within *(Loss)/gain on equity method investment transactions including impairments* in the condensed consolidated statement of earnings. There was no other than temporary impairment identified in the three and six months ended June 30, 2023.

On April 3, 2023, the company sold approximately 7.7 million shares of JDEP, which reduced the company's ownership by 1.6 percentage points, from 19.7% to 18.1% of the total outstanding shares. The company received cash proceeds of €198 million ($217 million) and recorded a loss of €18 million ($19 million) on this sale during the three months ended June 30, 2023.

On March 30, 2023, the company issued options to sell shares of JDEP in tranches equivalent to approximately 7.7 million shares. These options were exercisable at their maturities which were between July 3, 2023 and September 29, 2023, with strike prices ranging from €26.10 to €28.71 per share. During the three months ended September 30, 2023, options were exercised on 2.2 million shares, which reduced the company's ownership by 0.4 percentage point, from 18.1% to 17.7% of the total outstanding shares. The company received cash proceeds of €57 million ($62 million) and recorded a loss of €3 million ($4 million) for these sales during the three months ended September 30, 2023.

The company considered the above ownership reductions as partial divestitures of its equity method investment in JDEP. Therefore, the company has removed the equity method investment net earnings related to the divested portion from its non-GAAP financial results for Adjusted EPS for all historical periods presented to facilitate comparison of results. The company's U.S. GAAP results, which include its equity method investment net earnings from JDEP, did not change from what was previously reported.

Equity method investee items
Within Adjusted EPS, the company's equity method investment net earnings exclude its proportionate share of its equity method investee's significant operating and non-operating items, such as acquisition and divestiture-related costs, restructuring program costs and initial impacts from enacted tax law changes.

Currency-related items
Management evaluates the operating performance of the company and its international subsidiaries on a constant currency basis. The company determines its currency-related items by evaluating currency translation rate changes with a corresponding adjustment due to the exclusion of the impact of extreme pricing in Argentina.

Currency translation rate changes
The company determines its constant currency operating results by dividing or multiplying, as appropriate, the current period local currency operating results by the currency exchange rates used to translate the company's financial statements in the comparable prior-year period to determine what the current-period U.S. dollar operating results would have been if the currency exchange rate had not changed from the comparable prior-year period. Therefore, currency translation rate changes are equal to current period local currency operating results multiplied by the change in average foreign currency exchange rates between the current fiscal period and the corresponding period of the prior fiscal year.

Extreme Pricing
During December 2023, the Argentinean peso significantly devalued. The peso's devaluation and potential resulting distortion on the company's non-GAAP Organic Net Revenue, Organic Net Revenue growth and other constant currency growth rate measures resulted in the company's decision to exclude the impact of pricing in excess of 26% year-over-year ("extreme pricing") in Argentina, from these measures beginning in Q1 2024. The benchmark of 26% represents the minimum annual inflation rate for each year over a 3-year period which would result in a cumulative inflation rate in excess of 100%, the level at which an economy is considered hyperinflationary under U.S. GAAP.

Currency-related items impacted the company's non-GAAP financial measures for the three months ended June 30, 2024, as follows:

- Organic Net Revenue: In total, unfavorable currency-related items of $216 million (2.6pp) were driven by unfavorable currency translation rate changes of $544 million (6.5pp), partially offset by the adjustment for extreme pricing of $328 million (3.9pp). In Emerging Markets, unfavorable currency-related items of $193 million (5.9pp) were driven by unfavorable currency translation rate changes of $521 million (15.8pp), partially offset by the adjustment for extreme pricing of $328 million (9.9pp). In Developed Markets, unfavorable currency-related items of $23 million (0.4pp) were driven by unfavorable currency translation rate changes.
- Adjusted Operating Income: Unfavorable currency-related items of $57 million were driven by unfavorable currency translation rate changes of $119 million, partially offset by the adjustment for extreme pricing of $62 million.
- Adjusted EPS: Unfavorable currency-related items of $0.04 were driven by unfavorable currency translation rate changes of $0.08, partially offset by the adjustment for extreme pricing of $0.04.

Currency-related items impacted the company's non-GAAP financial measures for the six months ended June 30, 2024, as follows:

- Organic Net Revenue: In total, unfavorable currency-related items of $348 million (2.0pp) were driven by unfavorable currency translation rate changes of $1,057 million (6.1pp), partially offset by the adjustment for extreme pricing of $709 million (4.1pp). In Emerging Markets, unfavorable currency-related items of $359 million (5.2pp) were driven by unfavorable currency translation rate changes of $1,068 million (15.5pp), partially offset by the adjustment for extreme pricing of $709 million (10.3pp). In Developed Markets, favorable currency-related items of $11 million (0.1pp) were driven by favorable currency translation rate changes.
- Adjusted Operating Income: Unfavorable currency-related items of $127 million were driven by unfavorable currency translation rate changes of $309 million, partially offset by the adjustment for extreme pricing of $182 million.
- Adjusted EPS: Unfavorable currency-related items of $0.07 were driven by unfavorable currency translation rate changes of $0.21, partially offset by the adjustment for extreme pricing of $0.14.

OUTLOOK
The company's outlook for 2024 Organic Net Revenue growth, Adjusted EPS growth on a constant currency basis and Free Cash Flow are non-GAAP financial measures that exclude or otherwise adjust for items impacting comparability of financial results such as the impact of changes in currency exchange rates, restructuring activities, acquisitions and divestitures. The company is not able to reconcile its projected Organic Net Revenue growth to its projected reported net revenue growth for the full-year 2024 because the company is unable to predict during this period the impact from potential acquisitions or divestitures, as well as the impact of currency translation due to the unpredictability of future changes in currency exchange rates, which could be material as a significant portion of the company's operations are outside the U.S. The company is not able to reconcile its projected Adjusted EPS growth on a constant currency basis to its projected reported diluted EPS growth for the full-year 2024 because the company is unable to predict during this period the timing of its restructuring program costs, mark-to-market impacts from commodity and forecasted currency transaction derivative contracts and impacts from potential acquisitions or divestitures as well as the impact of currency translation due to the unpredictability of future changes in currency exchange rates, which could be material as a significant portion of the company's operations are outside the U.S. The company is not able to reconcile its projected Free Cash Flow to its projected net cash from operating activities for the full-year 2024 because the company is unable to predict during this period the timing and amount of capital expenditures impacting cash flow. Therefore, because of the uncertainty and variability of the nature and amount of future adjustments, which could be significant, the company is unable to provide a reconciliation of these measures without unreasonable effort.