LAS VEGAS SANDS CORP
Form 10-Q
August 09, 2006

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UNITED STATES SECURITIES & EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-Q

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

For the quarterly period ended June 30, 2006

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

For the Transition period from to

Commission File Number 001-32373

LAS VEGAS SANDS CORP.
(Exact name of registration as specified in its charter)

Nevada	**27-0099920**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*
3355 Las Vegas Boulevard South Las Vegas, Nevada	**89109**
(Address of principal executive offices)	*(Zip Code)*

(702) 414-1000
(Registrant s telephone number, including area code)

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act.

Large accelerated filer þ Accelerated filer o Non-accelerated filer o

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

Indicate the number of shares outstanding of each of the Registrant s classes of common stock, as of August 1, 2006.

LAS VEGAS SANDS CORP.

Class	Outstanding at August 1, 2006
Common Stock ($0.001 par value)	354,365,124 shares

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Part I
FINANCIAL INFORMATION

Part II
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Item 1 ***Condensed Consolidated Financial Statements***

LAS VEGAS SANDS CORP. AND SUBSIDIARIES
Condensed Consolidated Balance Sheets

	June 30, 2006	December 31, 2005
	(In thousands, except share data) (Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 281,999	$ 456,846
Restricted cash	340,203	71,717
Accounts receivable, net	86,939	84,778
Inventories	10,820	9,967
Deferred income taxes	12,123	7,946
Prepaid income taxes	16,800	
Prepaid expenses and other	28,464	13,452
Total current assets	777,348	644,706
Property and equipment, net	3,347,330	2,600,468
Deferred financing costs, net	67,509	30,973
Restricted cash	1,336,781	571,143
Deferred income taxes		11,332
Other assets, net	211,873	21,117
Total assets	$ 5,740,841	$ 3,879,739
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	$ 45,683	$ 34,803
Construction payables	231,702	163,932
Accrued interest payable	7,317	7,918
Other accrued liabilities	254,518	246,390
Current maturities of long-term debt	6,138	7,325
Total current liabilities	545,358	460,368
Other long-term liabilities	12,977	9,804
Deferred income taxes	3,777	
Deferred gain on sale of The Grand Canal Shops mall	66,396	68,129
Deferred rent from The Grand Canal Shops mall transaction	105,387	105,999
Long-term debt	3,156,799	1,625,901
Total liabilities	3,890,694	2,270,201
Commitments and contingencies (Note 6)		
Stockholders equity:		
	354	354

Common stock, $.001 par value, 1,000,000,000 shares authorized, 354,365,124 and 354,179,580 shares issued and outstanding				
Capital in excess of par value		974,921		964,660
Deferred compensation				(150)
Accumulated other comprehensive income		812		1,726
Retained earnings		874,060		642,948
		1,850,147		1,609,538
Total liabilities and stockholders equity	$	5,740,841	$	3,879,739

The accompanying notes are an integral part of these condensed consolidated financial statements.

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LAS VEGAS SANDS CORP. AND SUBSIDIARIES
Condensed Consolidated Statements of Operations

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	2005	2006	2005
	(In thousands, except share and per share data) (Unaudited)			
Revenues:				
Casino	$ 378,462	$ 274,808	$ 753,844	$ 540,594
Rooms	89,654	83,983	180,792	170,060
Food and beverage	44,023	34,698	95,839	78,187
Convention, retail and other	29,276	24,354	64,281	52,808
	541,415	417,843	1,094,756	841,649
Less-promotional allowances	(24,408)	(19,022)	(47,385)	(39,034)
Net revenues	517,007	398,821	1,047,371	802,615
Operating expenses:				
Casino	217,244	146,546	422,586	278,499
Rooms	21,996	20,227	43,748	41,342
Food and beverage	22,813	17,879	46,871	38,844
Convention, retail and other	15,728	13,723	32,122	28,099
Provision for doubtful accounts	3,321	782	8,310	4,168
General and administrative	57,337	48,214	112,152	93,987
Corporate expense	12,251	6,620	25,205	17,502
Rental expense	3,803	3,682	7,510	7,387
Pre-opening expense	4,354	504	6,573	504
Development expense	7,861	5,562	17,029	10,737
Depreciation and amortization	24,428	21,097	49,433	41,062
(Gain) loss on disposal of assets	456	(158)	1,537	1,005
	391,592	284,678	773,076	563,136
Operating income	125,415	114,143	274,295	239,479
Other income (expense):				
Interest income	15,018	7,133	25,232	14,527
Interest expense, net of amounts capitalized	(23,685)	(17,969)	(45,100)	(45,052)
Other income (expense)	(14)	(1,291)	150	(1,291)
Loss on early retirement of debt		(4,166)		(137,000)
Income before income taxes	116,734	97,850	254,577	70,663
Benefit (provision) for income taxes	(7,405)	(11,421)	(23,465)	22,878
Net income	$ 109,329	$ 86,429	$ 231,112	$ 93,541

Basic earnings per share	$ 0.31	$ 0.24	$ 0.65	$ 0.26
Diluted earnings per share	$ 0.31	$ 0.24	$ 0.65	$ 0.26
Weighted average shares outstanding:				
Basic	354,255,635	354,160,692	354,227,600	354,160,692
Diluted	355,259,487	354,795,833	354,803,220	354,853,970

The accompanying notes are an integral part of these condensed consolidated financial statements.

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LAS VEGAS SANDS CORP. AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows

	Six Months Ended June 30, 2006	Six Months Ended June 30, 2005
	(Dollars in thousands) (Unaudited)	
Cash flows from operating activities:		
Net income	$ 231,112	$ 93,541
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	49,433	41,062
Amortization of deferred financing costs and original issue discount	4,634	5,010
Amortization of deferred gain and rent	(2,345)	(2,346)
Loss on early retirement of debt		137,000
Loss on disposal of assets	1,537	1,005
Stock-based compensation	5,724	
Provision for doubtful accounts	8,310	4,168
Tax benefit from stock option exercises	(632)	7,424
Deferred income taxes	10,932	(30,302)
Changes in operating assets and liabilities:		
Accounts receivable	(10,471)	(13,972)
Inventories	(853)	(759)
Prepaid income taxes	(16,168)	
Prepaid expenses and other	(205,612)	(3,355)
Accounts payable	10,880	20,638
Accrued interest payable	(601)	(2,337)
Other accrued liabilities	11,301	26,750
Net cash provided by operating activities	97,181	283,527
Cash flows from investing activities:		
Change in restricted cash	(1,034,881)	(5,181)
Capital expenditures	(730,475)	(373,565)
Net cash used in investing activities	(1,765,356)	(378,746)
Cash flows from financing activities:		
Dividends paid to shareholders		(21,052)
Proceeds from exercise of stock options	3,180	
Tax benefit from stock option exercises	632	
Repayments on 11% mortgage notes		(843,640)
Proceeds from 6.375% senior notes, net of discount		247,722
Proceeds from senior secured credit facility-term B		305,000
Proceeds from Macao credit facility	1,325,000	
Proceeds from senior secured credit facility-revolver	254,129	
Proceeds from phase II mall construction loan	30,000	10,500

Proceeds from other long-term debt	75	
Repayments on Venetian Intermediate credit facility	(50,000)	
Repayment on senior secured credit facility-revolver	(25,000)	
Repayments on Interface mortgage note payable	(2,807)	(2,448)
Repayments on FF&E credit facility	(1,800)	(600)
Repayments on Venetian Macao senior secured notes tranche A		(75,000)
Repayments on Venetian Macao senior secured notes tranche B		(45,000)
Repurchase premiums incurred in connection with refinancing transactions		(113,311)
Transaction costs, initial public offering		(487)
Payments of deferred financing costs	(41,056)	(11,169)
Net cash provided by (used in) financing activities	1,492,353	(549,485)
Effect of exchange rate on cash	975	
Decrease in cash and cash equivalents	(174,847)	(644,704)
Cash and cash equivalents at beginning of period	456,846	1,294,898
Cash and cash equivalents at end of period	$ 281,999	$ 650,194
Supplemental disclosure of cash flow information:		
Cash payments for interest	$ 69,725	$ 51,494
Cash payments for taxes	$ 28,000	$
Non-cash investing and financing activities:		
Property and equipment acquisitions included in construction payables	$ 231,702	$ 163,932

The accompanying notes are an integral part of these condensed consolidated financial statements.

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LAS VEGAS SANDS CORP.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 ORGANIZATION AND BUSINESS OF COMPANY

The accompanying condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Annual Report on Form 10-K of Las Vegas Sands Corp. and its subsidiaries (collectively the Company) for the year ended December 31, 2005. The year-end balance sheet data was derived from audited financial statements, but does not include all disclosures required by generally accepted accounting principles in the United States of America. In addition, certain amounts in the 2005 financial statements have been reclassified to conform to the 2006 presentation. In the opinion of management, all adjustments and normal recurring accruals considered necessary for a fair statement of the results for the interim period have been included. The interim results reflected in the unaudited condensed consolidated financial statements are not necessarily indicative of expected results for the full year.

Las Vegas Sands Corp. (LVSC) was incorporated in Nevada during August 2004 and completed an initial public offering of its common stock in December 2004. Immediately prior to the initial public offering LVSC acquired 100% of the capital stock of Las Vegas Sands, Inc., which was converted into a Nevada limited liability company, Las Vegas Sands, LLC (LVSLLC), in July 2005. The acquisition of LVSLLC by LVSC has been accounted for as a reorganization of entities under common control, in a manner similar to pooling-of-interests. LVSC is traded on the New York Stock Exchange under the symbol LVS.

Las Vegas Properties

The Company owns and operates The Venetian Resort Hotel Casino (The Venetian), a Renaissance Venice-themed resort situated on the Las Vegas Strip (the Strip). The Venetian includes the first all-suites hotel on the Strip with 4,027 suites; a gaming facility of approximately 116,000 square feet; an enclosed retail, dining and entertainment complex of approximately 440,000 net leasable square feet (the Grand Canal Shops or the Mall), which was sold to a third party in 2004; a meeting and conference facility of approximately 1.1 million square feet; and an expo and convention center of approximately 1.2 million square feet (The Sands Expo Center). The Company has commenced construction work on the site of The Palazzo Resort Hotel Casino (The Palazzo), a second resort similar in size to The Venetian, which is situated on a 14-acre site next to The Venetian and The Sands Expo Center and next to the Wynn Las Vegas Resort. The Palazzo is expected to consist of an all-suites, 50-floor luxury hotel tower with approximately 3,025 suites, a gaming facility of approximately 105,000 square feet and an enclosed shopping, dining and entertainment complex of approximately 450,000 square feet, which the Company has contracted to sell to a third party.

Macao Projects

The Company also owns and operates The Sands Macao, a Las Vegas-style casino in Macao, China, which opened on May 18, 2004. In addition to The Sands Macao, the Company is also constructing The Venetian Macao Resort Hotel Casino (The Venetian Macao), an approximately 3,000 all-suites hotel, casino, and convention center complex, with a Venetian-style theme similar to that of its Las Vegas property. Under its gaming subconcession in Macao, the Company was obligated to develop and open The Venetian Macao by June 2006 and a convention center by December 2006. In March 2006, the Company received an extension of the June and December 2006 construction deadlines for The Venetian Macao and the convention center to December 2007. The Company currently expects to open The Venetian Macao in mid-2007. If the Company fails to meet the December 2007 deadline and that deadline is not extended further, the Company could lose its right to continue to operate The Sands Macao or any other facilities developed under its Macao gaming subconcession and its investment to date in construction of The Venetian Macao could be lost. See Note 7 Segment Information, for the total assets in Macao.

LAS VEGAS SANDS CORP.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The Company commenced construction of The Venetian Macao prior to obtaining a land concession from the Macao government, which holds title to the land. The Company has applied to the Macao government for a land concession for a portion of the west side of the Cotai Strip^{tm}, including the site of The Venetian Macao. The land concession will require the Company to pay certain premiums and rent. The Company is currently in negotiations with the Macao government over the cost of the land concession and believes it will be successful in obtaining the land concession. The Company expects to have the negotiations complete in the latter part of the third quarter or early part of the fourth quarter of 2006, at which point the Company will be required to pay the negotiated amount. The land premium will be amortized over an extended period of time. The initial term of the lease will be 25 years with unlimited 10-year renewals at the Company s option. The Company expects to use the funds from the new Macao credit facility (see Note 4) to make the portion of the land concession payments that will be due upon receipt of the provisional land grant and will finance the remaining portion through financing permitted by the Macao government and certain payment guarantees to be issued by commercial banks. Under the credit facility, the Company is required to secure the concession in order to fully draw against the facility. If the Company is unable to complete the negotiations within a specified period of time, it will not be able to draw any further funds from the Macao credit facility (see Note 4) in order to fund construction activities and it will have to seek additional financing. In the event the Company is unable to successfully conclude its negotiations with the Macao government with regard to the land underlying The Venetian Macao, the Company could lose all or a substantial part of its investment in the creation of the land and in constructing The Venetian Macao and would not be able to open and operate the facility as planned. See Note 7 Segment Information, for the total assets in Macao.

Recent Accounting Pronouncements

In December 2004, the Financial Accounting Standards Board (FASB) issued Statement of Financial Standards (SFAS) No. 123R, Share-Based Payment , which supersedes Accounting Principles Board Opinion (APB) No. 25, Accounting for Stock Issued to Employees . This statement requires compensation costs related to stock-based payment transactions to be recognized in financial statements based on estimated fair values. This statement also requires the benefits of tax deductions in excess of recognized compensation cost to be reported as a financing cash flow, rather than as an operating cash flow. This statement requires companies entities to measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award (with limited exceptions). This cost is being recognized over the period during which an employee is required to provide service in exchange for the award. This statement also addresses the accounting for the tax effects of stock-based compensation awards. The Company adopted this standard as of January 1, 2006 using the modified prospective application transition method. Under the modified prospective application transition method, the Company is expensing the cost of stock-based compensation awards issued after January 1, 2006 based on their fair values. Additionally, the Company is recognizing compensation cost for the portion of awards outstanding on January 1, 2006, based on their previously calculated fair values, for which the requisite service has not been rendered as the requisite service is to be rendered on or after January 1, 2006. During the three and six months ended June 30, 2006, the Company recorded $2.9 million and $5.7 million respectively, of stock-based compensation expense. Previous periods have not been restated. See Note 5 Stock-Based Employee Compensation for additional information.

In July 2006, the FASB issued Interpretation (FIN) No. 48, Accounting for Uncertainty in Income Taxes , which clarifies the accounting for uncertainty in income taxes recognized in the financial statements in accordance with SFAS No. 109, Accounting for Income Taxes . FIN No. 48 provides guidance on the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN No. 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosures, and transition. FIN No. 48 will require entities to assess the likelihood that uncertain tax positions will be accepted by the applicable taxing authority and then measure the amount of

LAS VEGAS SANDS CORP.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

benefit to be recognized for these purposes which are considered greater than 50% likely to be sustained. FIN No. 48 is effective for fiscal years beginning after December 15, 2006. The Company is currently evaluating the impact of this standard on the condensed consolidated financial statements.

NOTE 2 STOCKHOLDERS EQUITY AND EARNINGS PER SHARE

Changes in stockholders equity for the six months ended June 30, 2006 were as follows (in thousands):

Balance at December 31, 2005	$ 1,609,538
Net income	231,112
Stock-based compensation	6,599
Proceeds from exercise of stock options	3,180
Tax benefit from exercise of stock options	632
Change in accumulated other comprehensive income	(914)
Balance at June 30, 2006	$ 1,850,147

At June 30, 2006, the accumulated other comprehensive income balance consisted solely of foreign currency translation adjustments. For the three and six months ended June 30, 2006, comprehensive income amounted to $108.7 million and $230.2 million, respectively.

The weighted average number of common and common equivalent shares used in the calculation of basic and diluted earnings per share consisted of the following:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	2005	2006	2005
Weighted-average common shares outstanding (used in the calculation of basic earnings per share)	354,255,635	354,160,692	354,227,600	354,160,692
Potential dilution from stock options and restricted stock	1,003,852	635,141	575,620	693,278
Weighted-average common and common equivalent shares (used in the calculations of diluted earnings per share)	355,259,487	354,795,833	354,803,220	354,853,970

For the three and six months ended June 30, 2006, outstanding options to purchase 432,500 shares and 2,057,894 shares of common stock, respectively, were not included in the calculation of diluted earnings per share because their effect was antidilutive. For the three and six months ended June 30, 2005, outstanding options to purchase 22,820 shares of common stock were not included in the calculation of diluted earnings per share because their effect was antidilutive.

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LAS VEGAS SANDS CORP.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 3 PROPERTY AND EQUIPMENT

Property and equipment consists of the following (in thousands):

	June 30, 2006	December 31, 2005
Land and land improvements	$ 201,896	$ 202,285
Building and improvements	1,544,771	1,454,462
Equipment, furniture, fixtures and leasehold improvements	370,615	351,219
Construction in progress	1,644,380	957,752
	3,761,662	2,965,718
Less: accumulated depreciation and amortization	(414,332)	(365,250)
	$ 3,347,330	$ 2,600,468

During the three and six months ended June 30, 2006 and the three and six months ended June 30, 2005, the Company capitalized interest expense of $20.9 million, $29.2 million, $5.0 million and $9.1 million, respectively.

NOTE 4 LONG-TERM DEBT

Long-term debt consists of the following (in thousands):

	June 30, 2006	December 31, 2005
Indebtedness of the Company and its Subsidiaries other than the Macao Subsidiaries:		
Senior Secured Credit Facility Term B and Term B delayed	$ 1,170,000	$ 1,170,000
Senior Secured Credit Facility Revolving Facility	260,129	31,000
6.375% Senior Notes	248,039	247,925
The Sands Expo Center Mortgage Loan	92,794	95,601
Phase II Mall Construction Loan	58,500	28,500
FF&E Credit Facility and other	8,475	10,200
Indebtedness of the Macao Subsidiaries:		
Macao Credit Facility Term B	1,200,000	
Macao Credit Facility Local Term	100,000	
Macao Credit Facility Revolving Facility	25,000	
Venetian Intermediate Credit Facility		50,000
	3,162,937	1,633,226
Less: current maturities	(6,138)	(7,325)
Total long-term debt	$ 3,156,799	$ 1,625,901

On May 25, 2006, two subsidiaries of the Company, VML US Finance LLC (the Borrower) and Venetian Macau Limited, as guarantor, entered into a credit agreement (the Macao Credit Facility). The Macao Credit Facility consists of a $1.20 billion funded term B loan (the Macao Term B Facility), a $700.0 million delayed draw term B loan (the Macao Term B Delayed Draw Facility), a $100.0 million funded local currency term loan (the Macao Local Term Facility) and a $500.0 million revolving credit facility (the Macao Revolving Facility). As of June 30, 2006, $1.3 billion has been drawn under the Macao

LAS VEGAS SANDS CORP.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Term B Facility and Macao Local Term Facility and $25.0 million has been drawn under the Macao Revolving Facility. No amounts have been drawn under the Macao Term B Delayed Draw Facility as of June 30, 2006.

The indebtedness under the Macao Credit Facility is guaranteed by Venetian Macau Limited, Venetian Cotai Limited and certain of the Company s foreign subsidiaries (the Macao Guarantors). The obligations under the Macao Credit Facility and the guarantees of the Macao Guarantors are secured by a first-priority security interest in substantially all of the Borrower s and the Macao Guarantors assets, other than (1) capital stock of the Borrower and the Macao Guarantors, (2) assets securing permitted furniture, fixtures and equipment financings, (3) Venetian Macau Limited s gaming subconcession contract and (4) certain other assets.

Borrowings under the Macao Credit Facility bear interest, at the Company s option, at either an adjusted Eurodollar rate (or, in the case of the Macao Local Term Facility, adjusted HIBOR) or at an alternative base rate, plus a spread of 2.75% or 1.75%, respectively. These spreads will be decreased by 0.25% from the beginning of the first interest period following the substantial completion of The Venetian Macao.

The Macao Revolving Facility and the Macao Local Term Facility have a five year maturity. The Macao Term B Delayed Draw Facility and the Macao Term B Facility mature in six and seven years, respectively. The Macao Term B Delayed Draw Facility and the Macao Term B Facility are subject to nominal amortization for the first five and six years, respectively, with the remainder of the loans payable in four equal installments in the last year immediately preceding their respective maturity dates. Following the substantial completion of The Venetian Macao, the Macao Local Term Facility is subject to annual amortization in an amount of approximately $6.3 million per annum, with the remainder of the loan payable in four equal installments in the last year immediately preceding the maturity date.

The Macao Credit Facility contains affirmative and negative covenants customary for such financings, including, but not limited to, limitations on incurring additional liens, incurring additional indebtedness, making certain investments, paying dividends and other restricted payments, and acquiring and selling assets. The Macao Credit Facility also requires the Borrower and the Macao Guarantors to comply with financial covenants, including, but not limited to, minimum EBITDA for a period of time and, thereafter, ratios of EBITDA to interest expense and total indebtedness to EBITDA, as well as maximum capital expenditures. The Macao Credit Facility also contains events of default customary for such financings.

NOTE 5 STOCK-BASED EMPLOYEE COMPENSATION

Effective January 1, 2006, the Company adopted the provisions of SFAS No. 123R, which establishes accounting for equity instruments exchanged for employee services. Under the provisions of SFAS No. 123R, stock-based compensation cost is measured at the grant date, based on the calculated fair value of the award, and is recognized over the employee s requisite service period (generally the vesting period of the equity grant). Prior to January 1, 2006, the Company accounted for stock-based compensation to employees in accordance with APB No. 25 and related interpretations. The Company also followed the disclosure requirements of SFAS No. 123, Accounting for Stock-Based Compensation , as amended by SFAS 148, Accounting for Stock-Based Compensation Transition and Disclosure . The Company elected to adopt the modified prospective application transition method as provided by SFAS No. 123R and, accordingly, financial statement amounts for the prior periods presented in this Form 10-Q have not been restated to reflect the fair value method of recording stock-based compensation.

As of June 30, 2006, the Company has two stock-based compensation plans. The board of directors has agreed not to grant any additional stock options under one of these plans and there were no options outstanding under it during the six months ended June 30, 2006. The second plan is described below. The compensation cost that has been charged against income for the plans was $2.9 million for the three months

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

ended June 30, 2006, which is comprised of $2.6 million from stock options and $0.3 million from restricted stock. The compensation cost that has been charged against income for the plans was $5.7 million for the six months ended June 30, 2006, which is comprised of $5.1 million from stock options and $0.6 million from restricted stock. The total income tax benefit recognized in the condensed consolidated statement of operations for stock-based compensation arrangements was $0.7 million and $1.4 million for the three and six months ended June 30, 2006, respectively. Compensation cost associated with individuals responsible for construction activities was capitalized as part of property and equipment in the amount of $0.4 million and $0.9 million for the three and six months ended June 30, 2006, respectively. Basic and diluted earnings per share for the three and six months ended June 30, 2006 was $0.01 and $0.02 lower, respectively, than if the Company had continued to account for stock-based compensation under APB No. 25.

Las Vegas Sands Corp. 2004 Equity Award Plan

The purpose of the Company s 2004 Equity Award Plan (the 2004 Plan) is to give the Company a competitive edge in attracting, retaining, and motivating employees, directors, officers and consultants and to provide the Company with a stock plan providing incentives directly related to increases in the value of its common stock.

Administration. The Company s compensation committee administers the 2004 Plan. Except in the case of awards to non-employee directors which are administered by the Company s board of directors, the compensation committee has the authority to determine the terms and conditions of any agreements evidencing any awards granted under the 2004 Plan, and to adopt, alter and repeal rules, guidelines and practices relating to the 2004 Plan. The compensation committee has full discretion to administer and interpret the 2004 Plan, to adopt such rules, regulations, and procedures as it deems necessary or advisable and to determine, among other things, the time or times at which the awards may be exercised and whether and under what circumstances an award may be exercised. The compensation committee has formed a sub-committee to administer those portions of the 2004 Plan that require administration by directors meeting certain independence standards.

Eligibility. Any of the Company s subsidiaries , directors, officers or consultants are eligible for awards under the 2004 Plan. The compensation committee has the sole and complete authority to determine who will be granted an award under the 2004 Plan (except in the case of awards to non-employee directors, which are made by the board of directors).

Number of Shares Authorized. The 2004 Plan provides for an aggregate of 26,344,000 shares of the Company s common stock to be available for awards. No participant may be granted awards of options, restricted stock and stock appreciation rights with respect to more than 3,000,000 shares of common stock in any one year. If any award is forfeited, or if any option terminates, expires, or lapses without being exercised, shares of the Company s common stock subject to such award will again be available for future grant. If there is any change in the Company s corporate capitalization, the compensation committee, in its sole discretion, may make substitutions or adjustments to the number of shares reserved for issuance under the 2004 Plan, the number of shares covered by awards then outstanding under the 2004 Plan, the limitations on awards under the 2004 Plan, the exercise price of outstanding options and such other equitable substitution or adjustments as it may determine appropriate.

The 2004 Plan has a term of ten years and no further awards may be granted after the expiration of the term.

Awards Available for Grant. The compensation committee may grant awards of nonqualified stock options, incentive (qualified) stock options, stock appreciation rights, restricted stock awards, restricted stock units, stock bonus awards, performance compensation awards or any combination of the foregoing. As of June 30, 2006, there were 21,746,797 shares available for grant under the 2004 Plan.

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LAS VEGAS SANDS CORP.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Stock option awards are granted with an exercise price equal to the market price of the Company s stock at the date of grant. The stock options generally vest based on four years of continuous service and have 10-year contractual terms. Restricted stock awards generally vest over three years. Compensation cost for all stock option grants, which all have graded vesting, is net of estimated forfeitures and is recognized on a straight-line basis over the awards respective requisite service periods. The Company estimates the fair value of stock options using the Black-Scholes option-pricing model. Expected volatilities are based on the historical volatilities from a selection of companies from the Company s peer group due to the Company s lack of historical information. The Company used the simplified method for estimating expected option life, as the options qualify as plain-vanilla options. The risk-free interest rate for periods equal to the expected term of the stock option is based on the U.S. Treasury yield curve in effect at the time of grant. The Company believes that the valuation technique and the approach utilized to develop the underlying assumptions are appropriate in calculating the fair values of the Company s stock options granted during the three and six months ended June 30, 2006 and 2005.

The fair value of each option grant was estimated on the grant date using the Black-Scholes option-pricing model with the following weighted average assumptions:

	Three Months Ended June 30, 2006	Three Months Ended June 30, 2005	Six Months Ended June 30, 2006	Six Months Ended June 30, 2005
Weighted average volatility	30.44%	35.29%	31.42%	35.29%
Expected term (in years)	6.0	6.0	6.0	6.0
Risk-free rate	5.16%	3.86%	4.53%	3.86%
Expected dividends				

The weighted average grant date fair value of 432,200 options and 2,616,794 options granted during the three and six months ended June 30, 2006 was $26.90 and $18.93 per share, respectively, and the weighted average grant date fair value of 22,820 options granted during the three and six month periods ended June 30, 2005 was $19.49 per share. The total intrinsic value of options exercised during the three and six months ended June 30, 2006 was $1.7 million and $3.2 million, respectively. No options were exercised during the three and six month periods ended June 30, 2005.

In accordance with APB No. 25, the Company did not recognize compensation expense for employee share-based awards for the three and six months ended June 30, 2005, when the exercise price of the Company s employee stock awards equaled the market price of the underlying stock on the date of grant.

LAS VEGAS SANDS CORP.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The Company had previously adopted the provisions of SFAS No. 123, as amended by SFAS No. 148, for disclosure purposes only. Had the Company accounted for the plan under the fair value method allowed by SFAS No. 123, the Company s net income, and earnings per share would have been adjusted to the following pro forma amounts (dollars in thousands, except per share data):

	Three Months Ended June 30, 2005	Six Months Ended June 30, 2005
Net income, as reported	$ 86,429	$ 93,541
Less: Stock-based employee compensation expense determined under the Black Scholes option-pricing model, net of tax	(818)	(1,624)
Pro forma net income	$ 85,611	$ 91,917
Basic earnings per share, as reported	$ 0.24	$ 0.26
Basic earnings per share, pro-forma	$ 0.24	$ 0.26
Diluted earnings per share, as reported	$ 0.24	$ 0.26
Diluted earnings per share, pro-forma	$ 0.24	$ 0.26

A summary of the status of the Company s stock option plan is presented below:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
Outstanding at January 1, 2006	2,097,960	$ 29.83		
Granted	2,616,794	47.47		
Exercised	(107,715)	30.32		
Forfeited	(214,268)	32.83		
Outstanding at June 30, 2006	4,392,771	$ 40.20	9.18	$ 165,431,756
Exercisable at June 30, 2006	205,382	$ 29.18	8.46	$ 9,997,996

A summary of the status of the Company s nonvested restricted shares for the six months ended June 30, 2006:

	Shares	Weighted Average Grant Date Fair Value
Nonvested at January 1, 2006	8,088	$ 37.09

Granted	77,829		44.00
Vested	(8,088)		37.09
Forfeited			
Nonvested at June 30, 2006	77,829	$	44.00

As of June 30, 2006, there was $48.8 million of unrecognized compensation cost, net of estimated forfeitures of 8.0%, related to nonvested stock options and there was $2.9 million of unrecognized compensation cost related to nonvested restricted stock. The stock option and restricted stock costs are expected to be recognized over a weighted average period of 3.6 years and 2.4 years, respectively.

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LAS VEGAS SANDS CORP.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the three and six months ended June 30, 2006, cash received from stock option exercises was $1.3 million and $3.2 million, respectively, and the tax benefit realized for the tax deductions from those exercises totaled $0 and $0.6 million, respectively. There were no stock option exercises for the three and six months ended June 30, 2005.

NOTE 6 COMMITMENTS AND CONTINGENCIES

Singapore Development

In May 2006, the Company was selected by the Singapore government to build and operate an integrated resort called the Marina Bay Sands in Singapore, which will be a large integrated resort, including a casino. As a result of being selected to build the project, the Company is required to pay the Singapore government $1.20 billion Singapore dollars (approximately US$751.1 million at exchange rates in effect on June 30, 2006) in premium payments for use of the land on which the resort will be built plus an additional $298.2 million Singapore dollars (approximately US$186.7 million at exchange rates in effect on June 30, 2006) for various taxes and other fees. As of June 30, 2006, the Company had paid $300.0 million Singapore dollars (approximately US$187.8 million at exchange rates in effect on June 30, 2006) related to the land premium payments. The remaining amount due of approximately $1.20 billion Singapore dollars (approximately US$750.0 million at exchange rates in effect on June 30, 2006) is due on August 24, 2006. The Company is currently in the process of obtaining bridge financing in the amount of $1.4 billion to cover the above payments as well as the initial development costs for the project.

At the time these remaining amounts are paid, the Company will enter into the development agreement, which will require the Company to construct and operate the Marina Bay Sands in accordance with the Company s proposal for this integrated resort and in accordance with that agreement. Based on the proposal submitted by the Company to the Singapore government, the Company will develop and construct the Marina Bay Sands Resort for approximately $3.6 billion, inclusive of the land premium, taxes and other fees discussed above. Upon completion of the bridge financing, the Company will immediately focus its efforts on lining up long-term financing in an amount necessary to fund the construction of Marina Bay Sands.

The Palazzo Construction Litigation

Lido Casino Resort, LLC (Lido), a wholly-owned subsidiary of the Company, and its construction manager, Taylor International Corp. (Taylor), filed suit in March 2006 in the United States District Court for the District of Nevada (the District Court) against Malcolm Drilling Company, Inc. (Malcolm), the contractor on The Palazzo project responsible for completing certain foundation work (the District Court Case). Lido and Taylor claim in the District Court Case that Malcolm was in default of its contract for performing defective work, failing to correct defective work, failing to complete its work and causing delay to the project. Malcolm responded by filing a Notice of a Lien with the Clerk of Clark County, Nevada in March 2006 in the amount of approximately $19.0 million (the Lien). In April 2006, Lido and Taylor moved in the District Court Case to strike or, in the alternative, to reduce the amount of, the Lien, claiming, among other things, that the Lien was excessive for including claims for disruption and delay, which Lido and Taylor claim are not lienable under Nevada law (the Lien Motion). Malcolm responded in April 2006 by filing a complaint against Lido and Taylor in District Court of Clark County, Nevada seeking to foreclose on the Lien against Taylor, claiming breach of contract, a cardinal change in the underlying contract, unjust enrichment against Lido and Taylor and bad faith and fraud against Taylor (the State Court Case), and simultaneously filed a motion in the District Court Case, seeking to dismiss the District Court Case on abstention grounds (the Abstention Motion). In response, in June 2006, Lido filed a motion to dismiss the State Court Case based on the principle of the prior pending District Court Case (the Motion to Dismiss). In June 2006, the Abstention Motion was granted in part by the United States District Court, the District Court Case was stayed pending the outcome of the Motion to Dismiss in the State Court Case and the Lien Motion was

LAS VEGAS SANDS CORP.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

denied without prejudice. Lido and Malcolm then entered into a stipulation under which Lido withdrew the Motion to Dismiss, and in July 2006 filed a replacement lien motion in the State Court Case. This matter is in the preliminary stages. Lido intends to defend itself against the claims pending in the State Court Case and to prosecute the District Court Case vigorously.

Litigation Relating to Macao Casino

On October 15, 2004, Richard Suen and Round Square Company Limited filed an action against Las Vegas Sands Corp., Las Vegas Sands Inc., Sheldon G. Adelson and William P. Weidner in the District Court of Clark County, Nevada, asserting a breach of an alleged agreement to pay a success fee of $5.0 million and 2.0% of the net profit from the Company s Macao resort operations to the plaintiffs as well as other related claims. In March 2005, Las Vegas Sands Corp. was dismissed as a party without prejudice based on a stipulation to do so between the parties. On May 17, 2005, the plaintiffs filed their first amended complaint. On February 2, 2006, defendants filed a motion for partial summary judgment with respect to plaintiffs fraud claims against all the defendants. On March 16, 2006, an order was filed by the court granting defendants motion for partial summary judgment. Pursuant to the order filed March 16, 2006, plaintiffs fraud claims set forth in the first amended complaint were dismissed with prejudice as against all defendants. The order also dismissed with prejudice the first amended complaint against defendants Sheldon G. Adelson and William P. Weidner. This action is in a preliminary stage and based upon the advice of legal counsel, management has determined that based on proceedings to date, the probability of recovery by the plaintiffs is remote. We intend to defend this matter vigorously.

On January 26, 2006, Clive Basset Jones, Darryl Steven Turok (a/k/a Dax Turok) and Cheong Jose Vai Chi (a/k/a Cliff Cheong), filed an action against Las Vegas Sands Corp., Las Vegas Sands, LLC, Venetian Venture Development, LLC and various unspecified individuals and companies in the District Court of Clark County, Nevada. The plaintiffs assert breach of an agreement to pay a success fee in an amount equal to 5% of the ownership interest in the entity that owns and operates the Macau SAR gaming subconcession as well as other related claims. In April 2006, Las Vegas Sands Corp. was dismissed as a party without prejudice based on a stipulation to do so between the parties. Other than the complaint which has been filed, and our answer, there is currently no pending activity in the matter. This action is in a preliminary stage and based upon the advice of legal counsel, management has determined that based on proceedings to date, the probability of recovery by the plaintiffs is remote. We intend to defend this matter vigorously.

Interface Nevada Litigation

On October 17, 2003, Bear Stearns Funding, Inc. filed a lawsuit against our subsidiary, Interface Group-Nevada, Inc., the Company s subsidiary that owns The Sands Expo Center. The plaintiff is seeking damages against Interface Group-Nevada for alleged breach of contract in the amount of approximately $1.5 million, plus interest and costs. The claim asserts that the amount is due as an agreed-upon additional fee in connection with Interface Group-Nevada s prior $141.0 million mortgage loan, which was paid off in July 2004. Interface Group-Nevada has asserted six counter-claims against the plaintiff. The counterclaims against Bear Stearns allege that Bear Stearns sale of a subordinated component of the loan to a competitor constituted a breach of the loan agreement and a related agreement, that its transmission of information in connection with that sale constituted a misappropriation of Interface Group-Nevada s trade secrets, and that it misrepresented to Interface Group-Nevada certain facts regarding the purchaser of the subordinated component. The counterclaims also allege that the Bear Stearns demand that Interface Group-Nevada purchase insurance not required by the loan agreement was motivated by Bear Stearns exclusion from participating in another financing, and that this action constituted a prima facie tort under New York law, and together with the other actions alleged in the counterclaims, constituted a breach of Bear Stearns duty of good faith and fair dealing. The counterclaims sought damages in an amount to be determined at trial but not less than $1.5 million, plus punitive damages of not less than $3.0 million on the fraud and prima facie tort causes

LAS VEGAS SANDS CORP.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

of action. Plaintiff filed a motion for summary judgment on the complaint seeking (i) judgment on the complaint in the approximate amount of $1.5 million plus interest, costs and attorneys fees and (ii) dismissal of the counterclaims other than the two breach of contract counterclaims (the Motion). By Opinion and Order dated March 21, 2005, the Motion was denied in part and granted in part. The Court denied Bear Stearns motion for summary judgment on the complaint, granted Bear Stearns motion to dismiss the counterclaims alleging misappropriation of trade secrets, prima facie tort, and fraud, and granted the request to dismiss one of the two bases of the counterclaim alleging a breach of the covenant of good faith and fair dealing. This matter is now in the discovery phase. Pretrial discovery is largely complete and both Interface Group-Nevada and Bear Stearns have filed motions for summary judgment. The briefing on the motions is not yet complete. Interface Group-Nevada and its legal counsel are currently not able to determine the probability of the outcome of these matters.

Other Litigation

The Company is involved in other litigation arising in the normal course of business. Management has made certain estimates for potential litigation costs based upon consultation with legal counsel. Actual results could differ from these estimates; however, in the opinion of management, such litigation and claims will not have a material effect on the Company s financial position, results of operations or cash flows.

NOTE 7 SEGMENT INFORMATION

The Company reviews the results of operations based on the following geographic segments: (1) Las Vegas, which includes The Venetian, The Sands Expo and The Palazzo (currently under construction), and (2) Macao, which includes The Sands Macao, The Venetian Macao (currently under construction) and other development projects. Effective April 1, 2006, the Company changed its segments based upon changes in the information used by the chief operating decision maker to include The Sands Expo Center within the Las Vegas segment. The information for the three and six months ended June 30, 2005 has been reclassified to conform to the current presentation. The Company s segment information is as follows for the three and six months ended June 30, 2006 and 2005 (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	**2005**	**2006**	**2005**
Net Revenues				
Las Vegas	$ 206,575	$ 193,748	$ 455,302	$ 422,486
Macao	310,432	205,073	592,069	380,129
Total net revenues	$ 517,007	$ 398,821	$ 1,047,371	$ 802,615
Adjusted EBITDAR				
Las Vegas	$ 62,234	$ 70,439	$ 162,374	$ 168,860
Macao	116,334	81,011	219,208	148,816
	178,568	151,450	381,582	317,676

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LAS VEGAS SANDS CORP.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	2005	2006	2005
Other Operating Costs and Expenses				
Corporate expense	(12,251)	(6,620)	(25,205)	(17,502)
Rental expense	(3,803)	(3,682)	(7,510)	(7,387)
Depreciation and amortization	(24,428)	(21,097)	(49,433)	(41,062)
(Gain) loss on disposal of assets	(456)	158	(1,537)	(1,005)
Pre-opening expense	(4,354)	(504)	(6,573)	(504)
Development expense	(7,861)	(5,562)	(17,029)	(10,737)
Operating income	125,415	114,143	274,295	239,479
Other Non-Operating Costs and Expenses				
Interest income	15,018	7,133	25,232	14,527
Interest expense, net of amounts capitalized	(23,685)	(17,969)	(45,100)	(45,052)
Other income (expense)	(14)	(1,291)	150	(1,291)
Loss on early retirement of debt		(4,166)		(137,000)
Benefit (provision) for income taxes	(7,405)	(11,421)	(23,465)	22,878
Net income	$ 109,329	$ 86,429	$ 231,112	$ 93,541

	Six Months Ended June 30,	
	2006	2005
Capital Expenditures		
Las Vegas:		
The Venetian	$ 58,720	$ 53,066
The Palazzo	203,703	172,188
Macao:		
The Sands Macao	41,192	29,835
The Venetian Macao	406,839	118,476
Other Development Projects	20,021	
Total capital expenditures	$ 730,475	$ 373,565

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LAS VEGAS SANDS CORP.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	June 30, 2006	December 31, 2005
Total Assets		
Las Vegas Sands Corp.	$ 139,159	$ 307,679
Las Vegas:		
The Venetian	2,118,504	2,080,931
The Palazzo	813,446	605,320
Macao:		
The Sands Macao	473,899	425,597
The Venetian Macao	1,945,745	459,333
Other Development Projects	250,088	879
Total consolidated assets	$ 5,740,841	$ 3,879,739

NOTE 8 CONDENSED CONSOLIDATING FINANCIAL INFORMATION

In accordance with Rule 3-10 of Regulation S-X of the Securities and Exchange Commission, condensed consolidating financial information of the Company, the Guarantor Subsidiaries (as defined below) and the non-guarantor subsidiaries on a combined basis as of June 30, 2006 and December 31, 2005, and for the three and six months ended June 30, 2006 and 2005, is as follows (in thousands).

LVSC is the obligor under the 6.375% Senior Notes issued by LVSC on February 10, 2005. LVSLLC, Venetian Casino Resort, LLC, Mall Intermediate Holding Company, LLC, Venetian Venture Development, LLC, Venetian Transport, LLC, Venetian Marketing, Inc., Lido Intermediate Holding Company, LLC and Lido Casino Resort, LLC (collectively, the Guarantor Subsidiaries) have jointly and severally guaranteed the 6.375% Senior Notes on a full and unconditional basis.

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LAS VEGAS SANDS CORP.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
CONDENSED CONSOLIDATING BALANCE SHEETS
June 30, 2006

	Las Vegas Sands Corp.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating/ Eliminating Entries	Total
Cash and cash equivalents	$ 19,236	$ 77,678	$ 185,085	$	$ 281,999
Restricted cash	50,842	56,575	232,786		340,203
Intercompany receivable	214,128	10,353		(224,481)	
Accounts receivable, net	146	81,934	4,859		86,939
Inventories		8,968	1,852		10,820
Deferred income taxes	68	12,172		(117)	12,123
Prepaid income taxes	16,800				16,800
Prepaid expenses and other	6,622	8,258	13,584		28,464
Total current assets	307,842	255,938	438,166	(224,598)	777,348
Property and equipment, net	44,087	1,937,840	1,365,403		3,347,330
Investment in subsidiaries	1,692,543	687,562		(2,380,105)	
Deferred financing costs, net	1,249	23,888	42,372		67,509
Restricted cash		527,697	809,084		1,336,781
Deferred income taxes		667	2,751	(3,418)	
Intercompany notes receivable	72,899	50,851		(123,750)	
Other assets, net	79	13,550	198,244		211,873
Total assets	$ 2,118,699	$ 3,497,993	$ 2,856,020	$ (2,731,871)	$ 5,740,841
Accounts payable	$ 139	$ 23,936	$ 21,608	$	$ 45,683
Construction payables		56,575	175,127		231,702
Intercompany payables			224,481	(224,481)	
Accrued interest payable	5,977	430	910		7,317
Other accrued liabilities	4,873	108,782	140,863		254,518
Deferred income taxes			117	(117)	
Current maturities of long-term debt		1,800	4,338		6,138
Total current liabilities	10,989	191,523	567,444	(224,598)	545,358
Other long-term liabilities	2,329	177,198	5,233		184,760
Deferred income taxes	7,195			(3,418)	3,777
Intercompany notes payable			123,750	(123,750)	
Long-term debt	248,039	1,436,729	1,472,031		3,156,799
Total liabilities	268,552	1,805,450	2,168,458	(351,766)	3,890,694
Stockholders equity	1,850,147	1,692,543	687,562	(2,380,105)	1,850,147

Total liabilities and stockholders equity	$ 2,118,699	$ 3,497,993	$ 2,856,020	$ (2,731,871)	$ 5,740,841

LAS VEGAS SANDS CORP.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
CONDENSED CONSOLIDATING BALANCE SHEETS
December 31, 2005

	Las Vegas Sands Corp.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating/ Eliminating Entries	Total
Cash and cash equivalents	$ 202,196	$ 87,173	$ 167,477	$	$ 456,846
Restricted cash	50,052	3	21,662		71,717
Intercompany receivable	2,207	3,373	4,195	(9,775)	
Accounts receivable, net	245	81,204	3,329		84,778
Intercompany notes receivable	121,784			(121,784)	
Inventories		8,584	1,383		9,967
Deferred income taxes	11,748	(2,871)	(931)		7,946
Prepaid expenses and other	436	6,141	6,875		13,452
Total current assets	388,668	183,607	203,990	(131,559)	644,706
Property and equipment, net	38,471	1,744,352	817,645		2,600,468
Investment in subsidiaries	1,441,500	480,619		(1,922,119)	
Deferred financing costs, net	1,322	26,442	3,209		30,973
Restricted cash		571,143			571,143
Deferred income taxes	3,130	5,852	2,350		11,332
Other assets, net	79	12,485	8,553		21,117
Total assets	$ 1,873,170	$ 3,024,500	$ 1,035,747	$ (2,053,678)	$ 3,879,739
Accounts payable	$ 50	$ 20,614	$ 14,139	$	$ 34,803
Construction payables		54,234	109,698		163,932
Intercompany payables			9,775	(9,775)	
Accrued interest payable	5,977	1,157	784		7,918
Other accrued liabilities	8,053	116,029	122,308		246,390
Intercompany notes payable			121,784	(121,784)	
Current maturities of long-term debt		2,400	4,925		7,325
Total current liabilities	14,080	194,434	383,413	(131,559)	460,368
Other long-term liabilities	1,627	179,766	2,539		183,932
Long-term debt	247,925	1,208,800	169,176		1,625,901
Total liabilities	263,632	1,583,000	555,128	(131,559)	2,270,201
Stockholders equity	1,609,538	1,441,500	480,619	(1,922,119)	1,609,538
Total liabilities and stockholders equity	$ 1,873,170	$ 3,024,500	$ 1,035,747	$ (2,053,678)	$ 3,879,739

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LAS VEGAS SANDS CORP.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS
For the three months ended June 30, 2006

	Las Vegas Sands Corp.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating/ Eliminating Entries	Total
Revenues:					
Casino	$	$ 71,322	$ 307,140	$	$ 378,462
Rooms		88,014	1,640		89,654
Food and beverage		33,261	11,864	(1,102)	44,023
Convention, retail and other	7,489	13,390	16,805	(8,408)	29,276
Total revenues	7,489	205,987	337,449	(9,510)	541,415
Less-promotional allowances	(166)	(16,152)	(8,090)		(24,408)
Net revenues	7,323	189,835	329,359	(9,510)	517,007
Operating expenses:					
Casino		43,485	173,877	(118)	217,244
Rooms		21,939	57		21,996
Food and beverage		17,249	6,264	(700)	22,813
Convention, retail and other		8,863	8,028	(1,163)	15,728
Provision for doubtful accounts		3,542	(221)		3,321
General and administrative		43,084	21,782	(7,529)	57,337
Corporate expense	12,215	15	21		12,251
Rental expense		3,545	258		3,803
Pre-opening expense		171	4,183		4,354
Development expense	777	38	7,046		7,861
Depreciation and amortization	531	15,006	8,891		24,428
Loss on disposal of assets			456		456
	13,523	156,937	230,642	(9,510)	391,592
Operating income (loss)	(6,200)	32,898	98,717		125,415
Other income (expense):					
Interest income	2,978	8,704	6,068	(2,732)	15,018
Interest expense, net of amounts capitalized	(8,031)	(16,637)	(1,749)	2,732	(23,685)
Other income (expense)	(7)	(15)	8		(14)
Income from equity investment in subsidiaries	119,725	103,675		(223,400)	
Income before income taxes	108,465	128,625	103,044	(223,400)	116,734
Benefit (provision) for income taxes	864	(8,900)	631		(7,405)

Net income	$ 109,329	$ 119,725	$ 103,675	$ (223,400)	$ 109,329

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LAS VEGAS SANDS CORP.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS
For the three months ended June 30, 2005

	Las Vegas Sands Corp.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating/ Eliminating Entries	Total
Revenues:					
Casino	$	$ 73,719	$ 201,089	$	$ 274,808
Rooms		82,981	1,002		83,983
Food and beverage		28,574	6,853	(729)	34,698
Convention, retail and other	3,554	5,997	15,618	(815)	24,354
Total revenues	3,554	191,271	224,562	(1,544)	417,843
Less-promotional allowances	(287)	(13,448)	(5,287)		(19,022)
Net revenues	3,267	177,823	219,275	(1,544)	398,821
Operating expenses:					

	Post Consumer Brands	Weetabix	Refrigerated Food	Active Nutrition	Private Brands	Total
Balance, September 30, 2017						
Goodwill (gross)	$ 1,999.6	$926.9	$1,231.6	$180.7	$417.1	$4,755.9
Accumulated impairment losses	(609.1)	—	—	(114.8)	—	(723.9)
Goodwill (net)	$ 1,390.5	$926.9	$1,231.6	$65.9	$417.1	$4,032.0
Goodwill acquired	—	—	897.4	—	—	897.4
Acquisition related adjustment	12.6	(1.1)	—	—	—	11.5
Currency translation adjustment	(0.3)	(12.8)	—	—	—	(13.1)

Balance, June 30, 2018						
Goodwill (gross)	$ 2,011.9	$913.0	$2,129.0	$180.7	$417.1	$5,651.7
Accumulated impairment losses	(609.1)	—	—	(114.8)	—	(723.9)
Goodwill (net)	$ 1,402.8	$913.0	$2,129.0	$65.9	$417.1	$4,927.8

NOTE 6 — EQUITY INTERESTS

In connection with its acquisition of the Weetabix Group in July 2017 (see Note 3), the Company acquired an equity interest in two legal entities, Alpen Food Company South Africa (Proprietary) Limited (“Alpen”) and Weetabix East Africa Limited (“Weetabix East Africa”). Results of both entities are reported in the Weetabix segment (see Note 18). Alpen is a South African-based company that produces RTE cereal and muesli. The Company owns 50% of Alpen’s common stock with no other indicators of control and, accordingly, the Company accounts for its investment in Alpen using the equity method. The investment in Alpen was $5.3 and $4.5 at June 30, 2018 and September 30, 2017, respectively, and was included in “Other assets” on the Condensed Consolidated Balance Sheets. In the three and nine months ended June 30, 2018, equity method losses of $0.1 and $0.3, respectively, were included in “Other operating expenses, net” in the Condensed Consolidated Statements

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of Operations. The Company had a note receivable balance with Alpen of $1.0 at both June 30, 2018 and September 30, 2017, which was included in “Other assets” on the Condensed Consolidated Balance Sheets.

Weetabix East Africa is a Kenyan-based company that produces RTE cereal and muesli. The Company owns 50.1% of Weetabix East Africa and holds a controlling voting and financial interest through its appointment of management and representation on Weetabix East Africa’s Board of Directors. Accordingly, Weetabix East Africa is fully consolidated into the Company’s financial statements. Weetabix East Africa had long-term payables with Pioneer Food Group Limited, the owner of the remaining 49.9% of the business, of $0.5 at September 30, 2017, which was included in “Other liabilities” on the Condensed Consolidated Balance Sheet. No such payable existed at June 30, 2018.

NOTE 7 — INCOME TAXES

The effective income tax rate was 13.7% and (81.0)% for the three and nine months ended June 30, 2018, respectively, and 35.2% and 22.5% for the three and nine months ended June 30, 2017, respectively.

In the three and nine months ended June 30, 2018, the effective tax rate was impacted by the Tax Act, which was enacted on December 22, 2017. The SEC issued interpretive guidance regarding the Tax Act which was codified by ASU 2018-05 in March 2018. The Tax Act resulted in significant impacts to the Company’s accounting for income taxes with the most significant of these impacts relating to the reduction of the U.S. federal corporate income tax rate, a one-time transition tax on unrepatriated foreign earnings and full expensing of certain qualified depreciable assets placed in service after September 27, 2017 and before January 1, 2023. The Tax Act enacts a new U.S. federal corporate income tax rate of 21% that will fully go into effect for the Company’s fiscal 2019 tax year and is prorated with the pre-December 22, 2017 U.S. federal corporate income tax rate of 35% for the Company’s current tax year. This proration results in a blended U.S. federal income tax rate of 24.5% for fiscal 2018. At the time these financial statements were issued, the Company had not completed the accounting for the tax effects related to the enactment of the Tax Act. However, provisional estimates were made in the following instances: (i) the Company remeasured its existing deferred tax assets and liabilities considering both the current fiscal year blended rate and the 21% rate for future periods and recorded a provisional tax benefit of $283.1 and (ii) the Company calculated the one-time transition tax and recorded provisional tax expense of $7.1. Full expensing of certain depreciable assets will result in a temporary difference and will be analyzed throughout the year as assets are placed in service. Included in (i) above are tax benefit adjustments of $10.7 and $12.4 recorded in the three and nine months ended June 30, 2018, respectively, to further refine the remeasurement estimate made in the first quarter of fiscal 2018 of the Company’s existing deferred tax assets and liabilities considering both the current fiscal year blended rate and the 21% rate for future periods and to reflect deferred taxes recognized in fiscal 2017.

The changes included in the Tax Act are broad and complex, and as such, the final transition impacts of the Tax Act may differ from the above estimates, possibly materially, due to, among other things, changes in interpretations of the Tax Act, any legislative action to address questions that arise because of the Tax Act, any changes in current accounting standards for income taxes or related interpretations in response to the Tax Act, or any updates or changes to estimates the Company has utilized to calculate the transition impacts, including impacts resulting from changes to current year earnings estimates and foreign exchange rates. ASU 2018-05 allows for a measurement period of up to one year after the enactment date of the Tax Act to finalize the recording of the related tax impacts. The Company currently anticipates finalizing and recording any resulting adjustments by December 31, 2018.

In the three and nine months ended June 30, 2017, the effective income tax rate was impacted by retrospective reclassifications of $0.1 and $6.2, respectively, of income tax benefits to “Income tax expense (benefit)” in the Condensed Consolidated Statements of Operations related to the adoption of ASU 2016-09 (see Note 1).

NOTE 8 — INTANGIBLE ASSETS, NET

Total intangible assets are as follows:

	June 30, 2018			September 30, 2017		
	Carrying Amount	Accumulated Amortization	Net Amount	Carrying Amount	Accumulated Amortization	Net Amount
Subject to amortization:						
Customer relationships	$2,622.1	$ (516.9)	$2,105.2	$2,249.3	$ (416.7)	$1,832.6
Trademarks and brands	838.6	(195.9)	642.7	834.1	(162.9)	671.2
Other intangible assets	21.7	(11.4)	10.3	21.7	(9.8)	11.9
	3,482.4	(724.2)	2,758.2	3,105.1	(589.4)	2,515.7
Not subject to amortization:						
Trademarks and brands	1,226.5	—	1,226.5	838.2	—	838.2
	$4,708.9	$ (724.2)	$3,984.7	$3,943.3	$ (589.4)	$3,353.9

NOTE 9 — EARNINGS (LOSS) PER SHARE

Basic earnings (loss) per share is based on the average number of common shares outstanding during the period. Diluted earnings (loss) per share is based on the average number of shares used for the basic earnings (loss) per share calculation, adjusted for the dilutive effect of stock options, stock appreciation rights and restricted stock equivalents using the “treasury stock” method. The impact of potentially dilutive convertible preferred stock is calculated using the “if-converted” method. For the periods outstanding, the Company’s tangible equity units (“TEUs”) were assumed to be settled at the minimum settlement amount of 1.7114 shares per TEU for weighted-average shares for basic earnings per share. For diluted earnings (loss) per share, the shares, to the extent dilutive, were assumed to be settled at a conversion factor based on the daily volume-weighted-average price per share of the Company’s common stock not to exceed 2.0964 shares per TEU. All TEU purchase contracts were settled as of June 1, 2017. In the second quarter of fiscal 2018, the Company completed the redemption of its 3.75% Series B Cumulative Perpetual Convertible Preferred Stock (“Series B Preferred”). Substantially all of the 1.5 shares of Series B Preferred outstanding as of January 10, 2018, the date the redemption was announced, were converted into 3.1 shares of the Company’s common stock pursuant to the conversion rights applicable to the Series B Preferred and the remaining shares of Series B Preferred were redeemed (see Note 17).

The following table sets forth the computation of basic and diluted earnings (loss) per share for the three and nine months ended June 30, 2018 and 2017.

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2018	2017	2018	2017
Net earnings (loss) for basic earnings per share	$94.5	$(62.8)	$474.9	$30.1
Dilutive preferred stock dividends	2.0	—	8.0	—
Net earnings (loss) for diluted earnings per share	$96.5	$(62.8)	$482.9	$30.1
Weighted-average shares outstanding	67.0	65.9	66.6	64.9
Effect of TEUs on weighted-average shares for basic earnings (loss) per share	—	1.6	—	3.4
Weighted-average shares for basic earnings (loss) per share	67.0	67.5	66.6	68.3
Effect of dilutive securities:				
Stock options	1.7	—	1.7	1.8
Stock appreciation rights	0.1	—	0.1	0.1
Restricted stock awards	0.3	—	0.4	0.3
Preferred shares conversion to common	5.9	—	7.4	—
Total dilutive securities	8.0	—	9.6	2.2
Weighted-average shares for diluted earnings (loss) per share	75.0	67.5	76.2	70.5

Basic earnings (loss) per common share	$1.41	$(0.93)	$7.13	$0.44
Diluted earnings (loss) per common share	$1.29	$(0.93)	$6.34	$0.43

The following table details the securities that have been excluded from the calculation of weighted-average shares for diluted earnings (loss) per share as they were anti-dilutive.

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2018	2017	2018	2017
Stock options	0.6	4.2	0.6	0.3
Stock appreciation rights	—	0.1	—	—
Restricted stock awards	0.1	0.7	0.1	—
Preferred shares conversion to common	—	9.1	—	9.1

NOTE 10 — INVENTORIES

	June 30, 2018	September 30, 2017
Raw materials and supplies	$158.8	$ 129.8
Work in process	19.9	16.9
Finished products	368.1	395.6
Flocks	32.3	31.2
	$579.1	$ 573.5

NOTE 11 — PROPERTY, NET

	June 30, 2018	September 30, 2017
Property, at cost	$2,697.8	$2,394.1
Accumulated depreciation	(863.3)	(703.4)
	$1,834.5	$1,690.7

NOTE 12 — DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING

In the ordinary course of business, the Company is exposed to commodity price risks relating to the acquisition of raw materials and supplies, interest rate risks relating to floating rate debt and foreign currency exchange rate risks. The Company utilizes derivative financial instruments, including (but not limited to) futures contracts, option contracts, forward contracts and swaps, to manage certain of these exposures by hedging when it is practical to do so. The Company does not hold or issue financial instruments for speculative or trading purposes.

At June 30, 2018, the Company's derivative instruments consisted of:

Not designated as hedging instruments under ASC Topic 815

- Commodity and energy futures and option contracts which relate to inputs that generally will be utilized within the next year;
- foreign currency forward contracts maturing within the next year that have the effect of hedging currency fluctuations between the Euro and the U.S. Dollar;
- a pay-fixed, receive-variable interest rate swap maturing in May 2021 that requires monthly settlements and has the effect of hedging interest payments on debt expected to be issued but not yet priced; and
- rate-lock interest rate swaps that require five lump sum settlements with the first settlement occurring in July 2019 and the last in July 2021 and have the effect of hedging interest payments on debt expected to be issued but not yet priced.

Designated as hedging instruments under ASC Topic 815

- Pay-fixed, receive-fixed cross-currency swaps with maturities in January 2021 and July 2022 that require quarterly cash settlements and are used as net investment hedges of the Company's investment in the Weetabix Group, which is denominated in Pounds Sterling; and

- a pay-fixed, receive-variable interest rate swap maturing in May 2024 that requires monthly settlements and is used as a cash flow hedge of forecasted interest payments on the Company’s variable rate term loan (see Note 15).

As of January 1, 2018, the Company changed the designation of its foreign currency forward contracts from a cash flow hedge to a non-designated hedging instrument. In connection with the new designation, the Company reclassified gains previously recorded in accumulated OCI of $1.8, of which $1.3 was reclassified to “Selling, general and administrative expenses” in the Condensed Consolidated Statement of Operations for the nine months ended June 30, 2018 and $0.5 was reclassified to “Property, net” on the Condensed Consolidated Balance Sheet as of June 30, 2018.

The following table shows the notional amounts of derivative instruments held.

	June 30, 2018	September 30, 2017
Not designated as hedging instruments under ASC Topic 815:		
Commodity contracts	$ 63.3	$ 53.8
Energy contracts	24.5	25.6
Foreign exchange contracts - Forward contracts	11.9	20.9
Interest rate swap	75.0	76.1
Interest rate swaps - Rate-lock swaps	1,649.3	1,649.3
Designated as hedging instruments under ASC Topic 815:		
Foreign exchange contracts - Cross-currency swaps	662.9	448.7
Interest rate swap	1,000.0	1,000.0

The following table presents the balance sheet location and fair value of the Company’s derivative instruments as of June 30, 2018 and September 30, 2017, along with the portion designated as hedging instruments under ASC Topic 815. The Company does not offset derivative assets and liabilities within the Condensed Consolidated Balance Sheets.

		Fair Value		Portion Designated as Hedging Instruments	
	Balance Sheet Location	June 30, 2018	September 30, 2017	June 30, 2018	September 30, 2017
Asset Derivatives:					
Commodity contracts	Prepaid expenses and other current assets	$2.7	$ 0.5	$—	$ —
Energy contracts	Prepaid expenses and other current assets	5.1	3.8	—	—
Commodity contracts	Other assets	1.0	—	—	—
Energy contracts	Other assets	1.0	—	—	—
Foreign exchange contracts	Prepaid expenses and other current assets	1.2	1.3	1.0	1.1
Foreign exchange contracts	Other assets	16.2	0.3	16.2	0.3
Interest rate swaps	Prepaid expenses and other current assets	5.2	—	5.2	—
Interest rate swaps	Other assets	25.7	—	25.7	—
		$58.1	$ 5.9	$48.1	$ 1.4
Liability Derivatives:					
Commodity contracts	Other current liabilities	$2.5	$ 1.9	$—	$ —
Energy contracts	Other current liabilities	0.4	0.3	—	—
Foreign exchange contracts	Other current liabilities	1.5	1.5	1.5	1.5
Foreign exchange contracts	Other liabilities	23.9	23.6	23.9	23.6
Interest rate swaps	Other current liabilities	0.7	50.9	—	0.7
Interest rate swaps	Other liabilities	139.2	165.3	—	4.2
		$168.2	$ 243.5	$25.4	$ 30.0

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The following tables present the effects of the Company's derivative instruments on the Condensed Consolidated Statements of Operations and Condensed Consolidated Statements of Comprehensive Income for the three months ended June 30, 2018 and 2017.

Derivatives Not Designated as Hedging Instruments	Statement of Operations Location	(Gain) Loss Recognized in Statement of Operations	
		2018	2017
Commodity contracts	Cost of goods sold	$5.0	$(6.9)
Energy contracts	Cost of goods sold	(2.6)	1.5
Foreign exchange contracts	Selling, general and administrative expenses	1.1	0.8
Foreign exchange contracts	Other (income) expense, net	—	14.7
Interest rate swaps	Other (income) expense, net	(17.2)	30.5

Derivatives Designated as Hedging Instruments	(Gain) Loss Recognized in OCI		(Gain) Loss Reclassified from Accumulated OCI into Earnings		Statement of Operations Location
	2018	2017	2018	2017	
Foreign exchange contracts	$ —	$ (0.9)	$ —	$ —	Selling, general and administrative expenses
Interest rate swaps	(7.5)	3.6	(1.1)	0.3	Interest expense, net
Cross-currency swaps	(45.5)	—	—	—	Other (income) expense, net

The following tables present the effects of the Company's derivative instruments on the Condensed Consolidated Statements of Operations and Condensed Consolidated Statements of Comprehensive Income for the nine months ended June 30, 2018 and 2017.

Derivatives Not Designated as Hedging Instruments	Statement of Operations Location	(Gain) Loss Recognized in Statement of Operations	
		2018	2017
Commodity contracts	Cost of goods sold	$0.3	$(3.5)
Energy contracts	Cost of goods sold	(5.5)	1.8
Foreign exchange contracts	Selling, general and administrative expenses	1.3	0.9
Foreign exchange contracts	Other (income) expense, net	—	14.7
Interest rate swaps	Other (income) expense, net	(70.4)	(115.0)

Derivatives Designated as Hedging Instruments	(Gain) Loss Recognized in OCI		(Gain) Loss Reclassified from Accumulated OCI into Earnings		Statement of Operations Location
	2018	2017	2018	2017	
Foreign exchange contracts	$(0.2)	$(0.9)	$ (1.3)	$ —	Selling, general and administrative expenses

Interest rate swaps	(37.1)	3.6	(1.3)	0.3	Interest expense, net
Cross-currency swaps	(19.6)	—	—	—	Other (income) expense, net

Accumulated OCI included a $35.7 net gain on hedging instruments before taxes ($26.7 after taxes) at June 30, 2018, compared to a $18.1 net loss before taxes ($11.2 after taxes) at September 30, 2017. Approximately $5.2 of the net hedging gains reported in accumulated OCI at June 30, 2018 are expected to be reclassified into earnings within the next 12 months. For gains or losses associated with interest rate swaps, the reclassification will occur over the term of the related debt. Reclassification of gains and losses reported in accumulated OCI related to the cross-currency swaps will only occur in the event all United Kingdom-based operations are liquidated.

At June 30, 2018 and September 30, 2017, the Company had pledged collateral of $4.7 and $2.9, respectively, related to its commodity and energy contracts. These amounts are classified as “Restricted cash” on the Condensed Consolidated Balance Sheets.

NOTE 13 — FAIR VALUE MEASUREMENTS

The following table represents the Company's assets and liabilities measured at fair value on a recurring basis and the basis for that measurement according to the levels in the fair value hierarchy in ASC Topic 820.

	June 30, 2018			September 30, 2017		
	Total	Level 1	Level 2	Total	Level 1	Level 2
Assets:						
Deferred compensation investments	$42.2	$42.2	$—	$15.4	$15.4	$—
Derivative assets	58.1	—	58.1	5.9	—	5.9
	$100.3	$42.2	$58.1	$21.3	$15.4	$5.9
Liabilities:						
Deferred compensation liabilities	$49.8	$—	$49.8	$22.5	$—	$22.5
Derivative liabilities	168.2	—	168.2	243.5	—	243.5
	$218.0	$—	$218.0	$266.0	$—	$266.0

The deferred compensation investments are primarily invested in mutual funds and the fair value is measured using the market approach. These investments are in the same funds or funds that employ a similar investment strategy and purchased in substantially the same amounts as the participants' selected investment options (excluding Post common stock equivalents), which represent the underlying liabilities to participants in the Company's deferred compensation plans. Deferred compensation liabilities are recorded at amounts due to participants in cash, based on the fair value of participants' selected investment options (excluding certain Post common stock equivalents to be distributed in shares) using the market approach. In connection with the acquisition of Bob Evans (see Note 3), the Company expects to pay $24.7 related to the termination of Bob Evans' deferred compensation plans within the next 12 months.

The Company utilizes the income approach to measure fair value for its commodity and energy derivatives. The income approach uses pricing models that rely on market observable inputs such as yield curves and forward prices. Foreign exchange contracts are valued using the spot rate less the forward rate multiplied by the notional amount. The Company's calculation of the fair value of interest rate swaps is derived from a discounted cash flow analysis based on the terms of the contract and the interest rate curve. Refer to Note 12 for the classification of changes in fair value of derivative assets and liabilities measured at fair value on a recurring basis within the Condensed Consolidated Statements of Operations.

The Company's financial assets and liabilities also include cash and cash equivalents, receivables and accounts payable for which the carrying value approximates fair value due to their short maturities (less than 12 months). The Company does not record its current portion of long-term debt and long-term debt at fair value on the Condensed Consolidated Balance Sheets. Based on current market rates, the fair value of the Company's debt (Level 2) was $7,063.1 and $7,343.4 as of June 30, 2018 and September 30, 2017, respectively.

Certain assets and liabilities, including long-lived assets, goodwill and indefinite-lived intangibles, are measured at fair value on a non-recurring basis.

NOTE 14 — COMMITMENTS AND CONTINGENCIES

Legal Proceedings

Antitrust claims

In late 2008 and early 2009, some 22 class action lawsuits were filed in various federal courts against Michael Foods, Inc. ("Michael Foods"), a wholly owned subsidiary of the Company, and some 20 other defendants (producers of shell eggs and egg products, and egg industry organizations), alleging violations of federal and state antitrust laws in connection with the production and sale of shell eggs and egg products, and seeking unspecified damages. All cases were transferred to the Eastern District of Pennsylvania for coordinated and/or consolidated pretrial proceedings.

The case involved three types of plaintiffs: (1) a nationwide class of direct purchasers of shell eggs ("direct purchaser class"); (2) individual companies (primarily large grocery chains and food companies that purchase considerable quantities of eggs) that opted out of various settlements and filed their own complaints related to their purchases of shell eggs and egg products ("opt-out plaintiffs"); and (3) indirect purchasers of shell eggs ("indirect purchaser plaintiffs").

Resolution of claims: (1) In December 2016, Michael Foods settled all claims asserted against it by the direct purchaser class for a payment of $75.0, which was approved by the district court on December 21, 2017; (2) Michael Foods settled all claims asserted against it by opt-out plaintiffs related to shell egg purchases on confidential terms on January 19, 2017; and (3) in June

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2018, Michael Foods settled all claims asserted against it by indirect purchaser plaintiffs on confidential terms. Michael Foods has at all times denied liability in this matter, and no settlement contains any admission of liability by Michael Foods.

Remaining portion of the case: Michael Foods remains a defendant only with respect to claims that seek damages based on purchases of egg products by opt-out plaintiffs. The district court had granted summary judgment precluding any claims for egg products purchases by opt-out plaintiffs, but the Third Circuit Court of Appeals reversed and remanded these claims for further pre-trial proceedings. Defendants have sought leave to file a motion for summary judgment dismissing these claims and a decision is pending.

Although the likelihood of a material adverse outcome in the egg antitrust litigation has been significantly reduced as a result of the Michael Foods settlements described above, the remaining portion of the case could still result in a material adverse outcome. At this time, however, the Company does not believe it is possible to estimate any loss in connection with the remaining portion of the egg antitrust litigation. Accordingly, the Company cannot predict what impact, if any, this remaining matter and any results from such matter could have on the Company’s future results of operations or cash flows.

Related to these settlements, the Company expensed $0.3 and $2.3 during the three and nine months ended June 30, 2018, respectively, and $74.5 during the nine months ended June 30, 2017. These costs are included in “Selling, general and administrative expenses” in the Condensed Consolidated Statements of Operations. There were no accruals for these matters at June 30, 2018 or September 30, 2017. Under current law, any settlement paid, including the settlements with the direct purchaser plaintiffs, the opt-out plaintiffs and the indirect purchaser plaintiffs, is deductible for federal income tax purposes.

Bob Evans Appraisal Proceedings

Prior to completion of the Company’s acquisition of Bob Evans on January 12, 2018, Bob Evans received demands from certain stockholders demanding appraisal of their shares of Bob Evans common stock. After the completion of the acquisition, several such former stockholders filed petitions in the Delaware Court of Chancery (Arbitrage Fund v. Bob Evans Farms, Inc. filed on January 23, 2018; Blue Mountain Credit Alternatives Master Fund L.P., et al. v. Bob Evans Farms, Inc. filed on April 30, 2018; and 2017 Clarendon LLC, et al. v. Bob Evans Farms, Inc. filed on April 30, 2018) seeking appraisal of their shares of Bob Evans common stock pursuant to Section 262 of the Delaware General Corporation Law (“Section 262”). The lawsuits seek appraisal for such shares, plus statutory interest, as well as the costs of the proceedings and such other relief as appropriate. Under Section 262, persons who were stockholders at the time of the closing are entitled to have their shares appraised by the Delaware Court of Chancery and receive payment of the “fair value” of such shares (plus statutory interest) as determined by the Delaware Court of Chancery so long as such persons comply with applicable procedural requirements. By virtue of these lawsuits, approximately 3.3 shares of Bob Evans common stock (which were held by such former stockholders) are before the court for appraisal. As of completion of the acquisition, former Bob Evans stockholders can no longer submit new demands for appraisal. All other former stockholders have been paid for their shares at the $77.00 per share merger consideration amount. The Company intends to vigorously defend the cases.

At June 30, 2018, the Company had an accrual of $262.1 included in “Other liabilities” on the Condensed Consolidated Balance Sheet for these matters, which is the number of shares of Bob Evans common stock for which former Bob Evans stockholders have demanded appraisal and have not withdrawn their demands multiplied by the $77.00 per share merger consideration, plus statutory interest (see Note 3). There were no accruals for these matters at September 30, 2017. While the Company believes its accrual for these matters is appropriate, the final amounts required to resolve such matters could differ materially and the Company’s results of operations and cash flows could be materially affected. Accordingly, the Company cannot predict what impact, if any, these matters and any results from such matters could have on the Company’s future results of operations or cash flows.

Other

The Company is subject to various other legal proceedings and actions arising in the normal course of business. In the opinion of management, based upon the information presently known, the ultimate liability, if any, arising from such pending legal proceedings, as well as from asserted legal claims and known potential legal claims which are likely to be asserted, taking into account established accruals for estimated liabilities (if any), are not expected to be material individually or in the aggregate to the consolidated financial position, results of operations or cash flows of the Company. In addition, although it is difficult to estimate the potential financial impact of actions regarding expenditures for compliance with regulatory matters, in the opinion of management, based upon the information currently available, the ultimate liability arising from such compliance matters is not expected to be material to the consolidated financial position, results of operations or cash flows of the Company.

Leases

Historically, Bob Evans guaranteed certain payment and performance obligations associated with the leases for 143 properties (the "Guarantee") leased by the restaurant business formerly owned by Bob Evans (the “Bob Evans Restaurant Business”). The Guarantee remained in effect following the Company’s acquisition of Bob Evans. In the event the Bob Evans Restaurant Business fails to meet its payment and performance obligations under these leases, the Company may be required to make rent and other

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payments to the landlord under the requirements of the Guarantee. Should the Company, as guarantor of the lease obligations, be required to make all lease payments due for the remaining term of the leases subsequent to June 30, 2018, the maximum amount the Company may be required to pay is equal to the annual rent amount, for the remainder of the lease terms. The current annual rent on these leases is $13.3 and will increase up to 1.5% annually based on indexed inflation. The lease terms extend for approximately 18 years from June 30, 2018, and the Guarantee would remain in effect in the event the leases are extended for a renewal period. In the event the Company is obligated to make payments under the Guarantee, the Company believes its exposure is limited due to protections and recourse available in the leases associated with the leased properties, including a requirement of the landlord to mitigate damages by re-letting the properties in default. The Bob Evans Restaurant Business continues to meet its obligations under these leases and there have been no events that would indicate the obligations will not continue to be met. As such, the Company believes the fair value of the Guarantee is immaterial as of June 30, 2018.

NOTE 15 — LONG-TERM DEBT

Long-term debt as of the dates indicated consists of the following:

	June 30, 2018	September 30, 2017
5.625% Senior Notes maturing January 2028	$963.4	$ —
5.50% Senior Notes maturing March 2025	1,000.0	1,000.0
5.75% Senior Notes maturing March 2027	1,326.3	1,500.0
5.00% Senior Notes maturing August 2026	1,714.3	1,750.0
8.00% Senior Notes maturing July 2025	122.2	137.5
6.00% Senior Notes maturing December 2022	—	630.0
Term Loan	2,178.0	2,194.5
Capital leases	0.2	0.2
	$7,304.4	$ 7,212.2
Less: Current portion of long-term debt	(28.6)	(22.1)
Debt issuance costs, net	(73.8)	(81.8)
Plus: Unamortized premium	33.8	40.8
Total long-term debt	$7,235.8	$ 7,149.1

Senior Notes

On December 1, 2017, the Company issued $1,000.0 principal value of 5.625% senior notes due in January 2028. The 5.625% senior notes were issued at par and the Company received $990.6 after paying investment banking and other fees of $9.4, which are being deferred and amortized to interest expense over the term of the notes. Interest payments on the 5.625% senior notes are due semi-annually each January 15 and July 15. With the net proceeds received from this issuance, the Company repaid the $630.0 principal value of the 6.00% senior notes due in December 2022. In connection with the early repayment of these notes, the Company recorded expense of $37.3 in the first quarter of fiscal 2018, which is included in "(Gain) loss on extinguishment of debt, net" in the Condensed Consolidated Statement of Operations. This loss included a premium of $30.8 and debt issuance costs write-offs of $6.5. The remaining proceeds were used to fund a portion of the consideration paid for the Bob Evans acquisition which was completed on January 12, 2018 (see Note 3).

During the three and nine months ended June 30, 2018, the Company repurchased and retired principal value of outstanding debt totaling $149.3 and $261.3, respectively, consisting of portions of the 5.625% senior notes due in January 2028, the 5.75% senior notes due in March 2027, the 5.00% senior notes due in August 2026 and the 8.00% senior notes due in July 2025. In connection with the early repurchase and retirement of these notes, the Company recorded net gains of $6.1 and $7.1 in the three and nine months ended June 30, 2018, respectively, which are included included in "(Gain) loss on extinguishment of debt, net" in the Condensed Consolidated Statements of Operations. In the three months ended June 30, 2018, the net gain included gains realized on debt repurchased at a discount of $6.0 and write-offs of unamortized debt premium of $1.9, partially offset by debt issuance costs write-offs of $1.6 and premiums paid of $0.2. In the nine months ended June 30, 2018, the net gain included gains realized on debt repurchased at a discount of $7.3 and write-offs of unamortized debt premium of $4.6, partially offset by debt issuance costs write-offs of $2.8 and premiums paid of $2.0. The repurchases of an additional $6.5 principal value of the 5.625% senior notes due in January 2028 and the 5.00% senior notes due in August 2026 were initiated in June 2018 but were not settled until July 2018, and as such, the amount was reclassified to “Current portion of long-term debt” on the Condensed Consolidated Balance Sheet at June 30, 2018.

Credit Agreement

On March 28, 2017, the Company entered into an amended and restated credit agreement (as further amended, the “Credit Agreement”). The Credit Agreement provides for a revolving credit facility in an aggregate principal amount of $800.0 (the “Revolving Credit Facility”), with the commitments thereunder to be made available to the Company in U.S. Dollars, Canadian Dollars, Euros and Pounds Sterling. The issuance of letters of credit is available under the Credit Agreement in an aggregate amount of up to $50.0. The Revolving Credit Facility has outstanding letters of credit of $17.3 which reduced the available borrowing capacity under the Credit Agreement to $782.7 at June 30, 2018.

The Credit Agreement also provides for potential incremental revolving and term facilities at the request of the Company and at the discretion of the lenders, in each case on terms to be determined, and also permits the Company, subject to certain conditions, to incur incremental equivalent debt, in an aggregate maximum amount (for incremental revolving and term facilities and incremental equivalent debt combined) not to exceed the greater of (1) $700.0 and (2) the maximum amount at which (A) the Company’s pro forma consolidated leverage ratio (as defined in the Credit Agreement) would not exceed 6.50 to 1.00 and (B) the Company’s pro forma senior secured leverage ratio (as defined in the Credit Agreement) would not exceed 3.00 to 1.00 as of the date such indebtedness is incurred. The outstanding amounts under the Revolving Credit Facility must be repaid on or before March 28, 2022.

Borrowings under the Revolving Credit Facility will bear interest, at the option of the Company, at an annual rate equal to either the Base Rate, Eurodollar Rate or CDOR Rate (as such terms are defined in the Credit Agreement) plus an applicable margin ranging from 1.75% to 2.25% for Eurodollar Rate-based loans and CDOR Rate-based loans and from 0.75% to 1.25% for Base Rate-based loans, depending in each case on the Company’s senior secured leverage ratio. Commitment fees on the daily unused amount of commitments under the Revolving Credit Facility will accrue at rates ranging from 0.250% to 0.375%, also depending on the Company’s senior secured leverage ratio.

The Credit Agreement contains a financial covenant requiring the Company to maintain a senior secured leverage ratio (as defined in the Credit Agreement) not to exceed 4.25 to 1.00, measured as of the last day of any fiscal quarter if, as of the last day of such fiscal quarter, the aggregate outstanding amount of all revolving credit loans, swing line loans and letter of credit obligations (subject to certain exceptions specified in the Credit Agreement) exceeds 30% of the Company’s revolving credit commitments. As of June 30, 2018, the Company was not required to comply with such financial covenant as the aggregate amount of the aforementioned obligations did not exceed 30%.

The Credit Agreement provides for customary events of default, including material breach of representations and warranties, failure to make required payments, failure to comply with certain agreements or covenants, failure to pay, or default under, indebtedness in excess of $75.0, certain events of bankruptcy and insolvency, inability to pay debts, the occurrence of one or more unstayed or undischarged judgments in excess of $75.0, attachments issued against a material part of the Company’s property, change in control, the invalidity of any loan document, the failure of the collateral documents to create a valid and perfected first priority lien and certain Employee Retirement Income Security Act of 1974 events. Upon the occurrence of an event of default, the maturity of the loans under the Credit Agreement may be accelerated and the agent and lenders under the Credit Agreement may exercise other rights and remedies available at law or under the loan documents, including with respect to the collateral and guarantees for the Company’s obligations under the Credit Agreement.

The Credit Agreement also permits the Company to incur additional unsecured debt if, among other conditions, the pro forma consolidated interest coverage ratio (as defined in the Credit Agreement) would be greater than or equal to 2.00 to 1.00 after giving effect to such new debt. As of June 30, 2018, the pro forma consolidated interest coverage ratio exceeded this threshold.

Term Loan

On May 24, 2017, the Company entered into a Joinder Agreement No. 1 to the Credit Agreement (“Joinder No. 1”). Joinder No.1 provided for an incremental term loan of $1,200.0 (the “Joinder No. 1 Term Loan”) under the Credit Agreement. On June 29, 2017, the Company entered into a Joinder Agreement No. 2 to the Credit Agreement (“Joinder No. 2”). Joinder No. 2 provided for an incremental term loan of $1,000.0 (the “Joinder No. 2 Term Loan”) under the Credit Agreement. The Joinder No. 2 Term Loan was combined with the outstanding amounts under the Joinder No.1 Term Loan (collectively the “Term Loan”). On March 8, 2018, the Company entered into a second amendment to the

Credit Agreement (the “Second Amendment”). Under the Second Amendment, the interest rate margin for the Term Loan was reduced by 25 basis points such that a Eurodollar Rate Loan accrues interest at the Eurodollar Rate plus 2.00% per annum, and a Base Rate Loan accrues interest at the Base Rate plus 1.00% per annum (as such terms are defined in the Credit Agreement). The maturity date for the Term Loan remains May 24, 2024, and all other material provisions of the Credit Agreement remain unchanged. In connection with the Second Amendment, the Company recorded a write-off of debt issuance costs and other expenses of $1.3, which is included in “(Gain) loss on extinguishment of debt, net” in the Condensed Consolidated Statement of Operations in the nine months ended June 30, 2018.

NOTE 16 — PENSION AND OTHER POSTRETIREMENT BENEFITS

The Company maintains qualified defined benefit plans in the United States, the United Kingdom and Canada for certain employees primarily within its Post Consumer Brands and Weetabix segments. Certain of the Company's employees are eligible to participate in the Company's postretirement benefit plans (partially subsidized retiree health and life insurance). Amounts for the Canadian plans are included in the North America disclosures and are not disclosed separately because they do not constitute a significant portion of the combined amounts. During the nine months ended June 30, 2018, the Company made an accelerated pension funding contribution of $29.6 to its qualified defined benefit plans in the United States.

The following tables provide the components of net periodic benefit cost (gain) for the pension plans.

	North America			
	Three Months Ended June 30,		Nine Months Ended June 30,	
	2018	2017	2018	2017
Components of net periodic benefit cost (gain)				
Service cost	$1.1	$1.0	$3.2	$3.0
Interest cost	0.9	0.6	2.7	1.7
Expected return on plan assets	(1.1)	(0.8)	(3.3)	(2.3)
Recognized net actuarial loss	0.3	0.4	0.9	1.2
Recognized prior service cost	—	0.1	—	0.2
Net periodic benefit cost	$1.2	$1.3	$3.5	$3.8

	Other International			
	Three Months Ended June 30,		Nine Months Ended June 30,	
	2018	2017	2018	2017
Components of net periodic benefit cost (gain)				
Service cost	$1.7	$ —	$5.1	$ —
Interest cost	5.0	—	14.9	—
Expected return on plan assets	(8.1)	—	(24.1)	—
Net periodic benefit gain	$(1.4)	$ —	$(4.1)	$ —

The following table provides the components of net periodic benefit cost (gain) for the North American other postretirement benefit plans.

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2018	2017	2018	2017
Components of net periodic benefit cost (gain)				
Service cost	$0.1	$0.2	$0.4	$0.5
Interest cost	0.6	0.5	1.6	1.5
Recognized net actuarial loss	0.1	0.2	0.2	0.5
Recognized prior service credit	(1.2)	(1.2)	(3.5)	(3.6)
Net periodic benefit gain	$(0.4)	$(0.3)	$(1.3)	$(1.1)

NOTE 17 — SHAREHOLDERS' EQUITY

Stock Repurchases

In the three months ended June 30, 2018, the Company repurchased 1.1 shares of its common stock at an average share price of $77.30 for a total cost of $79.9, including broker's commissions. In the nine months ended June 30, 2018, the Company repurchased 2.9 shares of its common stock at an average share price of $76.21 for a total cost of $218.7, including broker's commissions. In the three months ended June 30, 2017, the Company repurchased 2.2 shares of its common stock at an average share price of $81.92 for a total cost of $180.7, including broker's commissions. In the nine months ended June 30, 2017, the Company repurchased 3.9 shares of its common stock at an average share price of $79.45 for a total cost of $313.8, including broker's commissions. The repurchases were recorded as "Treasury stock, at cost" on the Condensed Consolidated Balance Sheets and as "Purchases of treasury stock" on the Condensed Consolidated Statements of Cash Flows.

3.75% Series B Cumulative Perpetual Convertible Preferred Stock Conversion and Redemption

In the second quarter of fiscal 2018, the Company completed the redemption of its Series B Preferred. Substantially all of the 1.5 shares of Series B Preferred outstanding as of January 10, 2018, the date the redemption was announced, were converted into 3.1 shares of the Company's common stock pursuant to the conversion rights applicable to the Series B Preferred. The remaining shares of Series B Preferred were redeemed.

NOTE 18 — SEGMENTS

During the second quarter of fiscal 2018, the Company reorganized its reportable segments in accordance with ASC Topic 280, "Segment Reporting." At June 30, 2018, the Company's reportable segments were as follows:

- Post Consumer Brands: North American RTE cereal business;
- Weetabix: RTE cereal and the branded muesli business sold and distributed primarily outside of North America;
- Refrigerated Food: refrigerated foodservice, primarily egg and potato, and refrigerated retail, inclusive of side dishes, egg, cheese and sausage;
- Active Nutrition: protein shakes, bars and powders and nutritional supplements; and
- Private Brands: peanut and other nut butters, dried fruit and nut products, granola and pasta.

All fiscal 2018 and 2017 segment results reported herein have been reclassified to conform with the June 30, 2018 presentation.

Management evaluates each segment's performance based on its segment profit, which is its operating profit before impairment of property and intangible assets, facility closure related costs, restructuring expenses, (gains)/losses on assets held for sale, (gains)/losses on sale of facilities and other unallocated corporate income and expenses. The following tables present information about the Company's reportable segments, including corresponding amounts for the prior year.

	Three Months Ended June 30, 2018	2017	Nine Months Ended June 30, 2018	2017
Net Sales				
Post Consumer Brands	$466.4	$427.3	$1,360.7	$1,279.0
Weetabix	107.1	—	315.8	—
Refrigerated Food	613.1	464.5	1,723.7	1,395.8
Active Nutrition	216.4	188.7	607.6	519.9
Private Brands	209.1	192.3	628.1	585.9
Eliminations	(4.0)	(0.7)	(8.6)	(3.3)
Total	$1,608.1	$1,272.1	$4,627.3	$3,777.3
Segment Profit				
Post Consumer Brands	$83.3	$96.9	$244.6	$268.6
Weetabix	26.1	—	58.6	—
Refrigerated Food	56.5	41.2	188.3	55.3
Active Nutrition	40.2	28.0	86.1	74.1
Private Brands	12.7	13.1	43.8	41.2
Total segment profit	218.8	179.2	621.4	439.2
General corporate expenses (income) and other	31.0	(11.3)	104.8	35.0
Interest expense, net	98.9	76.5	288.2	229.6
(Gain) loss on extinguishment of debt, net	(6.1)	160.4	31.5	222.9
Other (income) expense, net	(17.2)	45.2	(70.4)	(100.3)
Earnings (loss) before income taxes	$112.2	$(91.6)	$267.3	$52.0
Depreciation and amortization				
Post Consumer Brands	$31.3	$27.4	$93.1	$81.5
Weetabix	9.5	—	29.3	—
Refrigerated Food	44.5	31.2	117.2	93.7
Active Nutrition	6.5	6.3	19.4	18.8
Private Brands	11.8	12.0	36.9	36.2
Total segment depreciation and amortization	103.6	76.9	295.9	230.2
Corporate and accelerated depreciation	2.1	0.9	4.9	2.7
Total	$105.7	$77.8	$300.8	$232.9

Assets	June 30, 2018	September 30, 2017
Post Consumer Brands	$3,397.7	$3,440.5
Weetabix	2,009.3	2,048.9
Refrigerated Food	5,101.9	3,176.0
Active Nutrition	552.3	581.3
Private Brands	1,057.5	1,054.9
Corporate	403.4	1,575.2
Total	$12,522.1	$11,876.8

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NOTE 19 — SUBSEQUENT EVENT

On August 2, 2018, Post, together with its subsidiary, 8th Avenue Food & Provisions, Inc. (“8th Avenue”), entered into a Transaction Agreement (the “Transaction Agreement”) with THL Equity Fund VIII Investors (PB), LLC, an affiliate of Thomas H. Lee Partners, L.P. (“THL”), in which Post and THL will separately capitalize 8th Avenue. Upon the closing of the transactions contemplated by the Transaction Agreement, 8th Avenue will become the holding company for Post’s private brands business, reported herein as Post’s Private Brands segment, and Post is expected to receive total proceeds of $875.0, retaining shares of common stock equal to 60.5% of the common equity in 8th Avenue. Post’s proceeds will consist of (i) $250.0 from THL and $625.0 from a committed senior increasing rate bridge loan (the “Bridge Loan”), which is expected to be funded not less than seven days prior to the closing of the transactions. Post anticipates that 8th Avenue will refinance the Bridge Loan promptly following the closing of the transactions with proceeds of a permanent debt financing. Pursuant to the transactions, THL will receive 2.5 shares of 8th Avenue preferred stock with an 11% cumulative, quarterly compounding dividend and $100.00 per share liquidation value and 39.5% of the common equity in 8th Avenue. The transactions are expected to be completed in October 2018, subject to certain closing conditions, including the expiration of waiting periods under antitrust laws.

ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The following discussion summarizes the significant factors affecting the consolidated operating results, financial condition, liquidity and capital resources of Post Holdings, Inc. This discussion should be read in conjunction with our unaudited condensed consolidated financial statements and notes thereto included herein, our audited Annual Report on Form 10-K for the fiscal year ended September 30, 2017 and the “Cautionary Statements Regarding Forward-Looking Statements” included below. The terms “our,” “we,” “us,” “Company” and “Post” as used herein refer to Post Holdings, Inc. and its consolidated subsidiaries.

OVERVIEW

We are a consumer packaged goods holding company operating in five reportable segments: Post Consumer Brands, Weetabix, Refrigerated Food, Active Nutrition and Private Brands. Our products are sold through a variety of channels such as grocery, club and drug stores, mass merchandisers, foodservice, food ingredient and e-commerce.

Segment Reorganization

During the second quarter of fiscal 2018, we reorganized our reportable segments in accordance with Accounting Standards Codification Topic 280, “Segment Reporting.” At June 30, 2018, our reportable segments were as follows:

- Post Consumer Brands: North American ready-to-eat (“RTE”) cereal business;
- Weetabix: RTE cereal and the branded muesli business sold and distributed primarily outside of North America;
- Refrigerated Food: refrigerated foodservice, primarily egg and potato, and refrigerated retail, inclusive of side dishes, egg, cheese and sausage;
- Active Nutrition: protein shakes, bars and powders and nutritional supplements; and
- Private Brands: peanut and other nut butters, dried fruit and nut products, granola and pasta.

All fiscal 2018 and 2017 segment results reported herein have been reclassified to conform with the June 30, 2018 presentation.

Acquisitions

We completed the following acquisitions during fiscal 2018 and 2017:

Fiscal 2018

- Bob Evans Farms, Inc. (“Bob Evans”), acquired January 12, 2018 and reported in our Refrigerated Food segment.

Fiscal 2017

- National Pasteurized Eggs, Inc. (“NPE”), acquired October 3, 2016 and reported in our Refrigerated Food segment; and
- Latimer Newco 2 Limited, a company registered in England and Wales (“Latimer”), and all of Latimer’s direct and indirect subsidiaries at the time of acquisition, including Weetabix Limited (collectively the “Weetabix Group”), acquired July 3, 2017. The results of the Weetabix Group’s operations outside of North America (“Weetabix”) are reported as our Weetabix segment, and the Weetabix Group’s North American operations (“Weetabix NA”) are reported in our Post Consumer Brands segment.

Due to the level of integration within existing businesses, certain discrete financial data for businesses acquired in fiscal 2018 and 2017 is not available for the three and nine months ended June 30, 2018.

RESULTS OF OPERATIONS

	Three Months Ended June 30,		favorable/(unfavorable)		Nine Months Ended June 30,		favorable/(unfavorable)	
dollars in millions	2018	2017	$ Change	% Change	2018	2017	$ Change	% Change
Net Sales	$1,608.1	$1,272.1	$ 336.0	26 %	$4,627.3	$3,777.3	$ 850.0	23 %
Operating Profit	$187.8	$190.5	$ (2.7)	(1)%	$516.6	$404.2	$ 112.4	28 %
Interest expense, net	98.9	76.5	(22.4)	(29)%	288.2	229.6	(58.6)	(26)%
(Gain) loss on extinguishment of debt, net	(6.1)	160.4	166.5	104 %	31.5	222.9	191.4	86 %
Other (income) expense, net	(17.2)	45.2	62.4	138 %	(70.4)	(100.3)	(29.9)	(30)%
Income tax expense (benefit)	15.4	(32.2)	(47.6)	(148)%	(216.5)	11.7	228.2	1,950 %
Less: Net earnings attributable to noncontrolling interest	0.3	—	(0.3)	n/a	0.9	—	(0.9)	n/a
Net Earnings (Loss)	$96.5	$(59.4)	$ 155.9	262 %	$482.9	$40.3	$ 442.6	1,098 %

Net Sales

Net sales increased $336.0 million, or 26%, during the three months ended June 30, 2018, and increased $850.0 million, or 23%, during the nine months ended June 30, 2018, compared to the corresponding periods in the prior year. These increases were primarily due to the inclusion of incremental contributions from our current year acquisition of Bob Evans and our prior year acquisition of the Weetabix Group, combined with net sales growth in all of our segments for the three and nine months ended June 30, 2018. For further discussion, refer to "Segment Results" within this section.

Operating Profit

Operating profit decreased $2.7 million, or 1%, during the three months ended June 30, 2018, and increased $112.4 million, or 28%, during the nine months ended June 30, 2018, compared to the corresponding periods in the prior year. Operating profit was negatively impacted by provisions for legal settlements of $0.3 million and $11.3 million in the three and nine months ended June 30, 2018, respectively, and $73.6 million in the nine months ended June 30, 2017. Additionally, operating profit was positively impacted by net foreign currency gains of $33.5 million in the three and nine months ended June 30, 2017 related to cash held in Pounds Sterling to fund the prior year acquisition of the Weetabix Group. Excluding these impacts, operating profit increased $31.1 million, or 20%, in the three months ended June 30, 2018 and increased $83.6 million, or 19%, in the nine months ended June 30, 2018. These increases were primarily due to the inclusion of incremental segment profit contribution from our current year acquisition of Bob Evans and our prior year acquisition of the Weetabix Group, as well as increased segment profit within our Refrigerated Food and Active Nutrition segments. Additionally, in the nine months ended June 30, 2018, our Private Brands segment had increased segment profit. For further discussion, refer to "Segment Results" within this section.

Interest Expense, Net

Interest expense increased $22.4 million, or 29%, during the three months ended June 30, 2018, compared to the corresponding period in the prior year. This increase was primarily due to an increase in the principal amount of our outstanding debt. Additionally, with respect to the amounts owed to former holders of shares of Bob Evans common stock who demanded appraisal of their shares under Delaware law and have not withdrawn their demands, we recorded $4.7 million of interest expense in the three months ended June 30, 2018 (See Note 3 within the "Notes to Condensed Consolidated Financial Statements"). For additional information on our debt, refer to Note 15 within the "Notes to Condensed Consolidated Financial Statements" and "Quantitative and Qualitative Disclosures About Market Risk" within Item 3.

Interest expense increased $58.6 million, or 26%, during the nine months ended June 30, 2018, compared to the corresponding period in the prior year. This increase was primarily due to an increase in the principal amount of our outstanding debt, partially offset by a decrease in the weighted-average interest rate on our total outstanding debt which was 5.0% and 5.9% for the nine months ended June 30, 2018 and 2017, respectively. Additionally, with respect to the amounts owed to former holders of shares of Bob Evans common stock who demanded appraisal of their shares under Delaware law and have not withdrawn their demands, we recorded $8.5 million of interest expense in the nine months ended June 30, 2018 (See Note 3 within the “Notes to Condensed Consolidated Financial Statements”). For additional information on our debt, refer to Note 15 within the “Notes to Condensed Consolidated Financial Statements” and “Quantitative and Qualitative Disclosures About Market Risk” within Item 3.

(Gain) Loss on Extinguishment of Debt, Net

During the three months ended June 30, 2018, we recognized a net gain of $6.1 million related to the extinguishment of portions of the principal balances of our 5.625% senior notes due in January 2028, 5.75% senior notes due in March 2027, 5.00% senior notes due in August 2026 and 8.00% senior notes due in July 2025. The net gain included gains realized on debt repurchased at a discount of $6.0 million and write-offs of unamortized debt premium of $1.9 million, partially offset by debt issuance costs write-offs of $1.6 million and premiums paid of $0.2 million.

During the nine months ended June 30, 2018, we recognized a net loss of $31.5 million related to the extinguishment of the principal balance of our 6.00% senior notes due in December 2022, portions of the principal balances of our 5.625% senior notes due in January 2028, 5.75% senior notes due in March 2027, 5.00% senior notes due in August 2026 and 8.00% senior notes due in July 2025 and the amendment of our term loan. The net loss included premiums paid of $32.8 million and debt issuance costs write-offs and other expenses of $10.6 million, partially offset by the write-off of an unamortized debt premium of $4.6 million and gains realized on debt repurchased at a discount of $7.3 million.

During the three months ended June 30, 2017, we recognized a loss of $160.4 million related to the extinguishment of the entire remaining principal balance of our 7.75% senior notes due in March 2024 and a portion of the principal balance of our 8.00% senior notes due in July 2025. The loss included tender premiums of $151.9 million and debt issuance costs write-offs of $8.5 million.

During the nine months ended June 30, 2017, we recognized a loss of $222.9 million related to the extinguishment of the entire remaining principal balances of our 7.75% senior notes due in March 2024, 7.375% senior notes due in February 2022 and 6.75% senior notes due in December 2021 and a portion of the principal balance of our 8.00% senior notes due in July 2025. The loss included tender premiums of $219.8 million and debt issuance costs write-offs of $18.6 million, partially offset by $15.5 million of write-offs for unamortized debt premium. For additional information on our debt, refer to Note 15 within the "Notes to Condensed Consolidated Financial Statements."

Other (Income) Expense, net

During the three months ended June 30, 2018, we recognized net gains of $17.2 million on our interest rate swaps, compared to net losses of $45.2 million in the three months ended June 30, 2017, on our interest rate swaps and cross-currency foreign exchange contracts. These amounts consist of non-cash mark-to-market adjustments as well as cash settlements. During the three months ended June 30, 2018, we recognized non-cash mark-to-market gains of $17.4 million, which were offset by cash settlements of $0.2 million. During the three months ended June 30, 2017, we recognized non-cash mark-to-market losses of $44.8 million, which were offset by cash settlements on our interest rate swaps of $0.4 million.

During the nine months ended June 30, 2018, we recognized net gains of $70.4 million on our interest rate swaps, compared to net gains in the nine months ended June 30, 2017 of $100.3 million on our interest rate swaps and cross-currency foreign exchange contracts. These amounts consist of non-cash mark-to-market adjustments as well as cash settlements. During the nine months ended June 30, 2018, we recognized non-cash mark-to-market gains of $71.4 million, which were offset by cash settlements of $1.0 million. During the nine months ended June 30, 2017, we recognized non-cash mark-to-market gains of $101.8 million, which were offset by cash settlements on our interest rate swaps of $1.5 million. For additional information on our interest rate swaps, refer to Note 12 within the "Notes to Condensed Consolidated Financial Statements" and "Quantitative and Qualitative Disclosures About Market Risk" within Item 3.

Income Taxes

Our effective income tax rate was 13.7% and (81.0)% for the three and nine months ended June 30, 2018, respectively, and 35.2% and 22.5% for the three and nine months ended June 30, 2017, respectively.

In the three and nine months ended June 30, 2018, our effective income tax rate was impacted by the Tax Act, which was enacted on December 22, 2017. The United States Securities and Exchange Commission (the "SEC") issued interpretive guidance regarding the Tax Act which was codified by Accounting Standards Update ("ASU") 2018-05 "Income Taxes (Topic 740): Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 118" in March 2018. The Tax Act resulted in significant impacts to our accounting for income taxes with the most significant of these impacts relating to the reduction of the U.S. federal corporate income tax rate, a one-time transition tax on unrepatriated foreign earnings and full expensing of certain qualified depreciable assets placed in service after September 27, 2017, and before January 1, 2023. The Tax Act enacts a new U.S. federal corporate income tax rate of 21% that will fully go into effect for our fiscal 2019 tax year and is prorated with the pre-December 22, 2017 U.S. federal corporate income tax rate of 35% for our current tax year. This proration results in a blended U.S. federal income tax rate of 24.5% for fiscal 2018. At the time these financial statements were issued, we had not completed the accounting for the tax effects related to the enactment of the Tax Act. However, provisional estimates were made in the following instances: (i) we remeasured our existing deferred tax assets and liabilities considering both the current fiscal year blended rate and the 21% rate for future periods and recorded a provisional tax benefit of $283.1 million and (ii) we calculated the one-time transition tax and recorded provisional tax expense of $7.1 million. Full expensing of certain depreciable assets will result in a temporary difference and will be analyzed throughout the year as assets are placed in service. Included in (i) above are tax benefit adjustments of $10.7 million and $12.4 million recorded in the three and nine months ended June 30, 2018, respectively, to further refine the remeasurement estimate made in the first quarter of fiscal 2018 of our existing deferred tax assets and liabilities considering both the current fiscal year blended rate and the 21% rate for future periods and to reflect deferred taxes recognized in fiscal 2017.

The changes included in the Tax Act are broad and complex, and as such, the final transition impacts of the Tax Act may differ from the above estimates, possibly materially, due to, among other things, changes in interpretations of the Tax Act, any legislative action to address questions that arise because of the Tax Act, any changes in current accounting standards for income taxes or related interpretations in response to the Tax Act, or any updates or changes to estimates we have utilized to calculate the transition impacts, including impacts resulting from changes to current year earnings estimates and foreign exchange rates. ASU 2018-05 allows for a measurement period of up to one year after the enactment date of the Tax Act to finalize the recording of the related tax impacts. We currently anticipate finalizing and recording any resulting adjustments by December 31, 2018.

In the three and nine months ended June 30, 2017, our effective income tax rate was impacted by retrospective reclassifications of $0.1 million and $6.2 million, respectively, of income tax benefits to “Income tax expense (benefit)” in the Condensed Consolidated Statements of Operations related to the adoption of ASU 2016-09 “Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting” (see Note 1 within the “Notes to Condensed Consolidated Financial Statements”).

SEGMENT RESULTS

We evaluate each segment’s performance based on its segment profit, which is its operating profit before impairment of property and intangible assets, facility closure related costs, restructuring expenses, (gains)/losses on assets held for sale, (gains)/losses on sale of facilities and other unallocated corporate income and expenses.

Post Consumer Brands

	Three Months Ended June 30,				Nine Months Ended June 30,			
			favorable/(unfavorable)				favorable/(unfavorable)	
dollars in millions	2018	2017	$ Change	% Change	2018	2017	$ Change	% Change
Net Sales	$466.4	$427.3	$ 39.1	9 %	$1,360.7	$1,279.0	$ 81.7	6 %
Segment Profit	$83.3	$96.9	$ (13.6)	(14)%	$244.6	$268.6	$ (24.0)	(9)%
Segment Profit Margin	18 %	23 %			18 %	21 %		

Net sales for the Post Consumer Brands segment increased $39.1 million, or 9%, for the three months ended June 30, 2018, primarily due to the inclusion of net sales from Weetabix NA, which was acquired in July 2017. Excluding this impact, net sales increased 3%. This increase was driven by 2% higher volumes as well as higher average net selling prices. Volume increases were primarily due to gains in licensed products, driven by new product introductions and expanded distribution, as well as increases in governmental bid business. These increases were partially offset by decreases in Honey Bunches of Oats, Malt-O-Meal bags, kid and adult classic brands, private label RTE cereal and comanufacturing. Average net selling prices increased primarily due to a favorable product mix, partially offset by higher trade spending which included increased slotting fees related to new product introductions.

Net sales for the Post Consumer Brands segment increased $81.7 million, or 6%, for the nine months ended June 30, 2018, primarily due to the inclusion of net sales from Weetabix NA. Excluding this impact, net sales were flat, primarily driven by 1% higher volumes, offset by lower average net selling prices. Volume increases were primarily due to gains in licensed products, driven by new product introductions and expanded distribution, governmental bid business and private label RTE cereal. These increases were partially offset by declines in Honey Bunches of Oats, Malt-O-Meal bags, kid and adult classic brands and comanufacturing. The decrease in average net selling prices was driven by higher trade spending which included increased slotting fees related to new product introductions, combined with an unfavorable product mix.

Segment profit for the three months ended June 30, 2018, decreased $13.6 million, or 14%, as compared to the prior year. The decrease in segment profit was primarily due to unfavorable manufacturing costs of $20.6 million, in part due to higher than expected conversion costs associated with new product introductions which are expected to improve in future periods, as well as unplanned downtime at two of our facilities which is not expected to be recurring. Segment profit was also negatively impacted by higher raw material costs of $3.8 million and higher freight costs of $4.4 million (excluding volume-driven increases). These negative impacts were partially offset by higher net sales, as previously discussed, lower advertising and consumer spending of $7.9 million and lower employee-related costs.

Segment profit for the nine months ended June 30, 2018, decreased $24.0 million, or 9%, as compared to the prior year. This decrease was driven by lower net selling prices, as previously discussed, higher freight costs of $10.2 million (excluding volume-driven increases), higher manufacturing costs of $8.0 million, higher raw materials costs of $5.5 million and higher integration costs of $1.1 million. These negative impacts were partially offset by lower advertising and consumer spending of $5.0 million and lower employee-related costs during the nine months ended June 30, 2018 as compared to the prior year.

Weetabix

dollars in millions	Three Months Ended June 30, 2018	Nine Months Ended June 30, 2018
Net Sales	$107.1	$315.8
Segment Profit	$26.1	$58.6
Segment Profit Margin	24 %	19 %

For the three months ended June 30, 2018, the Weetabix segment contributed $107.1 million of net sales and $26.1 million of segment profit. Volumes declined as compared to the same period (pre-acquisition) in the prior year, driven by decreased branded RTE cereal and on-the-go drink product volumes, partially offset by increased private label RTE cereal volumes. Net sales benefited from higher average net selling prices and a favorable foreign exchange translation rate compared to the prior year period. The increase in average net selling prices was driven by reduced trade spending, partially offset by an unfavorable product mix. Segment profit was positively impacted in the current year by favorable manufacturing costs and reduced advertising and consumer spending, partially offset by decreased volumes and an unfavorable product mix, as previously discussed, and higher depreciation and amortization expense resulting from acquisition-related valuation adjustments.

For the nine months ended June 30, 2018, the Weetabix segment contributed $315.8 million of net sales and $58.6 million of segment profit. Volumes declined compared to the same period (pre-acquisition) in the prior year, primarily due to lower branded RTE cereal and on-the-go drink product volumes, partially offset by increased private label RTE cereal volumes. Net sales benefited from higher average net selling prices and a favorable foreign exchange translation rate compared to the prior year period. The increase in average net selling prices was driven by reduced trade spending, partially offset by an unfavorable product mix. Segment profit was negatively impacted in the current year by decreased volumes and an unfavorable product mix, as previously discussed, and an unfavorable sales mix as well as inventory write-offs, integration costs and higher depreciation and amortization expense resulting from acquisition-related valuation adjustments.

Refrigerated Food

	Three Months Ended June 30,		favorable/(unfavorable)		Nine Months Ended June 30,		favorable/(unfavorable)	
dollars in millions	2018	2017	$ Change	% Change	2018	2017	$ Change	% Change
Net Sales	$613.1	$464.5	$ 148.6	32 %	$1,723.7	$1,395.8	$ 327.9	23 %
Segment Profit	$56.5	$41.2	$ 15.3	37 %	$188.3	$55.3	$ 133.0	241 %
Segment Profit Margin	9 %	9 %			11 %	4 %		

Net sales for the Refrigerated Food segment increased $148.6 million, or 32%, for the three months ended June 30, 2018, primarily due to the inclusion of net sales contributed by Bob Evans, which was acquired on January 12, 2018. Excluding this impact, net sales increased $36.6 million, or 8%. Egg product sales were up $35.6 million, or 10%, with volume up 5%, due to increased volumes in the foodservice channel and higher average net selling prices resulting from higher market-based egg prices and a favorable sales mix. Refrigerated potato product sales were up $1.8 million, or 4%, with volume up 2%, due to volume gains in the foodservice channel, partially offset by declines in the retail channel. Cheese and other dairy case products sales were down $0.8 million, or 1%, with volume down 6%, primarily due to branded cheese distribution losses. Compared to the prior year (pre-acquisition) period, sales for our Bob Evans business were up, driven by volume gains in refrigerated side dishes, partially offset by decreased sausage volumes, as well as the inclusion of incremental contribution from a prior year acquisition.

Net sales for the Refrigerated Food segment increased $327.9 million, or 23%, for the nine months ended June 30, 2018, primarily due to the inclusion of net sales from Bob Evans. Excluding this impact, net sales increased $108.3 million, or 8%. Egg product sales were up $104.1 million, or 10%, with volume up 5%, due to increased volumes in the foodservice channel combined with higher average net selling prices resulting from higher market-based egg prices and improved product mix. Refrigerated potato product sales were up $13.2 million, or 9%, with volume up 8%, due to volume gains in both the foodservice and retail channels. Cheese and other dairy case products sales were down $9.0 million, or 5%, with volume down 7%, primarily due to branded cheese distribution losses. Compared to the prior year (pre-acquisition) period, sales for our Bob Evans business were up, driven by increased refrigerated side dishes and sausage volumes, as well as the inclusion of incremental contribution from a prior year acquisition. Segment profit increased $15.3 million, or 37%, for the three months ended June 30, 2018, as compared to the prior year period. Segment profit was impacted in the current year period by operating profit of $9.9 million attributable to Bob Evans, as well as a provision for legal settlement of $0.3 million. Excluding these impacts, segment profit increased $5.7 million, or 14%, primarily due to increased volumes and higher average net selling prices, as previously discussed, partially offset by increased raw material costs and higher freight costs of $4.7 million (excluding volume-driven increases). Additionally, segment profit was negatively impacted by repair and clean-up expenses, lost revenue and corresponding lost margin related to modest service level issues resulting from a fire and municipal water boil order at two precooked egg facilities. The total negative impact on segment profit for these items was $3.5 million in the three months ended June 30, 2018. Segment profit for our Refrigerated Foods segment was also negatively impacted in the three months ended June 30, 2018 by integration costs of $1.5 million.

Segment profit increased $133.0 million, or 241%, for the nine months ended June 30, 2018. Segment profit was impacted in the current year period by a provision for legal settlement of $2.3 million, as well as operating profit of $9.0 million attributable to Bob Evans. Segment profit was impacted in the prior year period by a provision for legal settlement of $74.5 million. Excluding these impacts, segment profit increased $51.8 million, or 40%, primarily due to increased volumes and higher average net selling prices, as previously discussed, partially offset by higher freight costs of $12.6 million (excluding volume-driven increases), increased employee-related expenses and higher integration costs of $4.3 million. Additionally, segment profit was negatively impacted by repair and clean-up expenses, lost revenue and corresponding lost margin related to modest service level issues resulting from a fire and municipal water boil order at two precooked egg facilities. The total negative impact on segment profit for these items was $3.5 million in the nine months ended June 30, 2018. Segment profit for our Bob Evans business was negatively impacted in the nine months ended June 30, 2018, by integration costs of $7.1 million, an acquisition accounting-related inventory valuation adjustment of $4.8 million and acquisition-related costs of $2.5 million. Excluding these impacts, Bob Evans contributed $23.4 million to segment profit for the nine months ended June 30, 2018.

Active Nutrition

	Three Months Ended June 30,				Nine Months Ended June 30,			
			favorable/(unfavorable)				favorable/(unfavorable)	
dollars in millions	2018	2017	$ Change	% Change	2018	2017	$ Change	% Change
Net Sales	$216.4	$188.7	$ 27.7	15 %	$607.6	$519.9	$ 87.7	17 %
Segment Profit	$40.2	$28.0	$ 12.2	44 %	$86.1	$74.1	$ 12.0	16 %
Segment Profit Margin	19 %	15 %			14 %	14 %		

Net sales for the Active Nutrition segment increased $27.7 million, or 15%, for the three months ended June 30, 2018, primarily attributable to a 25% increase in protein shake and other ready-to-drink product volumes, partially offset by increased trade spending. The increase in protein shake and other ready-to-drink volumes was driven by increased consumption and distribution of shakes, as well as new product introductions. Volumes were down 10% for powders, primarily due to weakness in the domestic specialty channel, and 25% for bars, primarily due to lost distribution.

Net sales for the Active Nutrition segment increased $87.7 million, or 17%, for the nine months ended June 30, 2018, primarily attributable to protein shake and other ready-to-drink product volumes, which were up 29%, driven by increased consumption and distribution of shakes, as well as new product introductions. Volumes were down 9% for powders, primarily due to weakness in the domestic specialty channel, and 22% for bars, primarily due to lost distribution. Average net selling prices for the Active Nutrition segment were down primarily due to targeted price reductions and higher trade spending in the nine months ended June 30, 2018, as compared to the prior year period.

Segment profit increased $12.2 million, or 44%, for the three months ended June 30, 2018. This increase was driven by higher volumes, as previously discussed, and lower advertising and consumer spending of $3.7 million, partially offset by unfavorable raw material costs of $1.7 million and increased freight costs of $1.4 million (excluding volume-driven increases).

Segment profit increased $12.0 million, or 16%, for the nine months ended June 30, 2018. Segment profit in the nine months ended June 30, 2018, was impacted by a litigation settlement accrual of $9.0 million. Excluding this impact, segment profit increased $21.0 million, or 28%. This increase was driven by higher volumes, as previously discussed, lower advertising and consumer spending of $5.8 million and favorable manufacturing costs, partially offset by unfavorable raw material costs of $8.2 million, increased freight costs of $5.3 million (excluding volume-driven increases) and increased employee-related expenses to support growth.

Private Brands

	Three Months Ended June 30,		favorable/(unfavorable)		Nine Months Ended June 30,		favorable/(unfavorable)	
dollars in millions	2018	2017	$ Change	% Change	2018	2017	$ Change	% Change
Net Sales	$209.1	$192.3	$ 16.8	9 %	$628.1	$585.9	$ 42.2	7 %
Segment Profit	$12.7	$13.1	$ (0.4)	(3)%	$43.8	$41.2	$ 2.6	6 %
Segment Profit Margin	6 %	7 %			7 %	7 %		

Net sales for the Private Brands segment increased $16.8 million, or 9%, for the three months ended June 30, 2018. Nut butter sales increased 3%, with volume up 1%. Volume increases were primarily due to increases in tree-nut butter and traditional peanut butter, partially offset by decreases in roasting and granulation and organic peanut butter. Fruit and nut sales increased 58%, with volume up 46%, primarily due to retail distribution gains. Cereal and granola sales (excluding sales to the Post Consumer Brands segment) decreased 11%, with volume down 7%. Pasta sales decreased 1%, with volume down 2%, primarily due to declines in the food ingredient channel, partially offset by an increase in foodservice and comanufacturing volumes. The impact of lower volume was partially offset by increased average net selling prices as higher raw material costs were passed through to customers.

Net sales for the Private Brands segment increased $42.2 million, or 7%, for the nine months ended June 30, 2018. Nut butter sales increased 6%, with volume up 1%, primarily due to an increase in average net selling prices of conventional peanut butter as higher raw material costs were passed through to customers, as well as a favorable sales mix due to increases in higher-priced organic peanut butter and tree-nut butter volumes, combined with a decrease in lower-priced roasting and granulation volumes. Fruit and nut sales increased 27%, with volume up 12%, due to retail distribution gains. Cereal and granola sales (excluding sales to the Post Consumer Brands segment) decreased 11%, with volume down 7%. Pasta sales increased 5%, with volume up 6%, primarily due to increased foodservice, comanufacturing and governmental bid business volumes, combined with increased average net selling prices as higher raw material costs were passed through to customers.

Segment profit decreased $0.4 million, or 3%, for the three months ended June 30, 2018, primarily due to higher raw material costs (largely durum wheat and traditional peanuts) and increased freight and distribution costs. These negative impacts were partially offset by higher volumes, as previously discussed, lower manufacturing costs and decreased employee-related expenses. Segment profit for the three months ended June 30, 2017 was negatively impacted by an inventory write-off related to a small oven fire which occurred in the third quarter of fiscal 2017.

Segment profit increased $2.6 million, or 6%, for the nine months ended June 30, 2018, primarily due to higher volumes, a favorable sales mix and improved net selling prices, as previously discussed, improved gross margins resulting from the decision to exit certain low-margin business, lower manufacturing costs and decreased expenses related to comanufacturing agreements. These positive impacts were partially offset by higher raw material costs (largely durum wheat and traditional peanuts), increased freight costs and higher employee costs related to increased headcount to support the reorganized segment. Segment profit for the nine months ended June 30, 2017 was negatively impacted by an inventory write-off related to a small oven fire which occurred in the third quarter of fiscal 2017.

General Corporate Expenses (Income) and Other

	Three Months Ended June 30,		favorable/(unfavorable)		Nine Months Ended June 30,		favorable/(unfavorable)	
dollars in millions	2018	2017	$ Change	% Change	2018	2017	$ Change	% Change
General corporate expenses (income) and other	$31.0	$(11.3)	$ (42.3)	374 %	$104.8	$35.0	$ (69.8)	(199)%

General corporate expenses (income) and other increased $42.3 million, or 374%, during the three months ended June 30, 2018, primarily due to prior year net foreign currency gains of $33.5 million related to cash held in Pounds Sterling to fund the prior year acquisition of the Weetabix Group. Excluding this impact, general corporate expenses (income) and other increased $8.8 million, or 40%. The increase was primarily related to higher stock compensation costs of $2.6 million, increased losses (compared to gains in the prior year) related to mark-to-market adjustments on commodity and foreign currency hedges of $1.9 million, restructuring and plant closure costs related to the Post Consumer Brands segment of $2.1 million and integration costs related to the acquisition of Bob Evans of $0.5 million. These higher costs were partially offset by lower third party transaction costs of $0.9 million. For additional information on restructuring costs, see Note 4 within the "Notes to Condensed Consolidated Financial Statements." General corporate expenses (income) and other increased $69.8 million, or 199%, during the nine months ended June 30, 2018, primarily due to prior year net foreign currency gains of $33.5 million related to cash held in Pounds Sterling to fund the prior year acquisition of the Weetabix Group. Excluding this impact, general corporate expenses (income) and other increased $36.3 million,

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or 53%. The increase was primarily related to higher third party transaction-related costs of $17.2 million primarily related to the acquisition of Bob Evans, integration costs related to the acquisition of Bob Evans of $6.1 million, higher stock compensation costs of $3.2 million, restructuring and plant closure costs related to the Post Consumer Brands segment of $4.0 million and higher employee-related expenses to support growth. These higher costs were partially offset by increased gains related to mark-to-market adjustments on commodity and foreign currency hedges of $2.6 million. For additional information on restructuring costs, see Note 4 within the "Notes to Condensed Consolidated Financial Statements."

LIQUIDITY AND CAPITAL RESOURCES

In December 2017, we issued $1,000.0 million principal value of 5.625% senior notes due in January 2028. The net proceeds were used to repay the $630.0 million principal value of our 6.00% senior notes due in December 2022 and to fund a portion of the consideration paid for the Bob Evans acquisition.

During the nine months ended June 30, 2018, we repurchased and retired principal value of outstanding debt totaling $261.3 million consisting of portions of our 5.625% senior notes due in January 2028, our 5.75% senior notes due in March 2027, our 5.00% senior notes due in August 2026 and our 8.00% senior notes due in July 2025.

During the nine months ended June 30, 2018, we repurchased 2.9 million shares of our common stock at an average share price of $76.21 for a total cost of $218.7 million, including broker's commissions.

In March 2018, we amended our credit agreement (as amended and restated, the "Credit Agreement") to reduce the interest rate margin for our $2.2 billion term loan by 25 basis points such that a Eurodollar Rate Loan accrues interest at the Eurodollar Rate plus 2.00% per annum, and a Base Rate Loan accrues interest at the Base Rate plus 1.00% per annum (as such terms are defined in the Credit Agreement).

In connection with the acquisition of Bob Evans, we had accrued $262.1 million at June 30, 2018, related to amounts owed to former holders of shares of Bob Evans common stock who demanded appraisal of their shares under Delaware law and have not withdrawn their demands. The liability is reported in "Other liabilities" on the Condensed Consolidated Balance Sheet and includes accrued interest at the Federal Reserve Discount Rate plus a spread of 5.00%.

The following table shows select cash flow data, which is discussed below.

	Nine Months Ended June 30,	
dollars in millions	2018	2017
Cash provided by operating activities	$591.1	$214.4
Cash used in investing activities	(1,598.8)	(202.2)
Cash (used in) provided by financing activities	(173.9)	1,282.0
Effect of exchange rate changes on cash	(1.7)	34.9
Net (decrease) increase in cash and cash equivalents	$(1,183.3)	$1,329.1

Historically, we have generated and expect to continue to generate positive cash flows from operations. We believe our cash on hand, cash flows from operations and current and possible future credit facilities will be sufficient to satisfy our future working capital requirements, interest payments, research and development activities, capital expenditures, pension contributions and other financing requirements for the foreseeable future. Our ability to generate positive cash flows from operations is dependent on general economic conditions, competitive pressures and other business risk factors. If we are unable to generate sufficient cash flows from operations, or otherwise to comply with the terms of our credit facilities, we may be required to seek additional financing alternatives, which may require waivers under our Credit Agreement and indentures governing our senior notes, in order to generate additional cash. There can be no assurance that we would be able to obtain additional financing or any such waivers on terms acceptable to us or at all. For additional information on our debt, refer to Note 15 within the "Notes to Condensed Consolidated Financial Statements."

Short-term financing needs primarily consist of working capital requirements, principal and interest payments on our long-term debt and dividend payments on our cumulative preferred stock. Long-term financing needs will depend largely on potential growth opportunities, including acquisition activity and repayment or refinancing of our long-term debt obligations. We may, from time to time, seek to retire or purchase our outstanding debt through cash purchases in open market transactions, privately negotiated transactions or otherwise. Additionally, we may seek to repurchase shares of our common stock. Such repurchases, if any, will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors. The amounts involved may be material.

Operating Activities

Cash provided by operating activities for the nine months ended June 30, 2018 increased $376.7 million compared to the prior year period, driven by incremental cash flows from our current year acquisition of Bob Evans and prior year acquisition of the Weetabix Group and strong growth within our existing businesses, primarily in our Refrigerated Food and Active Nutrition segments. Additionally, cash provided by operating activities increased due to lower payments of advertising and consumer expenses and employee incentives and lower interest payments of $3.8 million, partially offset by an accelerated pension funding contribution of $29.6 million made to our qualified defined benefit plans in the United States. Cash flows in the prior year were negatively impacted by $103.0 million of legal settlements paid in the nine months ended June 30, 2017.

Investing Activities

Cash used in investing activities for the nine months ended June 30, 2018 increased $1,396.6 million compared to the prior year period, driven by an increase in cash paid for acquisitions related to our current year acquisition of Bob Evans, as well as an increase in capital expenditures of $17.1 million. The increase in capital expenditures is primarily related to the cage-free housing conversion at our Bloomfield, Nebraska egg facility. The prior year cash flow was also impacted by $10.5 million of proceeds received from the sale of our cereal plant located in Modesto, California and our Dymatize manufacturing facility located in Farmers Branch, Texas.

Financing Activities

Cash used in financing activities for the nine months ended June 30, 2018 was $173.9 million compared to cash provided by financing activities of $1,282.0 million in the prior year period. In fiscal 2018, we received proceeds from the issuance of our 5.625% senior notes due in January 2028 of $1,000.0 million. In connection with this senior notes issuance, combined with payments on prior year senior notes issuances, we paid $10.5 million in debt issuance costs. In addition, we repaid the outstanding principal balance of our 6.00% senior notes due in December 2022, a portion of the principal balances of our 5.625% senior notes due in January 2028, 5.75% senior notes due in March 2027, 5.00% senior notes due in August 2026 and 8.00% senior notes due in July 2025 and made quarterly principal payments on our term loan, which resulted in total principal payments of $900.5 million. We paid premiums and other expenses of $33.7 million related to the early extinguishment of the senior notes and costs associated with the amendment of our credit agreement. We also repurchased 2.9 million shares of our common stock for $218.7 million, including broker's commissions, during the nine months ended June 30, 2018.

In the nine months ended June 30, 2017, we received proceeds from the issuance of long-term debt of $3,950.0 million related to the issuance of $1,750.0 million principal of 5.50% and 5.75% senior notes and $2.2 billion under our Term Loan. A portion of the proceeds from the issuances were used to repay the outstanding principal balances of our 7.375%, 6.75% and 7.75% senior notes and a portion of our 8.00% senior notes, which combined with payments of other debt resulted in total principal payments of $2.1 billion. Related to the repayments of long-term debt, we paid tender premiums of $219.8 million for the early extinguishment of the senior notes. For the issuance of the new senior notes, the amendment and restatement of our prior credit agreement and the borrowings under our Term Loan, we paid $52.4 million in debt issuance costs and deferred financing fees. We also repurchased 3.9 million shares of our common stock at a total cost of $313.8 million, including broker's commissions, during the nine months ended June 30, 2017.

Debt Covenants

Under the terms of our Credit Agreement, we are required to comply with a financial covenant consisting of a ratio for quarterly maximum senior secured leverage (as defined in the Credit Agreement) not to exceed 4.25 to 1.00, measured as of the last day of any fiscal quarter if, as of the last day of such fiscal quarter, the aggregate outstanding amount of all revolving credit loans, swing line loans and letter of credit obligations (subject to certain exceptions specified in the Credit Agreement) exceeds 30% of our revolving credit commitments. As of June 30, 2018, we were not required to comply with such financial covenant as the aggregate amount of the aforementioned obligations did not exceed 30%. We do not believe non-compliance is reasonably likely in the foreseeable future.

Our Credit Agreement also permits us to incur additional unsecured debt if, among other conditions, our pro forma consolidated interest coverage ratio (as defined in the Credit Agreement) would be greater than or equal to 2.00 to

1.00 after giving effect to such new debt. As of June 30, 2018, our pro forma consolidated interest coverage ratio exceeded this threshold.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our critical accounting policies and estimates are more fully described in our Annual Report on Form 10-K for the year ended September 30, 2017 as filed with the SEC on November 17, 2017. There have been no significant changes to our critical accounting policies and estimates since September 30, 2017.

RECENTLY ISSUED ACCOUNTING STANDARDS

See Note 2 within the “Notes to Condensed Consolidated Financial Statements” for a discussion regarding recently issued accounting standards.

CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS

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 (the “Exchange Act”), are made throughout this report. These forward-looking statements are sometimes identified from the use of forward-looking words such as “believe,” “should,” “could,” “potential,” “continue,” “expect,” “project,” “estimate,” “predict,” “anticipate,” “aim,” “intend,” “plan,” “ likely,” “will,” “can,” “may,” “would” or the negative of these terms or similar expressions elsewhere in this report. Our result of operations, financial condition and cash flows may differ materially from those in the forward-looking statements. Such statements are based on management’s current views and assumptions, and involve risks and uncertainties that could affect expected results. Those risks and uncertainties include but are not limited to the following:

- our high leverage, our ability to obtain additional financing (including both secured and unsecured debt) and our ability to service our outstanding debt (including covenants that restrict the operation of our business);
- our ability to continue to compete in our product categories and our ability to retain our market position;
- our ability to anticipate and respond to changes in consumer preferences and trends and introduce new products;
- our ability to identify, complete and integrate acquisitions and manage our growth;
- significant volatility in the costs or availability of certain raw materials, commodities or packaging used to manufacture our products, higher energy costs or higher transportation costs;
- our ability to successfully implement business strategies to reduce costs;
- allegations that our products cause injury or illness, product recalls and product liability claims and other litigation;
- legal and regulatory factors, including advertising and labeling laws, changes in food safety and laws and regulations governing animal feeding and housing operations;
- our ability and timing to close the proposed transaction with THL Equity Fund VIII Investors (PB), LLC, an affiliate of Thomas H. Lee Partners, L.P. (“THL”), to capitalize our private brands business, including obtaining the required regulatory approvals and the satisfaction of other closing conditions in the transaction agreement;
- our ability to obtain a bridge loan and amend our credit agreement, and our private brands business’ ability to obtain permanent financing, in conjunction with the proposed transaction with THL;
- the potential for disruption to us and our private brands business from ongoing business operations in order to complete the proposed transaction with THL and the potential loss of key employees as a result of the transaction;
- the loss or bankruptcy of a significant customer;
- consolidations in the retail grocery and foodservice industries;
- our ability to promptly and effectively integrate the Bob Evans business, including the risk of experiencing disruptions from ongoing business operations which may make it more difficult than expected to maintain relationships with employees, business partners or governmental entities, and our ability to obtain expected cost savings and synergies of the acquisition within the expected timeframe;
- losses incurred in the appraisal proceedings brought in connection with our acquisition of Bob Evans by former Bob Evans stockholders who demanded appraisal of their shares;
- costs associated with Bob Evans’s sale and separation of its restaurant business on April 28, 2017 (the “Bob Evans Restaurants Transaction”), which occurred prior to our acquisition of Bob Evans, including costs that may arise under Bob Evans’s capacity as guarantor of payment and performance conditions for certain leases, as well as costs associated with a transition services agreement established as part of the Bob Evans Restaurants Transaction;
- our ability to promptly and effectively integrate the Weetabix Group business and obtain expected cost savings and synergies of the acquisition within the expected timeframe;
- the ability of our and our customers’ private brand products to compete with nationally branded products;
- disruptions or inefficiencies in the supply chain, which may result from our reliance on third party manufacturers for certain of our products;

- the ultimate impact litigation may have on us;
- our ability to successfully operate our international operations in compliance with applicable laws and regulations;
- changes in economic conditions, disruptions in the U.S. and global capital and credit markets and fluctuations in foreign currency exchange rates;
- the impact of the United Kingdom's exit from the European Union (commonly known as "Brexit") on us and our operations;
- impairment in the carrying value of goodwill or other intangibles;
- changes in estimates in critical accounting judgments and changes to or new laws and regulations affecting our business, including U.S. tax reform;
- changes in weather conditions, natural disasters, agricultural diseases and pests or other events beyond our control;
- loss of key employees, labor strikes, work stoppages or unionization efforts;
- losses or increased funding and expenses related to our qualified pension or other postretirement plans;
- costs, business disruptions and reputational damage associated with information technology failures, cybersecurity incidents or information security breaches;
- our ability to protect our intellectual property and other assets;
- significant differences in our actual operating results from our guidance regarding our future performance;
- our ability to satisfy the requirements of Section 404 of the Sarbanes-Oxley Act of 2002, including with respect to acquired businesses; and
- other risks and uncertainties included under "Risk Factors" in this document, in our Annual Report on Form 10-K for the fiscal year ended September 30, 2017, filed with the SEC on November 17, 2017 and in our Quarterly Report on Form 10-Q for the fiscal quarter ended December 31, 2017, filed with the SEC on February 2, 2018.

You should not rely upon forward-looking statements as predictions of future events. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee that the future results, levels of activity, performance or events and circumstances reflected in the forward-looking statements will be achieved or occur. Moreover, we undertake no obligation to update publicly any forward-looking statements for any reason after the date of this document to conform these statements to actual results or to changes in our expectations.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Commodity Price Risk

In the ordinary course of business, we are exposed to commodity price risks relating to the acquisition of raw materials and fuels. We use futures contracts, options and swaps to manage certain of these exposures when it is practical to do so. At June 30, 2018, we had a total notional amount of $87.8 million of such instruments outstanding. The fair values of the commodity and energy contracts consist of assets of $9.8 million and liabilities of $2.9 million. For more information, refer to Note 12 within the "Notes to Condensed Consolidated Financial Statements."

Foreign Currency Risk

Related to our foreign subsidiaries, we are exposed to risks of fluctuations in future cash flows and earnings due to changes in exchange rates. To mitigate these risks, we use a combination of foreign exchange contracts, which may consist of options, forward contracts and currency swaps. At June 30, 2018, we had a total notional amount of $674.8 million of such instruments outstanding. The fair value of foreign exchange contracts consists of assets of $17.4 million and liabilities of $25.4 million. For additional information, refer to Note 12 within the "Notes to Condensed Consolidated Financial Statements."

Interest Rate Risk

As of June 30, 2018, we had outstanding principal value of indebtedness of $7,304.4 million related to our senior notes, term loan and capital lease and an undrawn $800.0 million revolving credit facility. The revolving credit facility has outstanding letters of credit of $17.3 million, which reduced the available borrowing capacity to $782.7 million, at June 30, 2018. Of the total $7,304.4 million of outstanding indebtedness, $5,126.4 million bears interest at fixed rates with a weighted-average interest rate of 5.5%.

As of June 30, 2018, we had interest rate swaps with a notional value of $2,724.3 million consisting of:

- $75.0 million resulting in cash payments which began in July 2016 and will continue through May 2021;

- $750.0 million which will result in four net settlements with the first occurring in July 2019 and the last in July 2021;
- $899.3 million which will result in a net settlement in December 2019; and
- $1,000.0 million that obligates us to pay a fixed rate and receive one-month LIBOR, and requires monthly cash settlements that began in June 2017 and end in May 2024.

The fair values of interest rate swap contracts consist of assets of $30.9 million and liabilities of $139.9 million.

For additional information regarding our interest rate swaps and debt, refer to Notes 12 and 15 within the “Notes to Condensed Consolidated Financial Statements.”

Borrowings under the revolving credit facility will bear interest, at our option, at an annual rate equal to either the Base Rate, Eurodollar Rate or Canadian Dollar Offered Rate (“CDOR Rate”) plus an applicable margin ranging from 1.75% to 2.25% for Eurodollar Rate-based loans and CDOR Rate-based loans and from 0.75% to 1.25% for Base Rate-based loans, depending in each case on our senior secured leverage ratio (as defined in the Credit Agreement).

There have been no material changes in our assessment of market risk sensitivity since our presentation of “Quantitative and Qualitative Disclosures About Market Risk” in our Annual Report on Form 10-K, as filed with the SEC on November 17, 2017.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management, with the Chief Executive Officer (CEO) and Chief Financial Officer (CFO) of the Company, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this report. Based on that evaluation, our CEO and CFO concluded that, as of the end of the period covered by this report, the Company’s disclosure controls and procedures were effective to provide reasonable assurance of achieving the desired control objectives.

Changes in Internal Control Over Financial Reporting

During the nine months ended June 30, 2018, our internal control over financial reporting was materially affected by the transition of our financial reporting to a new consolidation system. Internal controls over the new consolidation system were in place at June 30, 2018 and the Company believes they were operating effectively. Additionally, in connection with the Company’s acquisition of the Weetabix Group in fiscal 2017 and Bob Evans in fiscal 2018, management is in the process of analyzing, evaluating and, where necessary, implementing changes in controls and procedures. This process may result in additions or changes to the Company’s internal control over financial reporting. There were no other changes in the Company’s internal control over financial reporting during the quarter ended June 30, 2018, that may have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

Antitrust claims

In late 2008 and early 2009, some 22 class action lawsuits were filed in various federal courts against Michael Foods, Inc. (“Michael Foods”), a wholly owned subsidiary of the Company, and some 20 other defendants (producers of shell eggs and egg products, and egg industry organizations), alleging violations of federal and state antitrust laws in connection with the production and sale of shell eggs and egg products, and seeking unspecified damages. All cases were transferred to the Eastern District of Pennsylvania for coordinated and/or consolidated pretrial proceedings.

The case involved three types of plaintiffs: (1) a nationwide class of direct purchasers of shell eggs (“direct purchaser class”); (2) individual companies (primarily large grocery chains and food companies that purchase considerable quantities of eggs) that opted out of various settlements and filed their own complaints related to their purchases of shell eggs and egg products (“opt-out plaintiffs”); and (3) indirect purchasers of shell eggs (“indirect purchaser plaintiffs”).

Resolution of claims: (1) In December 2016, Michael Foods settled all claims asserted against it by the direct purchaser class for a payment of $75.0 million, which was approved by the district court on December 21, 2017; (2) Michael Foods settled all claims asserted against it by opt-out plaintiffs related to shell egg purchases on confidential terms on January 19, 2017; and (3) in June 2018, Michael Foods settled all claims asserted against it by indirect purchaser plaintiffs on confidential terms. Michael Foods has at all times denied liability in this matter, and no settlement contains any admission of liability by Michael Foods.

Remaining portion of the case: Michael Foods remains a defendant only with respect to claims that seek damages based on purchases of egg products by opt-out plaintiffs. The district court had granted summary judgment precluding any claims for egg products purchases by opt-out plaintiffs, but the Third Circuit Court of Appeals reversed and remanded these claims for further pre-trial proceedings. Defendants have sought leave to file a motion for summary judgment dismissing these claims and a decision is pending.

Although the likelihood of a material adverse outcome in the egg antitrust litigation has been significantly reduced as a result of the Michael Foods settlements described above, the remaining portion of the case could still result in a material adverse outcome. At this time, however, the Company does not believe it is possible to estimate any loss in connection with this remaining portion of the egg antitrust litigation. Accordingly, the Company cannot predict what impact, if any, this remaining matter and any results from such matter could have on the Company's future results of operations or cash flows.

Bob Evans Appraisal Proceedings

Prior to completion of the Company's acquisition of Bob Evans Farms, Inc. ("Bob Evans") on January 12, 2018, Bob Evans received demands from certain stockholders demanding appraisal of their shares of Bob Evans common stock. After the completion of the acquisition, several such former stockholders filed petitions in the Delaware Court of Chancery (Arbitrage Fund v. Bob Evans Farms, Inc. filed on January 23, 2018; Blue Mountain Credit Alternatives Master Fund L.P., et al. v. Bob Evans Farms, Inc. filed on April 30, 2018; and 2017 Clarendon LLC, et al. v. Bob Evans Farms, Inc. filed on April 30, 2018) seeking appraisal of their shares of Bob Evans common stock pursuant to Section 262 of the Delaware General Corporation Law ("Section 262"). The lawsuits seek appraisal for such shares, plus statutory interest, as well as the costs of the proceedings and such other relief as appropriate. Under Section 262, persons who were stockholders at the time of the closing are entitled to have their shares appraised by the Delaware Court of Chancery and receive payment of the "fair value" of such shares (plus statutory interest) as determined by the Delaware Court of Chancery so long as such persons comply with applicable procedural requirements. By virtue of these lawsuits, approximately 3.3 million shares of Bob Evans common stock (which were held by such former stockholders) are before the court for appraisal. As of completion of the acquisition, former Bob Evans stockholders can no longer submit new demands for appraisal. All other former stockholders have been paid for their shares at the $77.00 per share merger consideration amount. The Company intends to vigorously defend the cases.

At June 30, 2018, the Company had an accrual of $262.1 million included in "Other liabilities" on the Condensed Consolidated Balance Sheet for these matters, which is the number of shares of Bob Evans common stock for which former Bob Evans stockholders have demanded appraisal and have not withdrawn their demands multiplied by the $77.00 per share merger consideration, plus statutory interest (see Note 3 within the "Notes to Condensed Consolidated Financial Statements"). There were no accruals for these matters at September 30, 2017. While the Company believes its accrual for these matters is appropriate, the final amounts required to resolve such matters could differ materially and the Company's results of operations and cash flows could be materially affected. Accordingly, the Company cannot predict what impact, if any, these matters and any results from such matters could have on the Company's future results of operations or cash flows.

Other

The Company is subject to various other legal proceedings and actions arising in the normal course of business. In the opinion of management, based upon the information presently known, the ultimate liability, if any, arising from such pending legal proceedings, as well as from asserted legal claims and known potential legal claims which are likely to be asserted, taking into account established accruals for estimated liabilities (if any), are not expected to be material individually or in the aggregate to the consolidated financial position, results of operations or cash flows of the Company. In addition, although it is difficult to estimate the potential financial impact of actions regarding expenditures for compliance with regulatory matters, in the opinion of management, based upon the information currently available, the ultimate liability arising from such compliance matters is not expected to be material to the consolidated financial position, results of operations or cash flows of the Company.

ITEM 1A. RISK FACTORS.

In addition to the information set forth elsewhere in this Form 10-Q, you should carefully consider the risk factors we previously disclosed in our Annual Report on Form 10-K, filed with the United States Securities and Exchange Commission (the "SEC") on November 17, 2017, as of and for the year ended September 30, 2017, and in our Quarterly Report on Form 10-Q, filed with the SEC on February 2, 2018, in addition to the risk factors set forth below. These risks could materially and adversely affect our business, financial condition and results of operations. The enumerated risks are not the only risks we face. Additional risks and uncertainties not presently known to us or that we currently deem immaterial also may impair our business operations, financial condition or results.

Our proposed transaction with THL to capitalize our private brands business is subject to the satisfaction of certain conditions and may not be consummated.

On August 2, 2018, we, together with our subsidiary 8th Avenue Food & Provisions, Inc. ("8th Avenue"), which will be the holding company for our private brands business, entered into a transaction agreement (the "Transaction Agreement") with THL Equity Fund VIII Investors (PB), LLC ("THL"). Upon closing of the transactions contemplated by the Transaction Agreement, 8th Avenue will become the holding company for our private brands business, reported herein as our Private Brands segment, and we will receive total proceeds of $875.0 million, consisting of (i) $250.0 million from THL and (ii) $625.0 million from a committed senior increasing rate bridge loan (the "Bridge Loan"). Completion of the transactions contemplated by the Transaction Agreement is subject to certain closing conditions, including the conditions described below.

The Bridge Loan will be assumed by 8th Avenue at the time of the closing of the transactions, but we will retain the proceeds of the Bridge Loan. Promptly after the closing of the transactions, 8th Avenue intends to refinance the Bridge Loan by entering into a permanent credit facility providing for an amount at least equal to the amount of the Bridge Loan (the "Permanent Financing"). In addition, in order to consummate the transactions, we will be required to amend our Amended and Restated Credit Agreement (as amended, the "Credit Agreement") to allow 8th Avenue and its subsidiaries to be designated as "unrestricted subsidiaries," which will release 8th Avenue and its subsidiaries as secured guarantors thereunder, and we will be required to designate 8th Avenue and its subsidiaries as "unrestricted subsidiaries" under our senior notes indentures, which will release 8th Avenue and its subsidiaries as guarantors of our senior notes indentures. The Transaction Agreement includes closing conditions that we obtain the Bridge Loan, that 8th Avenue will have certified that the Permanent Financing will be available promptly following the consummation of the transactions, and that we have obtained the requisite amendments to our Credit Agreement and have designated 8th Avenue and its subsidiaries as unrestricted subsidiaries under our senior notes indentures.

THL's investment in 8th Avenue is subject to review under applicable antitrust laws and the closing of the transactions is subject to the condition that the applicable waiting periods under the antitrust laws, and any applicable extensions thereof, have expired. We cannot provide assurance that all required regulatory clearances will be obtained. Although the Transaction Agreement provides that we are not required to commit to dispositions of assets in order to obtain regulatory clearance, if we determine to take such actions in order to close the transactions, it could be detrimental to 8th Avenue following the consummation of the transactions. Even if any applicable statutory waiting period expires, the Department of Justice, the Federal Trade Commission, state attorneys general, or other regulatory authorities could seek to block or challenge the transactions, or seek the divestiture of assets or seek other remedies as they deem necessary at any time, including after completion of the transactions. Furthermore, in some circumstances, a third party could initiate a private action under antitrust laws challenging or seeking to enjoin the transactions, before or after they are completed. We may not prevail and may incur significant costs in defending or settling any action under the antitrust laws.

We expect the transactions to close in the fourth calendar quarter of 2018 (our fiscal year 2019 first quarter). There can be no assurance, however, that all closing conditions for the transactions will be satisfied and, if they are satisfied, that they will be satisfied in time for the closing to occur during the period noted above. The Transaction Agreement may be terminated under certain limited circumstances, and the Transaction Agreement may be terminated if the closing conditions have not been satisfied or waived by February 2, 2019.

Completion of the transactions contemplated by the Transaction Agreement may be disruptive to the private brands business.

Our private brands business has been, and will continue to be, required to devote significant management and employee attention and resources to matters relating to the Transaction Agreement. These matters have the potential to disrupt the private brands business from its ongoing business operations and could adversely affect the private brands' business, financial results, financial condition and cash flow. In addition, the private brands business could lose key employees as a result of the transaction.

Failure to complete the transactions contemplated by the Transaction Agreement could impact our stock price and our future business and financial results.

If the transactions contemplated by the Transaction Agreement are not completed, our ongoing business and financial results may be adversely affected, and we will be subject to a number of risks, including the following:

- depending on the reasons for the failure to complete the transactions, we could be liable to THL for monetary or other damages in connection with the termination or breach of the Transaction Agreement;
- we have dedicated significant time and resources, financial and otherwise, in planning for the transactions, of which we would lose the benefit if the transactions are not completed;
- we are responsible for certain transaction costs relating to the transactions, whether or not the transactions are completed;
- while the Transaction Agreement is in force, our private brands business is subject to certain restrictions on the conduct of its business; and
- matters relating to the transactions have required substantial commitments of time and resources by our management, whether or not the transactions are completed, which could otherwise have been devoted to other opportunities that may have been beneficial to us.

In addition, if the transactions are not completed, we may experience negative reactions from the financial markets and from our shareholders and employees. We also may be subject to litigation related to any failure to complete the transactions or to enforcement proceedings commenced against us to perform our obligations under the Transaction Agreement. If the transactions are not completed, these risks may materialize and may adversely affect our business, financial results, financial condition and cash flows, as well as the price of our common stock.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

The following table sets forth information with respect to shares of our common stock that we purchased during the three months ended June 30, 2018:

Period	Total Number of Shares Purchased (a)	Average Price Paid per Share (b)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (c)	Approximate Dollar Value of Shares that may yet be Purchased Under the Plans or Programs (b) (c)
April 1, 2018- April 30, 2018	358,371	$78.08	358,371	$65,522,418
May 1, 2018- May 31, 2018	599,269	$76.59	599,269	$314,015,626
June 1, 2018- June 30, 2018	75,723	$78.91	75,723	$308,040,311
Total	1,033,363	$77.28	1,033,363	$308,040,311

(a) The total number of shares purchased includes: (i) shares purchased on the open market and (ii) shares purchased pursuant to a Rule 10b5-1 plan.

(b) Does not include broker’s commissions.

(c) On June 6, 2017, our Board of Directors authorized the Company to repurchase up to $250,000,000 of shares of our common stock. The authorization had an expiration date of June 6, 2019. However, on May 2, 2018, our Board of Directors terminated the authorization effective May 6, 2018 and approved a new authorization to repurchase up to $350,000,000 of shares of our common stock to begin on May 7, 2018. As of May 6, 2018, the approximate dollar value of shares that could yet be purchased under the prior authorization was $55,609,600. The table discloses the approximate dollar value of shares that may yet be purchased under the new authorization as of June 30, 2018.

ITEM 6. EXHIBITS.

The following exhibits are either provided with this Form 10-Q or are incorporated herein by reference.

Exhibit No.	Description
*‡2.1	Transaction Agreement, dated as of August 2, 2018, by and among THL Equity Fund VIII Investors (PB), LLC, 8th Avenue Food & Provisions, Inc. and Post Holdings, Inc. (Incorporated by reference to Exhibit 2.1 to the Company's Form 8-K filed on August 2, 2018)
*3.1	Amended and Restated Articles of Incorporation of Post Holdings, Inc. (Incorporated by reference to Exhibit 3.1 to the Company's Form 10-Q filed on February 2, 2018)
*3.2	Amendment of Amended and Restated Articles of Incorporation of Post Holdings, Inc. (Incorporated by reference to Exhibit 3.2 to the Company's Form 10-Q filed on February 2, 2018)
*3.3	Amended and Restated Bylaws of Post Holdings, Inc. (Incorporated by reference to Exhibit 3.2 to the Company's Form 8-K filed on January 31, 2018)
*4.1	Certificate of Designation, Preferences and Rights of 2.5% Series C Cumulative Perpetual Convertible Preferred Stock (Incorporated by reference to Exhibit 4.1 to the Company's Form 8-K filed on December 16, 2013)
*4.2	Indenture (2025 Notes), dated as of August 18, 2015, by and among Post Holdings, Inc., the Guarantors (as defined therein) and Wells Fargo Bank, National Association, as trustee (Incorporated by reference to Exhibit 4.1 to the Company's Form 8-K/A filed on August 21, 2015)
*4.3	Indenture (2026 Notes), dated as of August 3, 2016, by and among Post Holdings, Inc., the Guarantors (as defined therein) and Wells Fargo Bank, National Association, as trustee (Incorporated by reference to Exhibit 4.1 to the Company's Form 8-K filed on August 3, 2016)
*4.4	Indenture (2025 Notes), dated as of February 14, 2017, by and among Post Holdings, Inc., the Guarantors (as defined therein) and Wells Fargo Bank, National Association, as trustee (Incorporated by reference to Exhibit 4.1 to the Company's Form 8-K filed on February 14, 2017)
*4.5	Indenture (2027 Notes), dated as of February 14, 2017, by and among Post Holdings, Inc., the Guarantors (as defined therein) and Wells Fargo Bank, National Association, as trustee (Incorporated by reference to Exhibit 4.2 to the Company's Form 8-K filed on February 14, 2017)
*4.6	Third Supplemental Indenture (2025 Notes), dated as of May 19, 2017, by and among Post Holdings, Inc., the Guarantors (as defined therein), and Wells Fargo Bank, National Association, as trustee (Incorporated by reference to Exhibit 4.2 to the Company's Form 8-K filed on May 22, 2017)
*4.7	Indenture (2028 Notes), dated as of December 1, 2017, by and among Post Holdings, Inc., the Guarantors (as defined therein) and Wells Fargo Bank, National Association, as trustee (Incorporated by reference to Exhibit 4.1 to the Company's Form 8-K filed on December 4, 2017)
**†10.48	Form of Cliff Vesting Stock-Settled Restricted Stock Unit Agreement (two year vesting)
**†10.49	Letter of Understanding, dated as of June 4, 2018, by and between Post Holdings, Inc. and Chris Neugent

**†10.50	Amendment to Side Letter Agreement, effective as of July 31, 2018, by and among James E. Dwyer, Jr., Post Holdings, Inc. and Dakota Growers Pasta Company, Inc.
**31.1	Certification of Robert V. Vitale pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, dated August 3, 2018
**31.2	Certification of Jeff A. Zadoks pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, dated August 3, 2018
**32.1	Certification of Robert V. Vitale and Jeff A. Zadoks, pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, dated August 3, 2018
**101	Interactive Data File (Form 10-Q for the quarterly period ended June 30, 2018 filed in XBRL). The financial information contained in the XBRL-related documents is “unaudited” and “unreviewed.”

* Incorporated by reference.

** Furnished with this Form 10-Q.

† These exhibits constitute management contracts, compensatory plans and arrangements.

‡ Schedules and exhibits have been omitted pursuant to Item 601(b)(2) of Regulation S-K. The Company hereby undertakes to furnish copies of any of the omitted schedules and exhibits upon request by the U.S. Securities and Exchange Commission.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, Post Holdings, Inc. has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

		POST HOLDINGS, INC.
Date:	August 3, 2018	By: /s/ Jeff A. Zadoks
		Jeff A. Zadoks
		EVP and Chief Financial Officer (Principal Financial and Accounting Officer)