

CONAGRA FOODS INC /DE/
Form 10-K
July 15, 2016

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

FORM 10-K
(Mark One)

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended May 29, 2016

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

For the transition period from _____ to _____
Commission File No. 1-7275

CONAGRA FOODS, INC.
(Exact name of registrant as specified in its charter)

Delaware 47-0248710
(State or other jurisdiction of (I.R.S.
incorporation or organization) Employer
Identification
No.)

222 W. Merchandise Mart Plaza, Suite 1300 60654
Chicago, Illinois
(Address of principal executive offices) (Zip Code)
Registrant's telephone number, including area code (312) 549-5000

Securities registered pursuant to section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, \$5.00 par value	New York Stock Exchange

Securities registered pursuant to section 12(g) of the Act: None

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

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☒

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form

10-K. ☒

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐ Accelerated filer ☐

Non-accelerated filer ☐ (Do not check if a smaller reporting company) Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐

No ☒

The aggregate market value of the voting common stock of ConAgra Foods, Inc. held by non-affiliates on November 29, 2015 (the last business day of the Registrant’s most recently completed second fiscal quarter) was approximately \$18,081,494,300 based upon the closing sale price on the New York Stock Exchange on such date. At June 26, 2016, 438,720,098 common shares were outstanding.

Documents Incorporated by Reference

Portions of the Registrant’s definitive Proxy Statement for the Registrant’s 2016 Annual Meeting of Stockholders (the “2016 Proxy Statement”) are incorporated by reference into Part III.

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PART I

This annual report on Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Actual results, performance or achievements could differ materially from those projected in the forward-looking statements as a result of a number of risks, uncertainties, and other factors. For a discussion of important factors that could cause our results, performance, or achievements to differ materially from any future results, performance, or achievements expressed or implied by our forward-looking statements, please refer to Item 1A, Risk Factors and Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations below.

ITEM 1. BUSINESS

General Development of Business

ConAgra Foods, Inc., a Delaware corporation, together with its consolidated subsidiaries (collectively, the "Company," "we," "our" or "us"), is one of North America's leading packaged food companies with recognized brands such as Marie Callender's®, Healthy Choice®, Slim Jim®, Hebrew National®, Orville Redenbacher's®, Peter Pan®, Reddi-wip®, PAM®, Snack Pack®, Banquet®, Chef Boyardee®, Egg Beaters®, Hunt's®, and many other ConAgra Foods brands found in grocery, convenience, mass merchandise, and club stores. We also have a strong business-to-business presence, supplying frozen potato and sweet potato products as well as other vegetable, spice, and grain products to a variety of well-known restaurants, foodservice operators, and commercial customers. We began as a Midwestern flour-milling company and entered other commodity-based businesses throughout our history. We were initially incorporated as a Nebraska corporation in 1919 and were reincorporated as a Delaware corporation in December 1975. Over time, through various acquisitions and divestitures, we changed the make-up of our company and focused on growing our branded food businesses to become the leading food company we are today. Making this shift involved acquiring a number of consumer food brands such as Banquet®, Chef Boyardee®, Marie Callender's®, and Alexia®. We have divested our Private Brands business, milling business, dehydrated and fresh vegetable operations, a trading and merchandising business, packaged meat and cheese operations, and poultry, beef, and pork businesses, among others. Growing our food businesses has also been fueled by innovation, organic growth of our brands, and expansion into adjacent categories. We are focused on delivering sustainable, profitable growth with strong and improving returns on our invested capital.

In January 2013, we acquired Ralcorp Holdings, Inc. ("Ralcorp"), a manufacturer of private branded food. Since the acquisition of Ralcorp, we focused on addressing executional shortfalls and customer service issues intended to improve operating performance for the Private Brands business. However, after further review of the Private Brands business, we changed our strategic direction and divested the Private Brands business in the third quarter of fiscal 2016.

On November 18, 2015, we announced our plans to separate ConAgra Foods, Inc. into two public companies, Conagra Brands and Lamb Weston. The transaction, expected to be structured as a spinoff of the Lamb Weston business to the shareholders of ConAgra Foods, Inc. in the fall of calendar 2016, is expected to be tax free to the Company and its shareholders. During late fiscal 2016 and early fiscal 2017, we announced that we had entered into separate agreements to separately sell our Spicetec Flavors & Seasonings business and JM Swank businesses. Each of the transactions is subject to the satisfaction of customary closing conditions and is expected to be completed in the first quarter of fiscal 2017. All of these businesses are part of the Commercial Foods segment.

In fiscal 2016, we also announced the relocation of our corporate headquarters to Chicago, Illinois beginning in the summer of calendar year 2016. We completed the relocation in the first quarter of fiscal 2017. Our efficiency and effectiveness initiatives continue to be implemented with a high degree of customer focus, food safety and quality, and commitment to our people.

Financial Information about Reporting Segments

We report our operations in two reporting segments: Consumer Foods and Commercial Foods. The contributions of each reporting segment to net sales, operating profit, and identifiable assets are set forth in Note 21 "Business Segments and Related Information" to the consolidated financial statements.

Narrative Description of Business

We compete throughout the food industry and focus on adding value for our customers who operate in the retail food, foodservice, and ingredients channels.

Our operations, including our reporting segments, are described below. Our locations, including manufacturing facilities, within each reporting segment, are described in Item 2, Properties.

Consumer Foods

The Consumer Foods reporting segment principally includes branded food sold in various retail channels primarily in North America. Our food products are sold in a variety of categories (meals, entrees, condiments, pasta, sides, snacks, and desserts) in various retail channels across frozen, refrigerated, and shelf-stable temperature classes. Major brands include: ACT II®, Banquet®, Blue Bonnet®, Chef Boyardee®, DAVID®, Egg Beaters®, Healthy Choice®, Hebrew National®, Hunt'®, Marie Callender'®, Orville Redenbacher'®, PAM®, Peter Pan®, Reddi-wip®, Slim Jim®, Snack Pack®, Swiss Miss®, Van Camp'®, and Wesson®.

Commercial Foods

The Commercial Foods reporting segment includes commercially branded and private label food and ingredients, which are sold primarily to commercial, foodservice, restaurant, food manufacturing, and industrial customers. The segment's primary food items include: frozen potato and sweet potato items and a variety of vegetable, spice, and frozen bakery goods, which are sold under brands such as Lamb Weston® and Spicetec Flavors & Seasonings®.

Unconsolidated Equity Investments

We have a number of unconsolidated equity investments. Our significant equity method investments include a milling business (see "Formation of Ardent Mills" below) and other domestic and international investments that produce and market potato products for retail and foodservice customers.

Acquisitions

In May 2015, we acquired Blake's All Natural Foods, a family-owned company specializing in all natural and organic frozen meals, including pot pies, casseroles, pasta dishes and other entrees. This business is included in the Consumer Foods segment.

In July 2014, we acquired TaiMei Potato Industry Limited, a potato processor in China. The purchase included property and equipment associated with making frozen potato products. This business is included in the Commercial Foods segment.

Discontinued Operations

On February 1, 2016, pursuant to a Stock Purchase Agreement, dated as of November 1, 2015, we completed the disposition of our Private Brands operations to TreeHouse Foods, Inc. ("Treehouse"). The Private Brands assets and liabilities have been reclassified as held for sale for all periods presented prior to the divestiture and the results of operations have been classified as discontinued operations for all periods presented.

Formation of Ardent Mills

On May 29, 2014, the Company, Cargill, Incorporated ("Cargill"), and CHS Inc. ("CHS"), completed the formation of Ardent Mills, which combined the North American flour milling operations and related businesses operated through the ConAgra Mills division of ConAgra Foods and the Horizon Milling joint venture of Cargill and CHS. We reflected the operating results of our legacy milling business as discontinued operations for all periods presented. Our equity in the earnings of Ardent Mills is reflected in our continuing operations.

General

The following comments pertain to all of our reporting segments.

ConAgra Foods is a food company that operates in many sectors of the food industry, with a significant focus on the sale of branded, private branded, and value-added consumer food, as well as foodservice items and ingredients. We use many different raw materials, the bulk of which are commodities. The prices paid for raw materials used in making our food generally reflect factors such as weather, commodity market fluctuations, currency fluctuations, tariffs, and the effects of governmental agricultural programs. Although the prices of raw materials can be expected to fluctuate as a result of these factors, we believe such raw materials to be in adequate supply and generally available from numerous sources. From time to time, we have faced increased costs for many of our significant raw materials, packaging, and energy inputs. We seek to mitigate higher input costs through productivity and pricing initiatives, and the use of derivative instruments used to economically hedge a portion of forecasted future consumption.

We experience intense competition for sales of our food items in our major markets. Our food items compete with widely advertised, well-known, branded food, as well as private branded and customized food items. Some of our competitors are larger and have greater resources than we have. We compete primarily on the basis of quality, value, customer service, brand recognition, and brand loyalty.

Demand for certain of our food items may be influenced by holidays, changes in seasons, or other annual events.

We manufacture primarily for stock and fill our customer orders from finished goods inventories. While at any given time there may be some backlog of orders, such backlog is not material in respect to annual net sales, and the changes of backlog orders from time to time are not significant.

Our trademarks are of material importance to our business and are protected by registration or other means in the United States and most other markets where the related food items are sold. Some of our food items are sold under brands that have been licensed from others. We also actively develop and maintain a portfolio of patents, although no single patent is considered material to the business as a whole. We have proprietary trade secrets, technology, know-how, processes, and other intellectual property rights that are not registered.

Many of our facilities and products we make are subject to various laws and regulations administered by the United States Department of Agriculture, the Federal Food and Drug Administration, the Occupational Safety and Health Administration, and other federal, state, local, and foreign governmental agencies relating to the food safety and quality, sanitation, safety and health matters, and environmental control. We believe that we comply with such laws and regulations in all material respects and that continued compliance with such regulations will not have a material effect upon capital expenditures, earnings, or our competitive position.

Our largest customer, Wal-Mart Stores, Inc. and its affiliates, accounted for approximately 16%, 16%, and 17% of consolidated net sales for fiscal 2016, 2015, and 2014, respectively.

At May 29, 2016, ConAgra Foods and its subsidiaries had approximately 20,900 employees, primarily in the United States. Approximately 36% of our employees are parties to collective bargaining agreements. Of the employees subject to collective bargaining agreements, approximately 31% are parties to collective bargaining agreements scheduled to expire during fiscal 2017. We believe our relationships with employees and their representative organizations are good.

Research and Development

We employ processes at our principal manufacturing locations that emphasize applied research and technical services directed at product improvement and quality control. In addition, we conduct research activities related to the development of new products. Research and development expense was \$66.7 million, \$70.4 million, and \$86.0 million in fiscal 2016, 2015, and 2014, respectively.

EXECUTIVE OFFICERS OF THE REGISTRANT AS OF JULY 15, 2016

Name	Title & Capacity	Age	Year First Appointed an Executive Officer
Sean M. Connolly	President and Chief Executive Officer	51	2015
John F. Gehring	Executive Vice President, Chief Financial Officer	55	2004
Colleen R. Batcheler	Executive Vice President, General Counsel and Corporate Secretary	42	2008
David B. Biegger	Executive Vice President, Chief Supply Chain Officer	57	2015
Thomas M. McGough	President, Consumer Foods	51	2013
Charisse Brock	Executive Vice President, Chief Human Resources Officer	54	2015
Andrew G. Ross	Executive Vice President and Chief Strategy Officer	48	2011
Darren C. Serrao	Chief Growth Officer	50	2015
Thomas P. Werner	President, Commercial Foods	50	2015
Robert G. Wise	Senior Vice President, Corporate Controller	48	2012

Sean M. Connolly has served as our Chief Executive Officer and a member of our Board since April 6, 2015.

Previously, he was President and Chief Executive Officer and a director of The Hillshire Brands Company (brand name food products company) from June 2012 to August 2014; Executive Vice President of Sara Lee Corporation (the former name of Hillshire) and Chief Executive Officer, Sara Lee North American Retail and Foodservice, from January 2012 to June 2012. Prior to joining Hillshire, Mr. Connolly served as President of Campbell North America, the largest division of Campbell Soup Company (branded convenience food products), from October 2010 to December 2011; President, Campbell USA from 2008 to 2010; and President, North American Foodservice from 2007 to 2008. Before joining Campbell in 2002, he served in various marketing and brand management roles at Procter & Gamble (branded consumer product goods).

John F. Gehring has served as Executive Vice President, Chief Financial Officer since January 2009. Mr. Gehring joined ConAgra Foods as Vice President of Internal Audit in 2002, became Senior Vice President in 2003, and most recently served as Senior Vice President and Corporate Controller from July 2004 to January 2009. He served as ConAgra Foods' interim Chief Financial Officer from October 2006 to November 2006. Prior to joining ConAgra Foods, Mr. Gehring was a partner at Ernst & Young LLP (an accounting firm) from 1997 to 2001. Prior to the end of fiscal 2016, Mr. Gehring announced his retirement. Mr. Gehring will remain in his current role until a successor is in place and will assist with an orderly transition.

Colleen R. Batcheler has served as Executive Vice President, General Counsel and Corporate Secretary since September 2009 and Senior Vice President, General Counsel and Corporate Secretary from February 2008 until September 2009. Ms. Batcheler joined ConAgra Foods in June 2006 as Vice President, Chief Securities Counsel and Assistant Corporate Secretary. In September 2006, she was named Corporate Secretary. From 2003 until joining ConAgra Foods, Ms. Batcheler was Vice President and Corporate Secretary of Albertson's, Inc. (a retail food and drug chain). Previously, she was Associate Counsel with The Cleveland Clinic Foundation and an associate with Jones Day, LLP (a law firm).

David B. Biegger has served as Executive Vice President and Chief Supply Chain Officer since October 2015. Prior to joining ConAgra Foods, Mr. Biegger served as Senior Vice President, Global Supply Chain from February 2014 until October 2015 and was responsible for Campbell Soup Company's Global Supply Chain, including manufacturing, quality, safety, engineering, procurement, logistics, environmental sustainability and customer service. Prior to joining Campbell Soup Company, he spent 24 years in supply chain roles at Procter & Gamble Co.

Charisse Brock has served as Executive Vice President and Chief Human Resources Officer since November 2015 and Senior Vice President and Interim Chief Human Resources Officer since August 2015. Prior to serving in these roles, Ms. Brock served as Vice President of Human Resources for the Consumer Foods segment from September 2010 until August 2015. Ms. Brock joined ConAgra Foods in 2004 as Director of Human Resources supporting the Refrigerated Foods Group. Prior to joining ConAgra, she worked for 15 years at The Quaker Oats Company/PepsiCo in its Consumer Foods Division.

Thomas M. McGough has served as President of the Consumer Foods segment since May 2013. Mr. McGough joined ConAgra Foods in 2007 as Vice President in the Consumer Foods organization and has provided leadership for many brand teams within ConAgra Foods, including Banquet®, Hunt's®, and Reddi-wip®. He most recently served as President, Grocery

Products from 2011 until May 2013, leading the largest business within the Consumer Foods segment. Mr. McGough has over 20 of experience in the branded packaged foods industry and began his career at H.J. Heinz in 1990.

Darren C. Serrao has served as ConAgra Foods' Chief Growth Officer since August 2015. As head of the Growth Center of Excellence, Mr. Serrao leads efforts to bring together insights, innovation, research and development and marketing teams to improve connectivity and boost speed-to-market; ensuring strong insights lead to relevant and timely products with the right marketing support. Prior to joining the Company, Mr. Serrao served as senior vice president, chief marketing and commercial officer at Campbell Soup Company where he led the U.S. consumer business, Campbell's largest line of business. Prior to that, he served as vice president of innovation and business development for Campbell North America. Mr. Serrao has also held several profit and loss and marketing positions during his career, including roles with PepsiCo and Unilever.

Andrew G. Ross joined ConAgra Foods as Executive Vice President and Chief Strategy Officer in November 2011. Prior to joining ConAgra Foods, Mr. Ross was a principal at McKinsey & Company, Inc. (a consulting firm) from May 2002 until November 2011, where he led the firm's global consumer, retail, and marketing practices. Prior to that, he worked for William Grant & Sons, Ltd.

Thomas P. Werner was named President of Commercial Foods in May 2015. Prior to that, Mr. Werner served as Senior Vice President of Finance for our Private Brands and Commercial Foods operating segments from June 2013 to April 2015, Senior Vice President of Finance for the Lamb Weston operations within our Commercial Foods segment from May 2011 until June 2013, and Vice President of Supply Chain from December 2009 until May 2011. Mr. Werner originally joined ConAgra Foods in 1999 and has been in finance roles of increasing responsibility throughout his career across both of ConAgra Foods' operating segments.

Robert G. Wise has served as Senior Vice President, Corporate Controller since December 2012. Mr. Wise joined ConAgra Foods in March 2003 and has held various positions of increasing responsibility with ConAgra Foods, including Vice President, Assistant Corporate Controller from March 2006 until January 2012 and as Vice President, Corporate Controller from January 2012 until December 2012. Prior to joining ConAgra Foods, Mr. Wise served in various roles at KPMG LLP (an accounting firm) from October 1995 to March 2003.

OTHER SENIOR OFFICERS OF THE REGISTRANT AS OF JULY 15, 2016

Name	Title & Capacity	Age
Jonathan J. Harris	Senior Vice President,	47
	Chief Communications Officer	
Brendy J. Sealock	Vice President, Internal Audit	43

Jonathan J. Harris joined ConAgra Foods in August 2015 as Senior Vice President and Chief Communications Officer. Mr. Harris is the former chief communications officer and senior vice president at Hillshire Brands where he oversaw all aspects of integrated communications. Prior to joining ConAgra Foods, Mr. Harris served as Senior Vice President, Global Communications for Sara Lee Corporation. Prior to that, Mr. Harris held leadership positions at Bally Total Fitness Corporation, PepsiCo, Ketchum Public Relations and Medicus Public Relations.

Brendy J. Sealock joined ConAgra Foods in 2006. Ms. Sealock was named to her current position in May 2016. She previously served the Company as Sr. Director Finance for the Canadian business from 2013 to 2016, as Director of Spicetec Flavors and Seasonings from 2010 to 2013, and various roles of increased responsibility in Internal Audit from 2006 to 2010. Prior to joining ConAgra Foods, she worked in public accounting for 11 years primarily at Deloitte LLP (an accounting firm) in the Auditing practice. Ms. Sealock is a CPA.

Foreign Operations

Foreign operations information is set forth in Note 21 "Business Segments and Related Information" to the consolidated financial statements.

Available Information

We make available, free of charge through the “Investors—Financial Reports & Filings” link on our Internet website at <http://www.conagrafoods.com>, our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, as soon as reasonably practicable after such material is electronically filed with or furnished to the Securities and Exchange Commission (“SEC”). We use our Internet website, through the “Investors” link, as a channel for routine distribution of important information, including news releases, analyst presentations, and financial information. The information on our website is not, and will not be deemed to be, a part of this annual report on Form 10-K or incorporated into any of our other filings with the SEC.

We have also posted on our website our (1) Corporate Governance Principles, (2) Code of Conduct, (3) Code of Ethics for Senior Corporate Officers, and (4) Charters for the Audit/Finance Committee, Nominating, Governance and Public Affairs Committee, and Human Resources Committee. Shareholders may also obtain copies of these items at no charge by writing to: Corporate Secretary, ConAgra Foods, Inc., 222 W. Merchandise Mart Plaza, Suite 1300, Chicago, IL, 60654.

ITEM 1A. RISK FACTORS

Our business is subject to various risks and uncertainties. Any of the risks and uncertainties described below could materially adversely affect our business, financial condition, and results of operations and should be considered in evaluating us. While we believe we have identified and discussed below the key risk factors affecting our business, there may be additional risks and uncertainties that are not presently known or that are not currently believed to be significant that may adversely affect our business, performance, or financial condition in the future.

Risks Relating to our Business

Deterioration of general economic conditions could harm our business and results of operations.

Our business and results of operations may be adversely affected by changes in national or global economic conditions, including inflation, interest rates, availability of capital markets, consumer spending rates, energy availability and costs (including fuel surcharges), and the effects of governmental initiatives to manage economic conditions.

Volatility in financial markets and deterioration of national and global economic conditions could impact our business and operations in a variety of ways, including as follows:

- consumers may shift purchases to more generic, lower-priced, or other value offerings, or may forego certain purchases altogether during economic downturns, which could result in a reduction in sales of higher margin products or a shift in our product mix to lower margin offerings adversely affecting the results of our Consumer Foods operations;

- decreased demand in the restaurant business, particularly casual and fine dining, which may adversely affect our Commercial Foods operations;

- volatility in commodity and other input costs could substantially impact our result of operations;

- volatility in the equity markets or interest rates could substantially impact our pension costs and required pension contributions; and

- it may become more costly or difficult to obtain debt or equity financing to fund operations or investment opportunities, or to refinance our debt in the future, in each case on terms and within a time period acceptable to us. Our existing and future debt may limit cash flow available to invest in the ongoing needs of our business and could prevent us from fulfilling our debt obligations.

As of May 29, 2016, we had a substantial amount of debt. We have the ability under our existing revolving credit facility to incur substantial additional debt. Our level of debt could have important consequences. For example, it could:

- make it more difficult for us to make payments on our debt;

require us to dedicate a substantial portion of our cash flow from operations to the payment of debt service, reducing the availability of our cash flow to fund working capital, capital expenditures, acquisitions, and other general corporate purposes;

increase our vulnerability to adverse economic or industry conditions;

limit our ability to obtain additional financing in the future to enable us to react to changes in our business; or

place us at a competitive disadvantage compared to businesses in our industry that have less debt.

Additionally, any failure to meet required payments on our debt, or failure to comply with any covenants in the instruments governing our debt, could result in an event of default under the terms of those instruments and a downgrade to our credit ratings. A downgrade in our credit ratings would increase our borrowing costs and could affect our ability to issue commercial paper. In the event of a default, the holders of our debt could elect to declare all the amounts outstanding under such instruments to be due and payable. Any default under the agreements governing our debt and the remedies sought by the holders of such debt could render us unable to pay principal and interest on our debt.

We may not realize the benefits that we expect from our Supply Chain and Administrative Efficiency Plan, or SCAE Plan.

During fiscal 2014, we announced our Supply Chain and Administrative Efficiency Plan, or SCAE Plan, which was an expansion of the scope of the plan to integrate Ralcorp. The SCAE Plan includes steps to optimize the entire organization's supply chain network and to improve selling, general and administrative effectiveness and efficiencies. Although the divestiture of the Private Brands business was completed in the third quarter of fiscal 2016, we will continue to implement portions of the SCAE Plan, including work related to optimizing our supply chain network and pursue cost reductions through our selling, general and administrative functions and productivity improvements. The successful design and implementation of the SCAE Plan presents significant organizational design and infrastructure challenges and in many cases will require successful negotiations with third parties, including labor organizations, suppliers, business partners, and other stakeholders. In addition, the SCAE Plan may not advance our business strategy as expected. Events and circumstances, such as financial or strategic difficulties, delays and unexpected costs may occur that could result in our not realizing all or any of the anticipated benefits or our not realizing the anticipated benefits on our expected timetable. If we are unable to realize the anticipated savings of the SCAE Plan, our ability to fund other initiatives may be adversely affected. Any failure to implement the SCAE Plan in accordance with our expectations could adversely affect our financial condition, results of operations and cash flows.

In addition, the complexity of the SCAE Plan will require a substantial amount of management and operational resources. Our management team must successfully implement administrative and operational changes necessary to achieve the anticipated benefits of the SCAE Plan. These and related demands on our resources may divert the organization's attention from existing core businesses, integrating financial or other systems, have adverse effects on existing business relationships with suppliers and customers, and impact employee morale. As a result, our financial condition, results of operations or cash flows may be adversely affected.

Increases in commodity costs may have a negative impact on profits.

We use many different commodities such as wheat, corn, oats, soybeans, beef, pork, poultry, and energy.

Commodities are subject to price volatility caused by commodity market fluctuations, supply and demand, currency fluctuations, external conditions such as weather, and changes in governmental agricultural and energy policies and regulations. Commodity price increases will result in increases in raw material, packaging, and energy costs and operating costs. We may not be able to increase our product prices and achieve cost savings that fully offset these increased costs; and increasing prices may result in reduced sales volume, reduced margins, and profitability. We have experience in hedging against commodity price increases; however, these practices and experience reduce, but do not eliminate, the risk of negative profit impacts from commodity price increases. We do not fully hedge against changes in commodity prices, and the risk management procedures that we use may not always work as we intend.

Volatility in the market value of derivatives we use to manage exposures to fluctuations in commodity prices will cause volatility in our gross margins and net earnings.

We utilize derivatives to manage price risk for some of our principal ingredients and energy costs, including grains (wheat, corn, and oats), oils, beef, pork, poultry, and energy. Changes in the values of these derivatives are generally

recorded in earnings currently, resulting in volatility in both gross margin and net earnings. These gains and losses are reported in cost of sales in our Consolidated Statements of Operations and in unallocated corporate items in our segment operating results until

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we utilize the underlying input in our manufacturing process, at which time the gains and losses are reclassified to segment operating profit. We may experience volatile earnings as a result of these accounting treatments.

Increased competition may result in reduced sales or profits.

The food industry is highly competitive, and further consolidation in the industry would likely increase competition. Our principal competitors have substantial financial, marketing, and other resources. Increased competition can reduce our sales due to loss of market share or the need to reduce prices to respond to competitive and customer pressures. Competitive pressures also may restrict our ability to increase prices, including in response to commodity and other cost increases. We sell branded, private brand, and customized food products, as well as commercially branded foods and ingredients. Our branded products have an advantage over private brand products primarily due to advertising and name recognition, although private brand products typically sell at a discount to those of branded competitors. In addition, when branded competitors focus on price and promotion, the environment for private brand producers becomes more challenging because the price difference between private brand products and branded products may become less significant. In most product categories, we compete not only with other widely advertised branded products, but also with other private label and store brand products that are generally sold at lower prices. A strong competitive response from one or more of our competitors to our marketplace efforts, or a consumer shift towards more generic, lower-priced, or other value offerings, could result in us reducing pricing, increasing marketing or other expenditures, or losing market share. Our profits could decrease if a reduction in prices or increased costs are not counterbalanced with increased sales volume.

Changes in our relationships with significant customers or suppliers could adversely affect us.

During fiscal 2016, our largest customer, Wal-Mart Stores, Inc. and its affiliates, accounted for approximately 16% of our net revenues. There can be no assurance that Wal-Mart Stores, Inc. and other significant customers will continue to purchase our products in the same quantities or on the same terms as in the past, particularly as increasingly powerful retailers continue to demand lower pricing. The loss of a significant customer or a material reduction in sales to a significant customer could materially and adversely affect our product sales, financial condition, and results of operations.

Disruption of our supply chain could have an adverse impact on our business, financial condition, and results of operations.

Our ability to make, move, and sell our products is critical to our success. Damage or disruption to our supply chain, including third-party manufacturing or transportation and distribution capabilities, due to weather, including any potential effects of climate change, natural disaster, fire or explosion, terrorism, pandemics, strikes, government action, or other reasons beyond our control or the control of our suppliers and business partners, could impair our ability to manufacture or sell our products. Failure to take adequate steps to mitigate the likelihood or potential impact of such events, or to effectively manage such events if they occur, particularly when a product is sourced from a single supplier or location, could adversely affect our business or financial results. In addition, disputes with significant suppliers, including disputes regarding pricing or performance, could adversely affect our ability to supply products to our customers and could materially and adversely affect our product sales, financial condition, and results of operations.

The sophistication and buying power of our customers could have a negative impact on profits.

Our customers, such as supermarkets, warehouse clubs, and food distributors, have continued to consolidate, resulting in fewer customers on which we can rely for business. These consolidations and the growth of supercenters have produced large, sophisticated customers with increased buying power and negotiating strength who are more capable of resisting price increases and can demand lower pricing, increased promotional programs, or specialty tailored products. In addition, larger retailers have the scale to develop supply chains that permit them to operate with reduced inventories or to develop and market their own retailer brands. These customers may also in the future use more of their shelf space, currently used for our products, for their store brand products. We continue to implement initiatives to counteract these pressures. However, if the larger size of these customers results in additional negotiating strength and/or increased private label or store brand competition, our profitability could decline.

Consolidation also increases the risk that adverse changes in our customers' business operations or financial performance will have a corresponding material adverse effect on us. For example, if our customers cannot access

sufficient funds or financing, then they may delay, decrease, or cancel purchases of our products, or delay or fail to pay us for previous purchases.

We must identify changing consumer preferences and develop and offer food products to meet their preferences. Consumer preferences evolve over time and the success of our food products depends on our ability to identify the tastes and dietary habits of consumers and to offer products that appeal to their preferences, including concerns of consumers regarding health and wellness, obesity, product attributes, and ingredients. Introduction of new products and product extensions requires significant development and marketing investment. If our products fail to meet consumer preferences, or we fail to introduce new and improved products on a timely basis, then the return on that investment will be less than anticipated and our strategy to grow sales and profits with investments in acquisitions, marketing, and innovation will be less successful. Similarly, demand for our products could be affected by consumer concerns or perceptions regarding the health effects of ingredients such as sodium, trans fats, sugar, processed wheat, or other product ingredients or attributes.

If we do not achieve the appropriate cost structure in the highly competitive food industry, our profitability could decrease.

Our future success and earnings growth depend in part on our ability to achieve the appropriate cost structure and operate efficiently in the highly competitive food industry, particularly in an environment of volatile input costs. We continue to implement profit-enhancing initiatives that impact our supply chain and general and administrative functions. These initiatives are focused on cost-saving opportunities in procurement, manufacturing, logistics, and customer service, as well as general and administrative overhead levels. Gaining additional efficiencies may become more difficult over time. Our failure to reduce costs through productivity gains or by eliminating redundant costs resulting from acquisitions could adversely affect our profitability and weaken our competitive position. If we do not continue to effectively manage costs and achieve additional efficiencies, our competitiveness and our profitability could decrease.

We may be subject to product liability claims and product recalls, which could negatively impact our profitability. We sell food products for human consumption, which involves risks such as product contamination or spoilage, product tampering, other adulteration of food products, mislabeling, and misbranding. We may be subject to liability if the consumption of any of our products causes injury, illness, or death. In addition, we will voluntarily recall products in the event of contamination or damage. We have issued recalls and have from time to time been and currently are involved in lawsuits relating to our food products. A significant product liability judgment or a widespread product recall may negatively impact our sales and profitability for a period of time depending on the costs of the recall, the destruction of product inventory, product availability, competitive reaction, customer reaction and consumer attitudes. Even if a product liability claim is unsuccessful or is not fully pursued, the negative publicity surrounding any assertion that our products caused illness or injury could adversely affect our reputation with existing and potential customers and our corporate and brand image.

Additionally, as a manufacturer and marketer of food products, we are subject to extensive regulation by the U.S. Food and Drug Administration and other national, state, and local government agencies. The Food, Drug & Cosmetic Act, or the FDCA, and the Food Safety Modernization Act and their respective regulations govern, among other things, the manufacturing, composition and ingredients, packaging, and safety of food products. Some aspects of these laws use a strict liability standard for imposing sanctions on corporate behavior; meaning that no intent is required to be established. If we fail to comply with applicable laws and regulations, we may be subject to civil remedies, including fines, injunctions, recalls, or seizures, as well as criminal sanctions, any of which could have a material adverse effect on our business, financial condition, or results of operations. As previously disclosed, among the matters outstanding during fiscal 2016 related to the Company's 2007 peanut butter recall, was an investigation by the U.S. Attorney's office in Georgia and the Consumer Protection Branch of the Department of Justice. We cooperated with the U.S. Attorney's office and the Department of Justice in regard to the investigation, and in May 2015, our subsidiary, ConAgra Grocery Products, entered into a plea agreement with the government, pursuant to which it agreed to plead guilty to a single misdemeanor under the Food, Drug & Cosmetics Act. The plea agreement is subject to the approval of the U.S. District Court for the Middle District of Georgia.

Any damage to our reputation could have a material adverse effect on our business, financial condition, and results of operations.

Maintaining a good reputation globally is critical to selling our products. Product contamination or tampering, the failure to maintain high standards for product quality, safety, and integrity, including with respect to raw materials and ingredients obtained from suppliers, or allegations of product quality issues, mislabeling or contamination, even if untrue, may reduce demand for our products or cause production and delivery disruptions. Our reputation could also be adversely impacted by any of the following, or by adverse publicity (whether or not valid) relating thereto: the failure to maintain high ethical, social, and environmental standards for all of our operations and activities; the failure to achieve our goals with respect to sodium or saturated fat; our research and development efforts; or our environmental impact, including use of agricultural materials,

packaging, energy use, and waste management. Failure to comply with local laws and regulations, to maintain an effective system of internal controls or to provide accurate and timely financial information could also hurt our reputation. Damage to our reputation or loss of consumer confidence in our products for any of these or other reasons could result in decreased demand for our products and could have a material adverse effect on our business, financial condition, and results of operations, as well as require additional resources to rebuild our reputation.

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

Inflationary pressures and any shortages in the labor market could increase labor costs, which could have a material adverse effect on our operating results or financial condition. Our labor costs include the cost of providing employee benefits in the U.S. and foreign jurisdictions, including pension, health and welfare, and severance benefits. Changes in interest rates, mortality rates, health care costs, early retirement rates, investment returns, and the market value of plan assets can affect the funded status of our defined benefit plans and cause volatility in the future funding requirements of the plans. A significant increase in our obligations or future funding requirements could have a negative impact on our results of operations and cash flows from operations. Additionally, the annual costs of benefits vary with increased costs of health care and the outcome of collectively-bargained wage and benefit agreements. If we fail to comply with the many laws applicable to our business, we may face lawsuits or incur significant fines and penalties.

Our facilities and products are subject to many laws and regulations administered by the United States Department of Agriculture, the Federal Food and Drug Administration, the Occupational Safety and Health Administration, and other federal, state, local, and foreign governmental agencies relating to the processing, packaging, storage, distribution, advertising, labeling, quality, and safety of food products, the health and safety of our employees, and the protection of the environment. Our failure to comply with applicable laws and regulations could subject us to lawsuits, administrative penalties, and civil remedies, including fines, injunctions, and recalls of our products. Our operations are also subject to extensive and increasingly stringent regulations administered by the Environmental Protection Agency, which pertain to the discharge of materials into the environment and the handling and disposition of wastes. Failure to comply with these regulations can have serious consequences, including civil and administrative penalties and negative publicity. Changes in applicable laws or regulations or evolving interpretations thereof, including increased government regulations to limit carbon dioxide and other greenhouse gas emissions as a result of concern over climate change, may result in increased compliance costs, capital expenditures, and other financial obligations for us, which could affect our profitability or impede the production or distribution of our products, which could affect our net operating revenues.

Climate change, or legal, regulatory, or market measures to address climate change, may negatively affect our business and operations.

There is growing concern that carbon dioxide and other greenhouse gases in the atmosphere may have an adverse impact on global temperatures, weather patterns, and the frequency and severity of extreme weather and natural disasters. In the event that such climate change has a negative effect on agricultural productivity, we may be subject to decreased availability or less favorable pricing for certain commodities that are necessary for our products, such as corn, wheat, and potatoes. We may also be subjected to decreased availability or less favorable pricing for water as a result of such change, which could impact our manufacturing and distribution operations. In addition, natural disasters and extreme weather conditions may disrupt the productivity of our facilities or the operation of our supply chain. The increasing concern over climate change also may result in more regional, federal, and/or global legal and regulatory requirements to reduce or mitigate the effects of greenhouse gases. In the event that such regulation is enacted and is more aggressive than the sustainability measures that we are currently undertaking to monitor our emissions and improve our energy efficiency, we may experience significant increases in our costs of operation and delivery. In particular, increasing regulation of fuel emissions could substantially increase the distribution and supply chain costs associated with our products. As a result, climate change could negatively affect our business and operations.

We are increasingly dependent on information technology, and potential disruption, cyber attacks, security problems, and expanding social media vehicles present new risks.

We are increasingly dependent on information technology networks and systems, including the Internet, to process, transmit, and store electronic and financial information, to manage and support a variety of business processes and

activities, and to comply with regulatory, legal, and tax requirements. If we do not allocate and effectively manage the resources necessary to

build and sustain the proper technology infrastructure and to maintain and protect the related automated and manual control processes, we could be subject to billing and collection errors, business disruptions, or damage resulting from security breaches. If any of our significant information technology systems suffer severe damage, disruption, or shutdown, and our business continuity plans do not effectively resolve the issues in a timely manner, our product sales, financial condition, and results of operations may be materially and adversely affected, and we could experience delays in reporting our financial results. In addition, there is a risk of business interruption, litigation risks, and reputational damage from leakage of confidential information.

The inappropriate use of certain media vehicles could cause brand damage or information leakage. Negative posts or comments about the Company on any social networking web site could seriously damage its reputation. In addition, the disclosure of non-public company sensitive information through external media channels could lead to information loss. Identifying new points of entry as social media continues to expand presents new challenges. Any business interruptions or damage to our reputation could negatively impact our financial condition, results of operations, and the market price of our common stock.

Impairment in the carrying value of goodwill or other intangibles could result in the incurrence of impairment charges and negatively impact our net worth.

As of May 29, 2016, we had goodwill of \$4.53 billion and other intangibles of \$1.28 billion. The net carrying value of goodwill represents the fair value of acquired businesses in excess of identifiable assets and liabilities as of the acquisition date (or subsequent impairment date, if applicable). The net carrying value of other intangibles represents the fair value of trademarks, customer relationships, and other acquired intangibles as of the acquisition date (or subsequent impairment date, if applicable), net of accumulated amortization. Goodwill and other acquired intangibles expected to contribute indefinitely to our cash flows are not amortized, but must be evaluated by management at least annually for impairment. Amortized intangible assets are evaluated for impairment whenever events or changes in circumstance indicate that the carrying amounts of these assets may not be recoverable. Impairments to goodwill and other intangible assets may be caused by factors outside our control, such as the inability to quickly replace lost co-manufacturing business, increasing competitive pricing pressures, lower than expected revenue and profit growth rates, changes in industry EBITDA multiples, changes in discount rates based on changes in cost of capital (interest rates, etc.), or the bankruptcy of a significant customer and could result in the incurrence of impairment charges and negatively impact our net worth.

The termination or expiration of current co-manufacturing arrangements could reduce our sales volume and adversely affect our results of operations.

Our businesses periodically enter into co-manufacturing arrangements with manufacturers of products. The terms of these agreements vary but are generally for relatively short periods of time. Volumes produced under each of these agreements can fluctuate significantly based upon the product's life cycle, product promotions, alternative production capacity, and other factors, none of which are under our direct control. Our future ability to enter into co-manufacturing arrangements is not guaranteed, and a decrease in current co-manufacturing levels could have a significant negative impact on sales volume.

Ardent Mills may not achieve the benefits that are anticipated from the joint venture.

The benefits that are expected to result from our Ardent Mills joint venture will depend, in part, on our ability to realize the anticipated cost synergies in the transaction, Ardent Mills' ability to successfully integrate the ConAgra Mills and Horizon Milling businesses and its ability to successfully manage the joint venture on a going-forward basis. It is not certain that we will realize these benefits at all, and if we do, it is not certain how long it will take to achieve these benefits. If, for example, we are unable to achieve the anticipated cost savings, or if there are unforeseen integration costs, or if Ardent Mills is unable to operate the joint venture smoothly in the future, the financial performance of the joint venture may be negatively affected.

If we are unable to complete proposed acquisitions or integrate acquired businesses, our financial results could be materially and adversely affected.

From time to time, we evaluate acquisition candidates that may strategically fit our business objectives. If we are unable to complete acquisitions or to successfully integrate and develop acquired businesses, our financial results could be materially and adversely affected. Moreover, we may incur asset impairment charges related to acquisitions

that reduce our profitability.

Our acquisition activities may present financial, managerial, and operational risks. Those risks include diversion of management attention from existing businesses, difficulties integrating personnel and financial and other systems, effective

and immediate implementation of control environment processes across our employee population, adverse effects on existing business relationships with suppliers and customers, inaccurate estimates of fair value made in the accounting for acquisitions and amortization of acquired intangible assets which would reduce future reported earnings, potential loss of customers or key employees of acquired businesses, and indemnities and potential disputes with the sellers. Any of these factors could affect our product sales, financial condition, and results of operations.

If we are unable to complete our proposed divestitures, our financial results could be materially and adversely affected.

From time to time, we may divest businesses that do not meet our strategic objectives or do not meet our growth or profitability targets. We may not be able to complete desired or proposed divestitures on terms favorable to us. Gains or losses on the sales of, or lost operating income from, those businesses may affect our profitability. Moreover, we may incur asset impairment charges related to divestitures that reduce our profitability.

Our divestiture activities may present financial, managerial, and operational risks. Those risks include diversion of management attention from existing businesses, difficulties separating personnel and financial and other systems, adverse effects on existing business relationships with suppliers and customers and indemnities and potential disputes with the buyers. Any of these factors could adversely affect our product sales, financial condition, and results of operations.

Actions of activist stockholders could cause us to incur substantial costs, divert management's attention and resources, and have an adverse effect on our business.

From time to time, we may be subject to proposals by stockholders urging us to take certain corporate actions. If activist stockholder activities ensue, our business could be adversely affected because responding to proxy contests and reacting to other actions by activist stockholders can be costly and time-consuming, disrupt our operations and divert the attention of management and our employees. For example, we may be required to retain the services of various professionals to advise us on activist stockholder matters, including legal, financial and communications advisors, the costs of which may negatively impact our future financial results. In addition, perceived uncertainties as to our future direction, strategy or leadership created as a consequence of activist stockholder initiatives may result in the loss of potential business opportunities, harm our ability to attract new investors, customers, employee, and joint venture partners, and cause our stock price to experience periods of volatility or stagnation.

The results of the United Kingdom's referendum on withdrawal from the European Union may have a negative effect on global economic conditions, financial markets and our business.

In June 2016, a majority of voters in the United Kingdom elected to withdraw from the European Union in a national referendum. The referendum was advisory, and the terms of any withdrawal are subject to a negotiation period that could last at least two years after the government of the United Kingdom formally initiates a withdrawal process.

Nevertheless, the referendum has created significant uncertainty about the future relationship between the United Kingdom and the European Union, including with respect to the laws and regulations that will apply as the United Kingdom determines which European Union laws to replace or replicate in the event of a withdrawal. The referendum has also given rise to calls for the governments of other European Union member states to consider withdrawal. These developments, or the perception that any of them could occur, have had and may continue to have a material adverse effect on global economic conditions and the stability of global financial markets, and may significantly reduce global market liquidity and restrict the ability of key market participants to operate in certain financial markets. Any of these factors could depress economic activity and restrict our access to capital, which could have a material adverse effect on our business, financial condition and results of operations.

Risks Relating to our Proposed Spinoff of our Lamb Weston Business

The proposed spinoff of our Lamb Weston business is contingent upon the satisfaction of a number of conditions, may require significant time and attention of our management and may have an adverse effect on us if not completed.

On November 18, 2015, we announced plans to pursue the separation of ConAgra Foods, Inc. into two public companies: ConAgra Brands and Lamb Weston. The transaction, expected to be structured as a spinoff of the Lamb Weston business to the shareholders of ConAgra Foods, Inc. in the fall of calendar 2016, is expected to be tax free to the Company and its shareholders. The proposed spinoff is subject to various conditions and may be affected by

unanticipated developments or changes in market conditions that could delay, prevent, or otherwise adversely affect the spinoff. Completion of the spinoff will be contingent upon several factors, including, but not limited to, authorization and approval of our board of directors,

receipt of governmental and regulatory approvals of the transactions contemplated by the spinoff, receipt of a tax opinion regarding the tax-free status of the spinoff, execution of intercompany agreements, and the effectiveness of a registration statement with the SEC. For these and other reasons, the spinoff may not be completed as expected during 2016, if at all.

In pursuing the proposed spinoff, our ongoing businesses may be adversely affected, and we may be subject to certain risks and consequences, including, but not limited to, the following:

- execution of the proposed spinoff will require significant time and attention from management, which may postpone the execution of other initiatives that may have been beneficial to us;
- completion of the spinoff will require strategic, structural and process realignment and restructuring actions within our operations, which could lead to a disruption of our operations, loss of, or inability to recruit key personnel needed to operate and grow our businesses and to complete the proposed spinoff;
- completion of the spinoff may require certain management and procedural redundancies as we prepare for the separation of the Lamb Weston business from Conagra Brands, which may result in operating inefficiencies; and we will be required to pay certain costs and expenses relating to the spinoff, such as legal, accounting, and other professional fees, whether or not it is completed.

If the spinoff is not completed, we may experience negative reactions from the financial markets if we fail to complete the spinoff.

Any of these factors could have a material adverse effect on our financial condition, results of operations, cash flows, and the price of our common stock.

We may be unable to achieve some or all of the benefits that we expect to achieve from the spinoff.

Although we believe that separating our Lamb Weston business from Conagra Brands will provide financial, operational, managerial, and other benefits to us and our stockholders, the spinoff may not provide such results on the scope or scale we anticipate, and we may not realize the intended benefits of the spinoff. In addition, we will incur one-time costs in connection with the spinoff that may exceed our estimates and negate some of the benefits we expect to achieve. If we do not realize these assumed benefits, we could suffer a material adverse effect on our financial condition. Further, if the proposed spinoff is completed, our operational and financial profile will change upon the separation of the Lamb Weston business from Conagra Brands. As a result, our diversification of revenue sources will diminish, and our results of operations, cash flows, working capital, and financing requirements may be subject to increased volatility.

If the proposed spinoff of our Lamb Weston business is completed, the trading price of our common stock will decline.

We expect the trading price of our common stock immediately following the spinoff to be lower than immediately preceding the spinoff, as the trading price of our common stock will no longer reflect the value of our Lamb Weston business.

Following the spinoff, the value of your common stock in: (a) the Company and (b) the Lamb Weston business may collectively trade at an aggregate price less than what the Company's common stock might trade at had the spinoff not occurred.

The common stock of: (a) the Company and (b) the Lamb Weston business that you may hold following the spinoff may collectively trade at a value less than the price at which the Company's common stock might have traded at had the spinoff not occurred. Reasons for this potential difference include the future performance of either the Company or the Lamb Weston business as separate, independent companies, and the future stockholder base and market for the Company's common stock and those of the Lamb Weston business and the prices at which these shares individually trade.

The spinoff could result in substantial tax liability.

The spinoff is conditioned on our receipt of an opinion from our tax advisors, in form and substance satisfactory to us, that the distribution of shares of our Lamb Weston business in the spinoff will qualify as tax-free to the Lamb Weston business, the Company, and our stockholders for U.S. federal income tax purposes under Sections 355 and 368(a)(1)(D) and related provisions of the U.S. Internal Revenue Code of 1986, as amended, which we refer to as the Code, and other members of our consolidated tax reporting group. The opinion will rely on, among other things, various assumptions and representations as to factual matters made by the Company and the Lamb Weston business which, if inaccurate or incomplete in any material respect, could jeopardize the conclusions reached by such advisor in its opinion. The opinion will not be binding on the Internal Revenue Service, or IRS, or the courts, and there can be no assurance that the IRS or the courts will not challenge the qualification of the spinoff as a transaction under Sections 355 and 368(a) of the Code or that any such challenge would not prevail.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our headquarters are located in Chicago, Illinois. Certain shared service centers are located in Omaha, Nebraska, including a product development facility, enterprise business services center, and an information technology center. The general offices and location of principal operations are set forth in the following summary of our properties. We also lease a number of sales offices mainly in the United States.

We maintain a number of stand-alone distribution facilities. In addition, there are warehouses at most of our manufacturing facilities.

Utilization of manufacturing capacity varies by manufacturing plant based upon the type of products assigned and the level of demand for those products. Management believes that our manufacturing and processing plants are well maintained and are generally adequate to support the current operations of the business.

We own most of the manufacturing facilities. However, a limited number of plants and parcels of land with the related manufacturing equipment are leased. Substantially all of our transportation equipment and forward-positioned distribution centers containing finished goods are leased or operated by third parties. Information about the properties supporting our two reporting segments follows.

Consumer Foods Reporting Segment

Domestic general offices supporting the Consumer Foods segment are located in Chicago, Illinois and Omaha, Nebraska. We also have international general offices in Canada, China, Columbia, Mexico, and Panama.

As of July 15, 2016, we have twenty-seven domestic manufacturing facilities located in Arkansas, California, Georgia, Indiana, Illinois, Iowa, Michigan, Minnesota, Missouri, Nebraska, New Hampshire, Ohio, Pennsylvania, Tennessee, and Wisconsin. We also have international manufacturing facilities in Argentina, Canada, Italy, and Mexico and interests in ownership of international manufacturing facilities in India, Mexico, and the Philippines.

Commercial Foods Reporting Segment

Domestic general offices supporting the Commercial Foods segment are located in Omaha, Nebraska, Eagle, Idaho, North Liberty, Iowa, and Tri-Cities, Washington. We also have international general offices in China, Japan, the Netherlands, and Singapore.

As of July 15, 2016, we have nineteen domestic manufacturing facilities located in Idaho, Illinois, Kentucky, Louisiana, New Jersey, Oregon, Tennessee, and Washington. We also have international manufacturing facilities in Canada and China; interests in ownership of domestic manufacturing facilities located in Minnesota and Washington; and interests in ownership of international manufacturing facilities located in Austria, the Netherlands, and the United Kingdom.

ITEM 3. LEGAL PROCEEDINGS

We are a party to various environmental proceedings and litigation, primarily related to our acquisition of Beatrice Company (“Beatrice”) in fiscal 1991. As a result of the acquisition of Beatrice and the significant pre-acquisition contingencies of the Beatrice business and its former subsidiaries, our consolidated post-acquisition financial statements reflect liabilities associated with the estimated resolution of these contingencies. These include various litigation and environmental proceedings related to businesses divested by Beatrice prior to its acquisition by us. The litigation includes suits against a number of lead paint and pigment manufacturers, including ConAgra Grocery Products Company, a wholly owned subsidiary of the Company (“ConAgra Grocery Products”), and the Company as alleged successors to W. P. Fuller Co., a lead paint and pigment manufacturer owned and operated by Beatrice until 1967. Although decisions favorable to us have been rendered in Rhode Island, New Jersey, Wisconsin, and Ohio, we remain a defendant in active suits in Illinois and California. The Illinois suit seeks class-wide relief in the form of medical monitoring for elevated levels of lead in blood. In California, a number of cities and counties have joined in a consolidated action seeking abatement of the alleged public nuisance. On September 23, 2013, a trial of the California case concluded in the Superior Court of California for the County of Santa Clara, and on January 27, 2014, the court entered a judgment (the “Judgment”) against ConAgra Grocery Products and two other defendants, which orders the creation of a California abatement fund in the amount of \$1.15 billion. Liability is joint and several. The Company believes ConAgra Grocery Products did not inherit any liabilities of W. P. Fuller Co. The Company will continue to vigorously defend itself in this case and has appealed the Judgment to the Court of Appeal of the State of California Sixth Appellate District. The Company expects the appeal process will last several years. The absence of any linkage between ConAgra Grocery Products and W. P. Fuller Co. is a critical issue that the Company will continue to advance throughout the appeals process. It is not possible to estimate exposure in this case or the remaining case in Illinois (which is based on different legal theories). If ultimately necessary, the Company will look to its insurance policies for coverage; its carriers are on notice. However, the extent of the insurance coverage is uncertain, and the Company cannot absolutely assure that the final resolution of these matters will not have a material adverse effect on its financial condition, results of operations, or liquidity.

The environmental proceedings associated with Beatrice include litigation and administrative proceedings involving Beatrice's status as a potentially responsible party at 37 Superfund, proposed Superfund, or state-equivalent sites. These sites involve locations previously owned or operated by predecessors of Beatrice that used or produced petroleum, pesticides, fertilizers, dyes, inks, solvents, PCBs, acids, lead, sulfur, tannery wastes, and/or other contaminants. Beatrice has paid or is in the process of paying its liability share at 33 of these sites. Reserves for these matters have been established based on our best estimate of the undiscounted remediation liabilities, which estimates include evaluation of investigatory studies, extent of required clean-up, the known volumetric contribution of Beatrice and other potentially responsible parties, and its experience in remediating sites. The reserves for Beatrice-related environmental matters totaled \$54.0 million as of May 29, 2016, a majority of which relates to the Superfund and state-equivalent sites referenced above. We expect expenditures for Beatrice-related environmental matters to continue for up to 18 years.

We are also a party to a number of lawsuits and claims arising out of our ongoing business operations. Among these, there are lawsuits, claims, and matters related to the February 2007 recall of our peanut butter products. Among the matters outstanding during fiscal 2016 related to the peanut butter recall was an investigation by the U.S. Attorney's office in Georgia and the Consumer Protection Branch of the Department of Justice into the 2007 recall. Just prior to the end of fiscal 2015, we negotiated a resolution of this matter, which resulted in an executed plea agreement pursuant to which ConAgra Grocery Products will plead guilty to a single misdemeanor violation of the Food, Drug & Cosmetics Act. The plea agreement is subject to court approval. If the plea is accepted by the U.S. District Court for the Middle District of Georgia, the government's investigation into the 2007 recall will conclude and ConAgra Grocery Products will make payments totaling \$11.2 million to the federal government.

In June 2009, an accidental explosion occurred at our manufacturing facility in Garner, North Carolina. This facility was the primary production facility for our Slim Jim® branded meat snacks. In June 2009, the U.S. Bureau of Alcohol, Tobacco, Firearms and Explosives announced its determination that the explosion was the result of an accidental natural gas release, and not a deliberate act. During the fourth quarter of fiscal 2011, we settled our property and

business interruption claims related to the Garner accident with our insurance providers. During the fourth quarter of fiscal 2011, Jacobs Engineering Group Inc., our engineer and project manager at the site, filed a declaratory judgment action against us seeking indemnity for personal injury claims brought against it as a result of the accident. In the first quarter of fiscal 2012, our motion for summary judgment was granted and the suit was dismissed without prejudice on the basis that the suit was filed prematurely. In the third quarter of fiscal 2014, Jacobs Engineering Group Inc. refiled its action for indemnity. On March 25, 2016, a Douglas County jury in Nebraska rendered a verdict in favor of Jacobs and against us in the amount of \$108.9 million. The case will be appealed. We will continue to defend this action vigorously. Although our insurance carriers have provided customary

notices of reservation of their rights under the policies of insurance, we expect any ultimate exposure in this case to be limited to the applicable insurance deductible.

On October 21, 2015, we received a notice of violation from the Louisville Metro Air Pollution Control District (the District) alleging certain deficiencies in the risk management plan (the RMP) of a manufacturing facility in Louisville, Kentucky, which we acquired in connection with our fiscal 2013 purchase of Ralcorp Holdings, Inc. The notice alleged that the facility failed to implement and maintain an RMP sufficient to comply with environmental regulations governing facilities that manufacture, use or otherwise handle certain quantities of specified regulated substances. We are in active discussions with the District regarding the allegations. The District is seeking a monetary penalty to resolve the allegations, which monetary penalty could be in excess of \$100,000.

After taking into account liabilities recognized for all of the foregoing matters, management believes the ultimate resolution of such matters should not have a material adverse effect on our financial condition, results of operations, or liquidity.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS, AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock is listed on the New York Stock Exchange where it trades under the ticker symbol: CAG. At June 26, 2016, there were approximately 18,743 shareholders of record.

Quarterly sales price and dividend information is set forth in Note 22 "Quarterly Financial Data (Unaudited)" to the consolidated financial statements and incorporated herein by reference.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

No shares of common stock were purchased during the fourth quarter of fiscal 2016.

ITEM 6. SELECTED FINANCIAL DATA

For the Fiscal Years Ended May	2016	2015	2014	2013	2012
Dollars in millions, except per share amounts					
Net sales ⁽¹⁾	\$11,642.9	\$11,937.0	\$11,838.2	\$11,843.7	\$11,420.9
Income from continuing operations ⁽¹⁾	\$496.0	\$760.3	\$625.2	\$674.3	\$396.8
Net income (loss) attributable to ConAgra Foods, Inc. ⁽²⁾	\$(677.0)	\$(252.6)	\$303.1	\$773.9	\$467.9
Basic earnings per share:					
Income from continuing operations attributable to ConAgra Foods, Inc. common stockholders ⁽¹⁾	\$1.11	\$1.75	\$1.45	\$1.61	\$0.94
Net income (loss) attributable to ConAgra Foods, Inc. common stockholders ⁽²⁾	\$(1.57)	\$(0.60)	\$0.72	\$1.88	\$1.13
Diluted earnings per share:					
Income from continuing operations attributable to ConAgra Foods, Inc. common stockholders ⁽¹⁾	\$1.09	\$1.73	\$1.43	\$1.58	\$0.93
Net income (loss) attributable to ConAgra Foods, Inc. common stockholders ⁽²⁾	\$(1.56)	\$(0.59)	\$0.70	\$1.85	\$1.12
Cash dividends declared per share of common stock	\$1.00	\$1.00	\$1.00	\$0.99	\$0.95
At Year-End					
Total assets	\$13,390.6	\$17,437.8	\$19,241.5	\$20,171.9	\$11,325.4
Senior long-term debt (noncurrent)	\$4,721.9	\$6,692.9	\$8,524.5	\$8,635.2	\$2,652.2
Subordinated long-term debt (noncurrent)	\$195.9	\$195.9	\$195.9	\$195.9	\$195.9

⁽¹⁾ Amounts exclude the impact of discontinued operations of the Lightlife® operations, the Medallion Foods operations, the ConAgra Mills operations, and the Private Brands operations.

⁽²⁾ Amounts include aggregate pre-tax goodwill and certain long-lived asset impairment charges in discontinued operations of \$1.92 billion, \$1.56 billion, and \$596.2 million for fiscal 2016, 2015, and 2014, respectively.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis is intended to provide a summary of significant factors relevant to our financial performance and condition. The discussion and analysis should be read together with our consolidated financial statements and related notes in Item 8, Financial Statements and Supplementary Data. Results for the fiscal year ended May 29, 2016 are not necessarily indicative of results that may be attained in the future.

EXECUTIVE OVERVIEW

ConAgra Foods, Inc., together with its consolidated subsidiaries (collectively, the "Company," "we," "our" or us"), is one of North America's leading packaged food companies with recognized brands such as Marie Callender's®, Healthy Choice®, Slim Jim®, Hebrew National®, Orville Redenbacher's®, Peter Pan®, Reddi-wip®, PAM®, Snack Pack®, Banquet®, Chef Boyardee®, Egg Beaters®, Hunt's®, and many other ConAgra Foods brands found in grocery, convenience, mass merchandise, and club stores. ConAgra Foods also has a strong business-to-business presence, supplying frozen potato and sweet potato products as well as other vegetable, spice, and grain products to a variety of well-known restaurants, foodservice operators, and commercial customers.

Fiscal 2016 performance reflected increased margins in the Consumer Foods and Commercial Foods segments. We divested the Private Brands operations and repaid \$2.53 billion of debt during fiscal 2016.

In fiscal 2016, we announced our plans to separate ConAgra Foods, Inc. into two public companies, Conagra Brands and Lamb Weston. The transaction, expected to be structured as a spinoff of the Lamb Weston business to the shareholders of ConAgra Foods in the fall of calendar 2016, is expected to be tax free to the Company and its shareholders. We also recently announced our plans to sell our Spicetec and JM Swank businesses and entered into separate agreements for their sale. Both transactions are expected to be complete in early fiscal 2017, subject to the satisfaction of customary closing conditions. All of these businesses are part of the Commercial Foods segment. Prior to the end of fiscal 2016, John Gehring, Chief Financial Officer of ConAgra Foods, Inc., announced his retirement. Mr. Gehring will remain in his current role until a successor is in place and will assist with an orderly transition.

In fiscal 2016, we also announced the relocation of our corporate headquarters to Chicago, Illinois beginning in the summer of calendar year 2016. We completed the relocation in the first quarter of fiscal 2017.

Diluted loss per share in fiscal 2016 was \$1.56, including earnings of \$1.09 per diluted share from continuing operations and a loss of \$2.65 per diluted share from discontinued operations. Diluted loss per share in fiscal 2015 was \$0.59, including earnings of \$1.73 per diluted share from continuing operations and a loss of \$2.32 per diluted share from discontinued operations. Several significant items affect the comparability of year-over-year results of continuing operations (see "Items Impacting Comparability" below).

Items Impacting Comparability

Segment presentation of gains and losses from derivatives used for economic hedging of anticipated commodity input costs and economic hedging of foreign currency exchange rate risks of anticipated transactions is discussed in the segment review below.

Items of note impacting comparability of results from continuing operations for fiscal 2016 included the following:

- a charge of \$348.5 million (\$215.1 million after-tax) reflecting the year-end write-off of actuarial losses in excess of 10% of our pension liability,
- charges totaling \$281.8 million (\$178.4 million after-tax) in connection with our Supply Chain and Administrative Efficiency Plan (the "SCAE Plan"),
- a charge of \$50.1 million (\$31.6 million after-tax) related to the impairment of the Chef Boyardee brand,
- charges of \$23.9 million (\$15.4 million after-tax) related to the repurchase of certain senior notes,

a gain of \$17.7 million (\$13.3 million after-tax) related to the settlement of a pension plan of an international potato venture, classified within equity method investment earnings,

expenses of \$5.3 million (\$3.4 million after-tax) in connection with the Lamb Weston spinoff transaction,

a charge of \$5.0 million (\$3.1 million after-tax) in connection with a legacy legal matter,

a benefit of \$4.9 million (\$3.1 million after-tax) related to the sale of a facility in our Commercial segment, and

income tax expense of \$8.3 million related to legal entity changes for a business retained from Private Brands and a \$2.7 million charge for the prior year implementation of a new tax position offset by the benefit of normal, recurring, income tax credits and deductions combined with a lower pre-tax level of earnings (due in large part to the impact of the write-off of \$348.5 million of actuarial losses under our method of accounting for pension benefits).

Items of note impacting comparability of results from continuing operations for fiscal 2015 included the following:

charges of \$25.7 million (\$23.1 million after-tax) related to the impairment of goodwill and other intangibles impacting reporting units within our Consumer Foods segment,

charges of \$47.9 million (\$30.2 million after-tax) in connection with our SCAE Plan,

charges of \$24.6 million (\$15.1 million after-tax) related to early extinguishment of debt as a result of the payoff of our term loan facility and the repurchase of certain senior notes,

charges of \$5.0 million (\$3.1 million after-tax) in support of our integration of the former Ralcorp Holdings, Inc. ("Ralcorp") business,

a benefit of \$7.0 million (\$7.0 million after-tax) related to the reduction of the legal accrual for matters associated with the 2007 peanut butter recall,

a charge of \$6.9 million (\$4.2 million after-tax) reflecting the write-off of actuarial losses in excess of 10% of our pension liability, and

income tax benefits of \$5.2 million from the implementation of a new tax position for federal tax credits and generation of state tax credits, relating to prior tax years.

In addition, fiscal 2015 income per share benefited by approximately \$.04 as a result of the fiscal year including 53 weeks.

Acquisitions

In May 2015, we acquired Blake's All Natural Foods, a family-owned company specializing in all natural and organic frozen meals, including pot pies, casseroles, pasta dishes, and other entrees, for \$20.7 million in cash, net of cash acquired. The purchase included property and equipment associated with making frozen meals. This business is included in the Consumer Foods segment.

In July 2014, we acquired TaiMei Potato Industry Limited, a Chinese potato processor, for \$92.2 million, consisting of \$74.9 million in cash, net of cash acquired, plus assumed liabilities. The purchase included property and equipment associated with making frozen potato products. This business is included in the Commercial Foods segment.

Discontinued Operations

On February 1, 2016, pursuant to a Stock Purchase Agreement, dated as of November 1, 2015, we completed the disposition of our Private Brands operations to TreeHouse Foods, Inc. ("Treehouse") for \$2.6 billion in cash on a debt-free basis, subject to working capital and other adjustments. The Private Brands assets and liabilities have been reclassified as held for sale for all periods presented prior to the divestiture and the results of operations have been classified as discontinued operations for all periods presented.

Formation of Ardent Mills

On May 29, 2014, the Company, Cargill, Incorporated, and CHS, Inc. completed the formation of the Ardent Mills joint venture ("Ardent Mills"). In connection with the formation, we contributed all of the assets of ConAgra Mills, including \$49.0 million of cash, to Ardent Mills, we received a 44% ownership interest in Ardent Mills, and Ardent Mills distributed \$391.4 million in cash to us as a return of capital. The contribution of the assets of ConAgra Mills in exchange for a non-controlling interest in the joint venture was required to be accounted for at fair value, and accordingly, we recognized a gain of \$625.6 million (\$379.6 million after-tax) in income from discontinued operations, to reflect the excess of the fair value of our interest over its carrying value at the time of the transfer. As part of the formation of Ardent Mills, in the fourth quarter of fiscal 2014, pursuant to an agreement with the U.S. Department of Justice, we sold three flour milling facilities to Miller Milling Company LLC for \$163.0 million. We received the cash proceeds from the sale of these flour milling facilities in the first quarter of fiscal 2015. In the first quarter of fiscal 2015, we used the net cash proceeds from the Ardent Mills transaction to repay debt. The operating results of our legacy milling business, including the disposition of three mills aforementioned, are included as discontinued operations.

Restructuring Plans

In May 2013, we announced a plan for the integration and restructuring of the operations of the former Ralcorp business, optimization of the entire Company's supply chain network, manufacturing assets, and dry distribution and mixing centers, and improvement of selling, general and administrative effectiveness and efficiencies, which we refer to as the SCAE Plan. Although the divestiture of the Private Brands business was completed in the third quarter of fiscal 2016, we will plan to continue to implement portions of the SCAE Plan, including work related to optimizing our supply chain network, and pursue cost reductions through our selling, general and administrative functions and productivity improvements. The SCAE Plan also includes plans announced in the second quarter of fiscal 2016 to realize efficiency benefits through a combination of reductions in selling, general and administrative expenses and enhancements to trade spend processes and tools.

Although we remain unable to make good faith estimates relating to the entire SCAE Plan, we are reporting on actions initiated through the end of fiscal 2016, including the estimated amounts or range of amounts for each major type of costs expected to be incurred, and the charges that have resulted or will result in cash outflows. As of May 29, 2016, our Board of Directors has approved the incurrence of up to \$739.0 million of expenses in connection with the SCAE Plan. We have incurred or expect to incur approximately \$443.9 million of charges (\$315.5 million of cash charges and \$128.4 million of non-cash charges) for actions identified to date under the SCAE plan. In fiscal 2016 and fiscal 2015, we recognized charges in continuing operations of \$281.8 million and \$47.7 million, respectively, in relation to the SCAE Plan. We expect to incur costs related to the SCAE Plan over a multi-year period.

SEGMENT REVIEW

We report our operations in two reporting segments: Consumer Foods and Commercial Foods. In the third quarter of fiscal 2016, we completed the divestiture of substantially all of the operations that were previously reported within the Private Brands segment. The Private Brands assets and liabilities have been reclassified as held for sale for all periods presented prior to the divestiture and the results of operations have been classified as discontinued operations for all periods presented. Minor portions of the former Private Brands segment were retained and have been included in the Consumer Foods and Commercial Foods segments for all periods presented. Minor portions of the Consumer Foods and Commercial Foods segments have been classified as discontinued operations as these were included with the sale of the Private Brands operations.

Consumer Foods

The Consumer Foods reporting segment principally includes branded food sold in various retail channels primarily in North America. Our food products are sold in a variety of categories (meals, entrees, condiments, pasta, sides, snacks, and desserts) in various retail channels across frozen, refrigerated, and shelf-stable temperature classes.

Commercial Foods

The Commercial Foods reporting segment includes commercially branded and private label food and ingredients, which are sold primarily to commercial, restaurant, foodservice, food manufacturing, and industrial customers. The segment's primary food items include: frozen potato and sweet potato items and a variety of vegetable, spice, and frozen bakery goods, which are sold under brands such as Lamb Weston® and Spicetec Flavors & Seasonings®.

Presentation of Derivative Gains (Losses) from Economic Hedges of Forecasted Cash Flows in Segment Results

Derivatives used to manage commodity price risk and foreign currency risk are not designated for hedge accounting treatment. We believe these derivatives provide economic hedges of certain forecasted transactions. As such, these derivatives are generally recognized at fair market value with realized and unrealized gains and losses recognized in general corporate expenses. The gains and losses are subsequently recognized in the operating results of the reporting segments in the period in which the underlying transaction being economically hedged is included in earnings. In the event that management determines a particular derivative entered into as an economic hedge of a forecasted commodity purchase has ceased to function as an economic hedge, we cease recognizing further gains and losses on such derivatives in corporate expense and begin recognizing such gains and losses within segment operating results, immediately.

The following table presents the net derivative gains (losses) from economic hedges of forecasted commodity consumption and the foreign currency risk of certain forecasted transactions associated with continuing operations, under this methodology:

	Fiscal Years	
	Ended	
	May	May
(\$ in millions)	29,	31,
	2016	2015
Net derivative losses incurred	\$(12.1)	\$(79.3)
Less: Net derivative losses allocated to reporting segments	(30.2)	(46.6)
Net derivative gains (losses) recognized in general corporate expenses	\$18.1	\$(32.7)
Net derivative losses allocated to Consumer Foods	\$(21.1)	\$(41.9)
Net derivative losses allocated to Commercial Foods	(9.1)	(4.7)
Net derivative losses included in segment operating profit	\$(30.2)	\$(46.6)

As of May 29, 2016, the cumulative amount of net derivative gains from economic hedges that had been recognized in general corporate expenses and not yet allocated to reporting segments was \$3.2 million. This amount reflected net gains of \$3.6 million incurred during the fiscal year ended May 29, 2016, as well as net losses of \$0.4 million incurred prior to fiscal 2016. Based on our forecasts of the timing of recognition of the underlying hedged items, we expect to reclassify to segment operating results gains of \$2.4 million in fiscal 2017 and gains of \$0.8 million in fiscal 2018 and thereafter.

In the second quarter of fiscal 2015, management determined that certain derivatives that had been previously entered into as an economic hedge of forecasted commodity purchases had ceased to function as economic hedges. We recognized \$18.9 million and \$1.4 million of net derivative losses during fiscal 2015 within the operating results of the Consumer Foods and Commercial Foods segments, respectively, in connection with these derivatives.

Management effectively exited these derivative positions in the third quarter of fiscal 2015.

Fiscal 2016 compared to Fiscal 2015

Net Sales

(\$ in millions)	Fiscal	Fiscal	% Inc
Reporting Segment	2016 Net	2015 Net	(Dec)
	Sales	Sales	
Consumer Foods	\$7,225.1	\$7,565.3	(5)%
Commercial Foods	4,417.8	4,371.7	1 %
Total	\$11,642.9	\$11,937.0	(2)%

Overall, our net sales were \$11.64 billion in fiscal 2016, a decrease of 2% compared to fiscal 2015.

Consumer Foods net sales for fiscal 2016 were \$7.23 billion, a decrease of \$340.2 million, or 5%, compared to fiscal 2015. Results reflected a decrease in volumes of approximately 5% in fiscal 2016, primarily due to the exclusion of an additional week of results that occurred in 2015, as well as the negative impact on volume from pricing actions. In addition, there was a 1% improvement in price/mix that was offset by a decrease of 1% due to the impact of foreign exchange rates. We implemented changes to improve the efficiency of trade spending, increased prices on Banquet® and other brands in connection with product improvements, and have focused on improving mix.

Sales of products associated with some of our most significant brands, including Blue Bonnet®, Egg Beaters®, Marie Callender's®, Peter Pan®, Reddi-wip®, and Slim Jim®, grew in fiscal 2016 as compared to fiscal 2015. Significant brands whose products experienced sales declines in fiscal 2016 include Banquet®, Chef Boyardee®, Healthy Choice®, Hebrew National®, Hunt's®, Orville Redenbacher's®, Rosarita®, Snack Pack®, and Wesson®.

Commercial Foods net sales were \$4.42 billion in fiscal 2016, an increase of \$46.1 million, or 1%, compared to fiscal 2015. Increased net sales for fiscal 2016 in the Lamb Weston specialty potato products business reflected a 4% increase in volumes, despite the additional week in fiscal 2015, due to strong international sales, partly due to the lapping of the West Coast port labor dispute in the prior year, as well as strong volume performance in North America, offset by a 1% decrease in price/mix. Net sales in our Foodservice business decreased, primarily driven by the impact of the exclusion of the additional week in fiscal 2015 and volume softness in select customers.

Selling, General and Administrative ("SG&A") Expenses (Includes general corporate expenses)

SG&A expenses totaled \$2.21 billion for fiscal 2016, an increase of \$664.1 million compared to fiscal 2015. We estimate that the inclusion of an extra week in the fiscal 2015 resulted in additional SG&A expenses in fiscal 2015 of approximately \$30 million.

SG&A expenses for fiscal 2016 reflected the following:

- a charge of \$348.5 million reflecting the year-end write-off of actuarial losses in excess of 10% of our pension liability,

- charges totaling \$232.8 million in connection with our SCAE Plan,

- a charge of \$50.1 million related to the impairment of the Chef Boyardee® brand intangible,

- an increase in advertising and promotion spending of \$41.4 million,

- a decrease in salaries and wages of \$29.2 million, in connection with our cost savings initiatives,

- an increase in incentive compensation expense of \$90.5 million,

- charges of \$23.9 million related to the repurchase of certain senior notes,

- expenses of \$5.3 million in connection with the Lamb Weston spin-off transaction,

- a charge of \$5.0 million in connection with a legal matter, and

- a benefit of \$4.9 million related to the sale of a facility in our Commercial Foods segment.

SG&A expenses for fiscal 2015 included:

- charges of \$25.7 million related to goodwill and intangible asset impairments in our Consumer Foods segment,

- charges totaling \$25.3 million in connection with our SCAE Plan,

- charges of \$24.6 million related to early extinguishment of debt as a result of the payoff of our term loan facility and the repurchase of certain senior notes,

- a benefit of \$7.0 million related to the reduction of the legal accrual for pending matters associated with the 2007 peanut butter recall,

- a charge of \$6.9 million reflecting the year-end write-off of actuarial losses in excess of 10% of our pension liability, and

charges of \$5.0 million in support of our integration of the former Ralcorp business.

Operating Profit (Earnings before general corporate expenses, interest expense, net, income taxes, and equity method investment earnings)

	Fiscal	Fiscal	
(\$ in millions)	2016	2015	% Inc
Reporting Segment	Operating Profit	Operating Profit	(Dec)
Consumer Foods	\$ 1,087.6	\$ 1,068.0	2 %
Commercial Foods	633.2	566.2	12 %

Consumer Foods operating profit for fiscal 2016 was \$1.09 billion, an increase of \$19.6 million, or 2%, compared to fiscal 2015. Gross profits in Consumer Foods were \$83.7 million higher in fiscal 2016 compared to fiscal 2015. The higher gross profit was driven by improved plant productivity and lower commodity input costs, partially offset by lower sales volumes, due in part to pricing actions on certain products. Gross profits in fiscal 2015 included \$18.9 million of net derivative losses in connection with derivatives that ceased to function as economic hedges. Operating profit was negatively impacted by the increase in advertising and promotion expenses of \$35.8 million and higher incentive compensation. Consumer Foods operating profit in fiscal 2016 included a charge of \$50.1 million related to impairment of the Chef Boyardee® brand intangible asset. Operating profit for the Consumer Foods segment for fiscal 2016 also includes \$43.0 million of negative impact from changes in foreign exchange rates. Charges totaling \$74.1 million related to our SCAE Plan also impacted Consumer Foods results in fiscal 2016, compared to \$36.5 million in fiscal 2015. Consumer Foods operating profit in fiscal 2015 included a charge of \$20.9 million related to the impairment of goodwill and \$4.8 million related to impairment of the Poppycock® brand intangible asset.

Operating profit for the Commercial Foods segment was \$633.2 million in fiscal 2016, an increase of \$67.0 million, or 12%, compared to fiscal 2015. Gross profits in the Commercial Foods segment were \$80.8 million higher in fiscal 2016 compared to fiscal 2015. Gross profits in fiscal 2015 included \$1.4 million of net derivative losses in connection with derivatives that ceased to function as economic hedges. The increase in operating profit at Lamb Weston reflected North America and international sales growth combined with lower potato and commodity input costs, slightly offset by increases in labor expense in fiscal 2016. Strong international volume growth was partly due to lapping of the West Coast port labor dispute in the year ago period. Foodservice operating profit increased slightly due to favorability in cost of goods sold slightly offset by softness in volumes. Commercial Foods operating profit also included charges of \$3.2 million in fiscal 2015 related to the execution of our SCAE Plan.

Interest Expense, Net

In fiscal 2016, net interest expense was \$297.8 million, a decrease of \$32.2 million, or 10%, from fiscal 2015. The decrease reflects the repayment of debt. Interest expense in fiscal 2016 and 2015 reflected a net benefit of \$2.9 million and \$8.1 million, respectively, primarily resulting from interest rate swaps used to effectively convert the interest rates of certain outstanding debt instruments from fixed rate to floating rate.

Income Taxes

Our income tax expense was \$225.4 million and \$362.1 million in fiscal 2016 and 2015, respectively. The effective tax rate (calculated as the ratio of income tax expense to pre-tax income from continuing operations, inclusive of equity method investment earnings) was approximately 31% and 32% for fiscal 2016 and 2015, respectively.

Income tax expense for fiscal 2016 included \$8.3 million of expense related to legal entity changes for a business retained from Private Brands and a \$2.7 million charge for the prior year implementation of a new tax position, offset by the benefit of normal, recurring, income tax credits and deductions combined with a lower pre-tax level of earnings (due in large part to the impact of the write-off of \$348.5 million of actuarial losses under our method of accounting for pension benefits).

In fiscal 2015, we implemented a new position and took a tax credit that applied to prior year tax returns which resulted in an income tax benefit of \$5.2 million.

We expect our effective tax rate in fiscal 2017, exclusive of any unusual transactions or tax events, to be approximately 33%-34%.

Equity Method Investment Earnings

We include our share of the earnings of certain affiliates based on our economic ownership interest in the affiliates. Significant affiliates include the Ardent Mills joint venture and affiliates that produce and market potato products for retail and foodservice customers. Our share of earnings from our equity method investments was \$137.8 million (\$134.6 million in the Commercial Foods segment and \$3.2 million in the Consumer Foods segment) and \$122.1 million (\$119.1 million in the Commercial Foods segment and \$3.0 million in the Consumer Foods segment) in fiscal 2016 and 2015, respectively. The increase in fiscal 2016 compared to fiscal 2015 reflects higher profits for our international potato joint ventures as well as a gain related to the settlement of a pension plan, partially offset by decreased profits for the Ardent Mills joint venture. Fiscal 2016 reflects a full year of earnings from the Ardent Mills joint venture, compared to the 11 months in fiscal 2015. We recognize earnings on a one-month lag for the Ardent Mills joint venture, due to differences in fiscal year periods.

Results of Discontinued Operations

Our discontinued operations generated after-tax losses of \$1.16 billion and \$1.0 billion in fiscal 2016 and 2015, respectively. As a result of the disposition of the Private Brands business, we recognized a pre-tax charge of \$1.92 billion (\$1.44 billion after-tax) in fiscal 2016 to write-down the goodwill and long-lived assets to the final sales price, less costs to sell, and to recognize the final loss. The results of discontinued operations for fiscal 2015 include a \$1.51 billion impairment of goodwill and \$57.6 million of impairment charges to write-down various brands and fixed assets recognized on the Private Brands business divestiture.

The results of discontinued operations for fiscal 2015 also include a pre-tax gain of \$625.6 million (\$379.6 million after-tax) recognized on the transactions related to the formation of Ardent Mills (see Note 6 "Discontinued Operations" in the consolidated financial statements).

Earnings (Loss) Per Share

Diluted loss per share in fiscal 2016 was \$1.56, including earnings of \$1.09 per diluted share from continuing operations and a loss of \$2.65 per diluted share from discontinued operations. Diluted loss per share in fiscal 2015 was \$0.59, including earnings of \$1.73 per diluted share from continuing operations and a loss of \$2.32 per diluted share from discontinued operations. See "Items Impacting Comparability" above as several significant items affected the comparability of year-over-year results of operations.

Fiscal 2015 compared to Fiscal 2014

Net Sales

(\$ in millions) Reporting Segment	Fiscal 2015 Net Sales	Fiscal 2014 Net Sales	% Inc (Dec)
Consumer Foods	\$7,565.3	\$7,596.3	—%
Commercial Foods	4,371.7	4,241.9	3 %
Total	\$11,937.0	\$11,838.2	1 %

Overall, our net sales were \$11.94 billion in fiscal 2015, an increase of 1% compared to fiscal 2014.

Consumer Foods net sales for fiscal 2015 were \$7.57 billion, a decrease of \$31.0 million, compared to fiscal 2014. Results reflected a volume benefit of approximately 1% in fiscal 2015 due to the inclusion of an additional week of results, offset by 1% decrease due to the impact of foreign exchange rates. In addition, we increased prices in fiscal 2015 for some categories to cover commodity costs.

Sales of products associated with some of our most significant brands, including ACT II®, Chef Boyardee®, Hebrew National®, Hunt's®, Marie Callender's®, Odom's®, Pam®, Reddi-wip®, Ro*Tel®, and Slim Jim®, grew in fiscal 2015 as compared to fiscal 2014. Significant brands whose products experienced sales declines in fiscal 2015 include Bertolli®, Blue Bonnet®, Healthy Choice®, Libby's®, Orville Redenbacher's®, Peter Pan®, Snack Pack®, Swiss Miss®, and Wesson®.

Commercial Foods net sales were \$4.37 billion in fiscal 2015, an increase of \$129.8 million, or 3%, compared to fiscal 2014. Results for fiscal 2015 reflected increased volumes in the Lamb Weston specialty potato products business and

Foodservice businesses due to the inclusion of an additional week of results. Lamb Weston results also reflected good domestic performance, more than offsetting the negative impact of the West Coast labor dispute on international sales and challenges facing quick service restaurant customers.

Selling, General and Administrative ("SG&A") Expenses (Includes general corporate expenses)

SG&A expenses totaled \$1.55 billion for fiscal 2015, a decrease of \$233.6 million compared to fiscal 2014. We estimate that the inclusion of an extra week in the fiscal 2015 results increased SG&A expenses in fiscal 2015 by approximately \$30 million.

SG&A expenses for fiscal 2015 reflected:

- a decrease in advertising and promotion spending of \$65.7 million,
- charges of \$25.7 million related to goodwill and intangible asset impairments in our Consumer Foods segment,
- charges totaling \$25.3 million in connection with our SCAE Plan,
- charges of \$24.6 million related to early extinguishment of debt as a result of the payoff of our term loan facility and the repurchase of certain senior notes,
- a benefit of \$7.0 million related to the reduction of the legal accrual for pending matters associated with the 2007 peanut butter recall,
- a charge of \$6.9 million reflecting the year-end write-off of actuarial losses in excess of 10% of our pension liability, and
- charges of \$5.0 million in support of our integration of the former Ralcorp business.

SG&A expenses for fiscal 2014 included:

- expenses of \$40.7 million in connection with our restructuring plans,
- charges of \$84.9 million related to goodwill and intangible asset impairments, primarily the Chef Boyardee® brand in our Consumer Foods segment,
- expenses of \$34.7 million in support of our integration of the former Ralcorp business,
- a charge of \$16.5 million in connection with the impairment of a small production facility,
- a benefit of \$10.2 million related legal matters associated with the 2007 peanut butter recall, including a reduction of the legal accrual for matters associated with the recall and the reimbursement of settlement and defense costs from an insurer,
- a charge of \$8.9 million in connection with the impairment of certain assets received in connection with the bankruptcy of an onion products supplier,
- transaction-related costs of \$2.2 million, and
- a benefit of \$5.1 million in connection with the sale of land received in connection with the bankruptcy of an onion products supplier.

Operating Profit (Earnings before general corporate expenses, interest expense, net, income taxes, and equity method investment earnings)

	Fiscal	Fiscal	
(\$ in millions)	2015	2014	% Inc
Reporting Segment	Operating Profit	Operating Profit	(Dec)
Consumer Foods	\$ 1,068.0	\$ 900.5	19 %
Commercial Foods	566.2	533.5	6 %

Consumer Foods operating profit for fiscal 2015 was \$1.07 billion, an increase of \$167.5 million, or 19%, compared to fiscal 2014. Gross profits in Consumer Foods were flat compared to fiscal 2014, driven by the impact of comparable net sales, discussed above, favorable product mix and improved plant productivity, offset by \$18.9 million of net derivative losses in connection with certain derivatives that ceased to function as economic hedges and higher commodity costs. Operating profit was favorably impacted by the decrease in advertising and promotion expenses of \$63.0 million and lower salaries expense. The decrease in advertising expense reflected a continually increasing focus on prioritization, efficiency, and return on investment. Consumer Foods operating profit in fiscal 2015 included a charge of \$20.9 million related to the impairment of goodwill and a charge of \$4.8 million related to impairment of the Poppycock® brand intangible asset. Operating profit for the Consumer Foods segment for fiscal 2015 also includes \$31.7 million of estimated negative impact from changes in foreign exchange rates. Charges totaling \$36.5 million related to our restructuring plans also impacted Consumer Foods results in fiscal 2015, compared to \$21.0 million in fiscal 2014. In fiscal 2014, Consumer Foods operating profit included a charge of \$9.0 million related to the impairment of goodwill and charges of \$72.7 million related to impairment of intangible assets, principally the Chef Boyardee® brand. Charges of \$1.8 million for transaction-related expenses also impacted fiscal 2014 Consumer Foods operating profit.

Operating profit for the Commercial Foods segment was \$566.2 million in fiscal 2014, an increase of \$32.7 million, or 6%, compared to fiscal 2014. Gross profits in the Commercial Foods segment were flat compared to fiscal 2014. Commercial Foods recognized \$1.4 million of net derivative losses in connection with certain derivatives that ceased to function as economic hedges. The increases in operating profits reflected good domestic performance (discussed above), a better quality raw potato crop, and good operating efficiencies; collectively, these more than offset lower profits from international sales. International sales and profits were weak, resulting from challenges facing quick-serve restaurant customers in key Asian markets and the impact of the slowdown from the West Coast port labor dispute. The West Coast port labor dispute was resolved toward the end of the third quarter of fiscal 2015. Commercial Foods operating profit also included charges of \$3.2 million and \$4.8 million in fiscal 2015 and 2014, respectively, related to the execution of our restructuring plans. Commercial Foods operating profit for fiscal 2014 also included a charge of \$16.5 million in connection with the impairment of a small production facility, as well as a charge of \$8.9 million for the impairment of certain non-operating assets and a \$5.1 million gain from the sale of land, both related to assets received in connection with the bankruptcy of an onion products supplier.

Interest Expense, Net

In fiscal 2015, net interest expense was \$330.0 million, a decrease of \$47.5 million, or 13%, from fiscal 2014. The decrease reflects the repayment of debt and other debt financing actions. Interest expense in fiscal 2015 and 2014 reflected a net benefit of \$8.1 million and \$12.1 million, respectively, primarily resulting from interest rate swaps used to effectively convert the interest rates of certain outstanding debt instruments from fixed rate to floating rate.

Income Taxes

Our income tax expense was \$362.1 million and \$178.3 million in fiscal 2015 and 2014, respectively. The effective tax rate (calculated as the ratio of income tax expense to pre-tax income from continuing operations, inclusive of equity method investment earnings) was 32% for fiscal 2015 and 22% for fiscal 2014.

In fiscal 2015, we implemented a new position and took a tax credit that applied to prior year tax returns and resulted in an income tax benefit of \$5.2 million. The fiscal 2014 effective tax rate included a change in estimate related to tax methods used for certain international sales, favorable tax adjustments resulting from changes in legal structure and state tax filing positions, resolution of foreign tax matters that were previously reserved, the effect of a law change in

Mexico requiring deconsolidation for tax reporting purposes, and the resolution of certain income tax matters related to dispositions of foreign operations in prior years.

Equity Method Investment Earnings

We include our share of the earnings of certain affiliates based on our economic ownership interest in the affiliates. Significant affiliates include the Ardent Mills joint venture and affiliates that produce and market potato products for retail and foodservice customers. Our share of earnings from our equity method investments was \$122.1 million (\$119.1 million in the Commercial Foods segment and \$3.0 million in the Consumer Foods segment) and \$32.5 million (\$29.7 million in the Commercial Foods segment and \$2.8 million in the Consumer Foods segment) in fiscal 2015 and 2014, respectively. The increase in fiscal 2015 compared to fiscal 2014 reflects the earnings from the Ardent Mills joint venture as well as higher profits for an international potato joint venture. The earnings from the Ardent Mills joint venture reflect results for 11 months of operations, as we recognize earnings on a one-month lag, due to differences in fiscal year periods. In fiscal 2014, earnings also reflected a \$3.4 million charge reflecting the year-end write-off of actuarial losses in excess of 10% of the pension liability for an international potato venture.

Results of Discontinued Operations

Our discontinued operations generated an after-tax loss of \$1.0 billion and \$310.1 million in fiscal 2015 and 2014, respectively.

The results of discontinued operations for fiscal 2015 include a \$1.51 billion impairment of goodwill and \$57.6 million of impairment charges to write-down various brands and fixed assets recognized on the Private Brands business divestiture. In fiscal 2014, we recorded a \$593.2 million impairment of goodwill and \$3.0 million of impairment charges to write-down a small brand in Private Brands that are included in discontinued operations. The results of discontinued operations for fiscal 2015 include a pre-tax gain of \$625.6 million (\$379.6 million after-tax) recognized on the formation of the Ardent Mills joint venture. The results for fiscal 2014 reflect a pre-tax gain of \$90.0 million (\$55.7 million after-tax) related to the disposition of three flour milling facilities as part of the Ardent Mills formation.

In fiscal 2014, we also completed the sale of a small snack business, Medallion Foods, for \$32.0 million in cash. We recognized an after-tax loss of \$3.5 million on the sale of this business in fiscal 2014. In fiscal 2014, we recognized an impairment charge related to allocated amounts of goodwill and intangible assets, totaling \$15.2 million after-tax, in anticipation of this divestiture. We also completed the sale of the assets of the Lightlife® business for \$54.7 million in cash. We recognized an after-tax gain of \$19.8 million on the sale of this business in fiscal 2014.

Earnings (Loss) Per Share

Diluted loss per share in fiscal 2015 was \$0.59, including earnings of \$1.73 per diluted share from continuing operations and a loss of \$2.32 per diluted share from discontinued operations. Diluted earnings per share in fiscal 2014 were \$0.70, including earnings of \$1.43 per diluted share from continuing operations and a loss of \$0.73 per diluted share from discontinued operations.

LIQUIDITY AND CAPITAL RESOURCES

Sources of Liquidity and Capital

Our primary financing objective is to maintain a prudent capital structure that provides us flexibility to pursue our growth objectives. If necessary, we use short-term debt principally to finance ongoing operations, including our seasonal requirements for working capital and a combination of equity and long-term debt to finance both our base working capital needs and our non-current assets. We are committed to maintaining an investment grade credit rating. At May 29, 2016, we had a \$1.5 billion revolving credit facility. The facility is scheduled to mature in September 2018. The facility has historically been used principally as a back-up facility for our commercial paper program. As of May 29, 2016, there were no outstanding borrowings under the facility. The facility requires that our consolidated funded debt not exceed 65% of our consolidated capital base and that our fixed charges coverage ratio be greater than 1.75 to 1.0. On September 21, 2015, the Company entered into an amendment to the facility to exclude certain non-cash impairments from the calculation of the fixed charge coverage ratio. As of May 29, 2016, we were in compliance with these financial covenants.

As of May 29, 2016 and May 31, 2015, we had no amounts outstanding under our commercial paper program. The highest level of borrowings during fiscal 2016 was \$401.3 million, in part attributable to the use of commercial paper borrowings to fund the payment of the \$250.0 million of 1.35% senior debt, which became due in September 2015.

As of the end of fiscal 2016, our senior long-term debt ratings were all investment grade. A significant downgrade in our credit ratings would not affect our ability to borrow amounts under the revolving credit facility, although borrowing costs would increase. A downgrade of our short-term credit ratings would impact our ability to borrow under our commercial paper program by negatively impacting borrowing costs and causing shorter durations, as well as making access to commercial paper more difficult.

We repurchase our shares of common stock from time to time after considering market conditions and in accordance with repurchase limits authorized by our Board of Directors. In December 2011, the Company's Board of Directors approved a \$750.0 million increase to our share repurchase authorization. Under the share repurchase authorization, we may repurchase our shares periodically over several years, depending on market conditions and other factors, and may do so in open market purchases or privately negotiated transactions. The authorization has no time limit and may be suspended or discontinued at any time. We repurchased 1.4 million shares of our common stock for an aggregate of \$50.0 million under this program in fiscal 2015. The Company's total remaining share repurchase authorization as of May 29, 2016 was \$131.9 million.

We have access to the \$1.5 billion revolving credit facility, our commercial paper program, and the capital markets in addition to cash and cash equivalents totaling \$834.5 million as of May 29, 2016. We believe we also have access to additional bank loan facilities, if needed.

We have recently signed separate agreements to sell the Spicetec Flavors & Seasonings and JM Swank businesses and expect to complete these sales in early fiscal 2017, subject to customary closing conditions. We expect to realize net proceeds from the sales in early fiscal 2017 of \$316.5 million and \$162.4 million, respectively.

In fiscal 2016, we announced our plans to separate ConAgra Foods, Inc. into two public companies, Conagra Brands and Lamb Weston. Although we have not finalized plans for our future capital structure, management believes the aforementioned sources of liquidity will be adequate to meet required debt repayments, planned capital expenditures, working capital needs, and payment of anticipated quarterly dividends for the foreseeable future.

Although a significant amount of our senior debt will mature over the next several years, including \$550.0 million aggregate principal amount of our floating rate senior notes due in July 2016, we expect to maintain or have access to sufficient liquidity to either retire or refinance such debt, as market conditions warrant, from operating cash flows, our commercial paper program, proceeds from any divestitures and other disposition transactions, access to capital markets, and our revolving credit facility.

Cash Flows

In fiscal 2016, we generated \$651.4 million of cash, which was the net result of \$1.21 billion generated from operating activities, \$2.13 billion provided by investing activities, \$2.68 billion used in financing activities, and a decrease of \$2.0 million in cash due to the effect of changes in foreign currency exchange rates.

Cash generated from operating activities of continuing operations totaled \$1.05 billion in fiscal 2016, as compared to \$1.22 billion generated in fiscal 2015. The decrease was mainly driven by a \$158.6 million increase in income tax payments for fiscal 2016 compared to those made in fiscal 2015 from continuing operations. Cash flows from changes in working capital for continuing operations for 2016 were comparable to those of 2015. Increases in receivables, partially attributable to payment term concessions granted to major customers, were offset by lower inventory levels due to favorable commodity prices and supply decreases, and further reduced by increases in accrued expenses related to incentives and restructuring activities in connection with the SCAE Plan. Also, annual incentive compensation payments were approximately \$22.0 million more in fiscal 2016 (earned in fiscal 2015) than in fiscal 2015 (earned in fiscal 2014) and approximately \$43.2 million of cash was used to settle certain share-based incentive awards in fiscal 2016.

Cash generated from operating activities of discontinued operations was \$162.1 million and \$265.2 million in fiscal 2016 and fiscal 2015, respectively. The contribution of cash from operating activities of discontinued operations reflects the activities of the Private Brands business for a full year in fiscal 2015 and three quarters in fiscal 2016 and the limited results of the milling business which were included in the first quarter of fiscal 2015.

Investing activities of continuing operations used \$397.5 million in fiscal 2016 compared to \$37.2 million in fiscal 2015. Investing activities of continuing operations in fiscal 2016 consisted primarily of capital expenditures of \$429.8 million, which included several significant plant expansions and improvements. Investing activities of continuing

operations in fiscal 2015 consisted primarily of \$391.4 million received from Ardent Mills in connection with the formation of that joint venture,

partially offset by capital expenditures of \$351.2 million and the purchases of a potato manufacturer in China and an organic frozen food business in the United States, totaling \$95.7 million, net of cash acquired.

Cash provided by investing activities of discontinued operations in fiscal 2016 of \$2.52 billion resulted primarily from the proceeds of the divestiture of our Private Brands operations totaling \$2.60 billion, net of cash transferred and closing costs. This was offset by capital expenditures totaling \$95.3 million. Cash used in investing activities of discontinued operations in fiscal 2015 totaled \$4.4 million resulting from the receipt of \$163.0 million cash associated with the sale of three flour milling facilities at the end of fiscal 2014, partially offset by \$49.0 million of cash contributed to Ardent Mills upon the formation of the joint venture and capital expenditures of \$120.5 million associated with the Private Brands operations.

Cash used for financing activities of continuing operations totaled \$2.64 billion in fiscal 2016 compared to \$1.43 billion in fiscal 2015. Financing activities of continuing operations for fiscal 2016 consisted primarily of long-term debt repayments totaling \$2.53 billion principally financed from the proceeds of the divestiture of our Private Brands operations. In fiscal 2015, we repaid \$1.49 billion of long-term debt, partially financed by the issuance of \$550.0 million aggregate principal amount of floating rate notes and we also reduced short term debt, primarily commercial paper, by \$150.0 million. During fiscal 2016 and 2015, we paid dividends of \$432.5 million and \$425.2 million, respectively. In fiscal 2015, we repurchased \$50.0 million of our common stock as part of our share repurchase program. Amounts generated from proceeds of employee stock option exercises and issuance of other stock awards were \$260.2 million and \$153.8 million in fiscal 2016 and 2015, respectively.

The Company had cash and cash equivalents of \$834.5 million at May 29, 2016 and \$164.7 million at May 31, 2015, of which \$138.9 million at May 29, 2016 and \$79.0 million at May 31, 2015 was held in foreign countries. As of May 31, 2015, certain of the Company's foreign subsidiaries had extended short-term loans to domestic entities totaling \$36.4 million. Domestic entities repaid these amounts early in the first quarter of fiscal 2016. The Company makes an assertion regarding the amount of earnings intended for permanent reinvestment outside the United States, with the balance available to be repatriated to the United States. The cash held by foreign subsidiaries for permanent reinvestment is generally used to finance the subsidiaries' operational activities and future foreign investments. No related tax liability has been accrued as of May 29, 2016. At May 29, 2016, management does not intend to permanently repatriate additional foreign cash. Any future decision to repatriate foreign cash could result in an adjustment to the deferred tax liability after considering available foreign tax credits and other tax attributes. It is not practicable to determine the amount of any such deferred tax liability at this time.

Our preliminary estimate of capital expenditures for fiscal 2017 is approximately \$585 million. This includes amounts attributable to the Lamb Weston business.

Management believes that existing cash balances, cash flows from operations, existing credit facilities, and access to capital markets will provide sufficient liquidity to meet our working capital needs, planned capital expenditures, and payment of anticipated quarterly dividends for at least the next twelve months.

OFF-BALANCE SHEET ARRANGEMENTS

We use off-balance sheet arrangements (e.g., leases accounted for as operating leases) where sound business principles warrant their use. We also periodically enter into guarantees and other similar arrangements as part of transactions in the ordinary course of business. These are described further in "Obligations and Commitments," below.

Variable Interest Entities Not Consolidated

We have variable interests in certain entities that we have determined to be variable interest entities, but for which we are not the primary beneficiary. We do not consolidate the financial statements of these entities.

We hold a 50.0% interest in Lamb Weston RDO, a potato processing venture. We provide all sales and marketing services to Lamb Weston RDO. We receive a fee for these services based on a percentage of the net sales of the venture. We reflect the value of our ownership interest in this venture in other assets in our Consolidated Balance Sheets, based upon the equity method of accounting. The balance of our investment was \$16.9 million and \$14.6 million at May 29, 2016 and May 31, 2015, respectively, representing our maximum exposure to loss as a result of our involvement with this venture. The capital structure of Lamb Weston RDO includes owners' equity of \$33.9 million and term borrowings from banks of \$41.1 million as of May 29, 2016. We have determined that we do not have the

power to direct the activities that most significantly impact the economic performance of this venture.

We lease certain office buildings from entities that we have determined to be variable interest entities. The lease agreements with these entities include fixed-price purchase options for the assets being leased. The lease agreements also contain contingent put options (the "lease put options") that allow the lessors to require us to purchase the buildings at the greater of original construction cost, or fair market value, without a lease agreement in place (the "put price") in certain limited circumstances. As a result of substantial impairment charges related to our Private Brands operations, these lease put options are exercisable now and remain exercisable until generally 30 days after the end of the respective lease agreements. We are amortizing the difference between the estimated put price and the estimated fair value (without a lease agreement in place) of each respective property over the remaining respective lease term within selling, general and administrative expenses. As of May 29, 2016, the estimated amount by which the put prices exceeded the fair values of the related properties was \$58.5 million, of which we have accrued \$9.3 million. As these buildings are worth considerably more when under lease agreements than when vacant, we may be able to mitigate some, or all of the financial exposure created by the put options by maintaining active lease agreements and/or by subleasing the buildings to credit worthy tenants. We do not expect to ultimately incur material financial losses as a result of the potential exercise of the lease put options by the lessors. These leases are accounted for as operating leases, and accordingly, there are no material assets or liabilities, other than the accrued portion of the put price, associated with these entities included in our Consolidated Balance Sheets. We have determined that we do not have the power to direct the activities that most significantly impact the economic performance of these entities. In making this determination, we have considered, among other items, the terms of the lease agreements, the expected remaining useful lives of the assets leased, and the capital structure of the lessor entities.

OBLIGATIONS AND COMMITMENTS

As part of our ongoing operations, we enter into arrangements that obligate us to make future payments under contracts such as lease agreements, debt agreements, and unconditional purchase obligations (i.e., obligations to transfer funds in the future for fixed or minimum quantities of goods or services at fixed or minimum prices, such as "take-or-pay" contracts). The unconditional purchase obligation arrangements are entered into in our normal course of business in order to ensure adequate levels of sourced product are available. Of these items, debt, notes payable, capital lease obligations, and other contracts, which totaled \$5.6 billion as of May 29, 2016, were recognized as liabilities in our Consolidated Balance Sheets. Operating lease obligations and unconditional purchase obligations, which totaled \$1.7 billion as of May 29, 2016, were not recognized as liabilities in our Consolidated Balance Sheets, in accordance with generally accepted accounting principles.

A summary of our contractual obligations as of May 29, 2016 was as follows:

Contractual Obligations	Payments Due by Period				
	Total	Less than 1 Year	1-3 Years	3-5 Years	After 5 Years
Long-term debt	\$5,328.0	\$560.6	\$2,038.3	\$397.1	\$2,332.0
Capital lease obligations	149.2	11.1	20.1	17.2	100.8
Operating lease obligations	337.8	64.8	102.0	51.1	119.9
Purchase obligations ¹ and other contracts	1,479.3	1,013.5	129.0	80.5	256.3
Notes payable	38.8	38.8	—	—	—
Total	\$7,333.1	\$1,688.8	\$2,289.4	\$545.9	\$2,809.0

¹ Amount includes open purchase orders and agreements, some of which are not legally binding and/or may be cancellable. Such agreements are generally settleable in the ordinary course of business in less than one year.

Excludes purchase commitments under potato supply agreements due to uncertainty of pricing and quantity.

We are also contractually obligated to pay interest on our long-term debt and capital lease obligations. The weighted average coupon interest rate of the long-term debt obligations outstanding as of May 29, 2016 was approximately 4.3%.

We own a 49.99% interest in Lamb Weston BSW, LLC ("Lamb Weston BSW"), a potato processing venture with Ochoa Ag Unlimited Foods, Inc. ("Ochoa"). We provide all sales and marketing services to Lamb Weston BSW.

Under certain circumstances, we could be required to compensate Ochoa for lost profits resulting from significant production shortfalls ("production shortfalls"). Commencing on June 1, 2018, or on an earlier date under certain circumstances, we have a contractual right to purchase the remaining equity interest in Lamb Weston BSW from Ochoa (the "call option"). We are currently subject to a contractual obligation to purchase all of Ochoa's equity investment in Lamb Weston BSW at the option of Ochoa (the

"put option"). The purchase prices under the call option and the put option (the "options") are based on the book value of Ochoa's equity interest at the date of exercise, as modified by an agreed-upon rate of return for the holding period of the investment balance. The agreed-upon rate of return varies depending on the circumstances under which any of the options are exercised. As of May 29, 2016, the price at which Ochoa had the right to put its equity interest to us was \$47.4 million. This amount, which is presented within other noncurrent liabilities in our Consolidated Balance Sheets, is not included in the "Contractual Obligations" table above as the payment is contingent upon the exercise of the put option by Ochoa, and the eventual occurrence and timing of such exercise is uncertain.

As of May 29, 2016, we had aggregate unfunded pension obligations totaling \$943.6 million. This amount is not included in the table above, as the unfunded pension obligation is marked-to-market each fiscal year and we do not expect to be required to make payments to fund these amounts in the next few years. Based on current statutory requirements, we are not obligated to fund any amount to our qualified pension plans during the next twelve months. We estimate that we will make payments of approximately \$10.2 million over the next twelve months to fund current benefits of nonqualified pension plans. See Note 19, "Pension and Postretirement Benefits" to the consolidated financial statements and "Critical Accounting Estimates - Employment Related Benefits" for further discussion of our pension obligations and factors that could affect estimates of this liability.

As part of our ongoing operations, we also enter into arrangements that obligate us to make future cash payments only upon the occurrence of a future event (e.g., guarantees of debt or lease payments of a third party should the third party be unable to perform). In accordance with generally accepted accounting principles, the following commercial commitments are not recognized as liabilities in our Consolidated Balance Sheets. A summary of our commitments, including commitments associated with equity method investments, as of May 29, 2016, was as follows:

Amount of Commitment Expiration Per Period (in millions)					
Other Commercial Commitments	Total	Less than 1 Year	1-3 Years	3-5 Years	After 5 Years
Guarantees	\$67.2	\$ 43.2	\$ 5.4	\$ 8.4	\$ 10.2
Standby repurchase obligations	2.0	0.5	0.5	0.5	0.5
Other commitments	2.5	2.4	0.1	—	—
Total	\$71.7	\$ 46.1	\$ 6.0	\$ 8.9	\$ 10.7

We are a party to various potato supply agreements. Under the terms of certain such potato supply agreements, we have guaranteed repayment of short-term bank loans of the potato suppliers, under certain conditions. At May 29, 2016, the amount of supplier loans effectively guaranteed by us was \$40.5 million, included in the table above. We have not established a liability for these guarantees, as we have determined that the likelihood of our required performance under the guarantees is remote.

Federal income tax credits were generated related to our sweet potato production facility in Delhi, Louisiana. Third parties invested in these income tax credits. We have guaranteed these third parties the face value of these income tax credits over their statutory lives, through fiscal 2017, in the event that the income tax credits are recaptured or reduced. The face value of the income tax credits was \$26.7 million, included in the table above, as of May 29, 2016. We believe the likelihood of the recapture or reduction of the income tax credits is remote, and therefore we have not established a liability in connection with this guarantee.

We hold a 50% ownership interest in Lamb-Weston/Meijer, V.O.F. ("Lamb Weston Meijer"), a Netherlands joint venture, headquartered in the Netherlands, that manufactures and sells frozen potato products principally in Europe. We and our partner are jointly and severally liable for all legal liabilities of Lamb Weston Meijer. As of May 29, 2016 and May 31, 2015, the total liabilities of Lamb Weston Meijer were \$203.7 million and \$129.1 million, respectively. Lamb Weston Meijer is well capitalized, with partners' equity of \$284.5 million and \$255.9 million as of May 29, 2016 and May 31, 2015, respectively. We have not established a liability on our balance sheets for the obligations of Lamb Weston Meijer, as we have determined the likelihood of any required payment by us to settle such liabilities of Lamb Weston Meijer is remote.

The obligations and commitments tables above do not include any reserves for uncertainties in income taxes, as we are unable to reasonably estimate the ultimate amount or timing of settlement of our reserves for income taxes. The liability for gross unrecognized tax benefits at May 29, 2016 was \$38.4 million. The net amount of unrecognized tax benefits at May 29, 2016, that, if recognized, would impact our effective tax rate was \$21.3 million. Recognition of these tax benefits would have a favorable impact on our effective tax rate.

CRITICAL ACCOUNTING ESTIMATES

The process of preparing financial statements requires the use of estimates on the part of management. The estimates used by management are based on our historical experiences combined with management's understanding of current facts and circumstances. Certain of our accounting estimates are considered critical as they are both important to the portrayal of our financial condition and results and require significant or complex judgment on the part of management. The following is a summary of certain accounting estimates considered critical by management. Our Audit/Finance Committee has reviewed management's development, selection, and disclosure of the critical accounting estimates.

Marketing Costs—We incur certain costs to promote our products through marketing programs, which include advertising, customer incentives, and consumer incentives. We recognize the cost of each of these types of marketing activities as incurred in accordance with generally accepted accounting principles. The judgment required in determining marketing costs can be significant. For volume-based incentives provided to customers, management must continually assess the likelihood of the customer achieving the specified targets. Similarly, for consumer coupons, management must estimate the level at which coupons will be redeemed by consumers in the future. Estimates made by management in accounting for marketing costs are based primarily on our historical experience with marketing programs with consideration given to current circumstances and industry trends. As these factors change, management's estimates could change and we could recognize different amounts of marketing costs over different periods of time.

We have recognized reserves of \$150.7 million for these marketing costs as of May 29, 2016. Changes in the assumptions used in estimating the cost of any individual customer marketing program (including amounts classified as a revenue reduction) would not result in a material change in our results of operations or cash flows.

Advertising and promotion expenses totaled \$371.4 million, \$330.0 million, and \$395.7 million in fiscal 2016, 2015, and 2014, respectively.

Income Taxes—Our income tax expense is based on our income, statutory tax rates, and tax planning opportunities available in the various jurisdictions in which we operate. Tax laws are complex and subject to different interpretations by the taxpayer and respective governmental taxing authorities. Significant judgment is required in determining our income tax expense and in evaluating our tax positions, including evaluating uncertainties.

Management reviews tax positions at least quarterly and adjusts the balances as new information becomes available. Deferred income tax assets represent amounts available to reduce income taxes payable on taxable income in future years. Such assets arise because of temporary differences between the tax bases of assets and liabilities and their carrying amounts in our balance sheets, as well as from net operating loss and tax credit carryforwards. Management evaluates the recoverability of these future tax deductions by assessing the adequacy of future expected taxable income from all sources, including reversal of taxable temporary differences, forecasted operating earnings, and available tax planning strategies. These estimates of future taxable income inherently require significant judgment. Management uses historical experience and short and long-range business forecasts to develop such estimates. Further, we employ various prudent and feasible tax planning strategies to facilitate the recoverability of future deductions. To the extent management does not consider it more likely than not that a deferred tax asset will be recovered, a valuation allowance is established.

Further information on income taxes is provided in Note 15 "Pre-tax Income and Income Taxes" to the consolidated financial statements.

Environmental Liabilities—Environmental liabilities are accrued when it is probable that obligations have been incurred and the associated amounts can be reasonably estimated. Management works with independent third-party specialists in order to effectively assess our environmental liabilities. Management estimates our environmental liabilities based on evaluation of investigatory studies, extent of required clean-up, our known volumetric contribution, other potentially responsible parties, and our experience in remediating sites. Environmental liability estimates may be affected by changing governmental or other external determinations of what constitutes an environmental liability or an acceptable level of clean-up. Management's estimate as to our potential liability is independent of any potential recovery of insurance proceeds or indemnification arrangements. Insurance companies and other indemnitors are

notified of any potential claims and periodically updated as to the general status of known claims. We do not discount our environmental liabilities as the timing of the anticipated cash payments is not fixed or readily determinable. To the extent that there are changes in the evaluation factors identified above, management's estimate of environmental liabilities may also change.

We have recognized a reserve of approximately \$55.8 million for environmental liabilities as of May 29, 2016. The reserve for each site is determined based on an assessment of the most likely required remedy and a related estimate of the costs required to effect such remedy.

Employment-Related Benefits—We incur certain employment-related expenses associated with pensions, postretirement health care benefits, and workers' compensation. In order to measure the annual expense associated with these employment-related benefits, management must make a variety of estimates including, but not limited to, discount rates used to measure the present value of certain liabilities, assumed rates of return on assets set aside to fund these expenses, compensation increases, employee turnover rates, anticipated mortality rates, anticipated health care costs, and employee accidents incurred but not yet reported to us. The estimates used by management are based on our historical experience as well as current facts and circumstances. We use third-party specialists to assist management in appropriately measuring the expense associated with these employment-related benefits. Different estimates used by management could result in us recognizing different amounts of expense over different periods of time.

As of May 29, 2016, the Company has elected to use a split discount rate (spot-rate approach) for the U.S. plans and certain foreign plans. Historically, the weighted-average discount rate was used in the calculation of service and interest costs, both of which are components of pension expense. We plan to utilize a spot rate approach in the calculation of pension interest and service cost for fiscal 2017 and beyond. The spot rate approach applies separate discount rates for each projected benefit payment in the calculation of pension interest and service cost. This calculation change is considered a change in accounting estimate and will be applied prospectively in fiscal 2017. We have recognized a pension liability of \$946.6 million and \$573.7 million, a postretirement liability of \$201.6 million and \$235.3 million, and a workers' compensation liability of \$62.2 million and \$100.1 million, as of the end of fiscal 2016 and 2015, respectively. We also have recognized a pension asset of \$3.0 million and \$20.5 million as of the end of fiscal 2016 and 2015, respectively, as certain individual plans of the Company had a positive funded status. We recognize cumulative changes in the fair value of pension plan assets and net actuarial gains or losses in excess of 10% of the greater of the fair value of plan assets or the plan's projected benefit obligation ("the corridor") in current period expense annually as of our measurement date, which is our fiscal year-end, or when measurement is required otherwise under generally accepted accounting principles.

We recognized pension expense (benefit) from Company plans of \$370.8 million, \$0.9 million, and \$(5.9) million in fiscal 2016, 2015, and 2014, respectively. Such amounts reflect the year-end write-off of actuarial losses in excess of 10% of our pension liability of \$348.5 million, \$6.9 million, and \$2.7 million in fiscal 2016, 2015, and 2014, respectively. This also reflected expected returns on plan assets of \$259.9 million, \$267.9 million, and \$252.9 million in fiscal 2016, 2015, and 2014, respectively. We contributed \$11.5 million, \$12.7 million, and \$18.3 million to the pension plans of our continuing operations in fiscal 2016, 2015, and 2014, respectively. We anticipate contributing approximately \$12.5 million to our pension plans in fiscal 2017.

One significant assumption for pension plan accounting is the discount rate. Historically, we have selected a discount rate each year (as of our fiscal year-end measurement date) for our plans based upon a high-quality corporate bond yield curve for which the cash flows from coupons and maturities match the year-by-year projected benefit cash flows for our pension plans. The corporate bond yield curve is comprised of high-quality fixed income debt instruments (usually Moody's Aa) available at the measurement date. At May 29, 2016, the Company changed to use a spot-rate approach, discussed above. This alternative approach focuses on measuring the service cost and interest cost components of net periodic benefit cost by using individual spot rates derived from a high-quality corporate bond yield curve and matched with separate cash flows for each future year instead of a single weighted-average discount rate approach.

Based on this information, the discount rate selected by us for determination of pension expense was 4.10% for fiscal 2016, 4.15% for fiscal 2015, and 4.05% for fiscal 2014. We selected a weighted-average discount rate of 4.14% and 3.15% for determination of service and interest expense, respectively, for fiscal 2017. A 25 basis point increase in our discount rate assumption as of the end of fiscal 2016 would have resulted in a decrease of \$109.7 million in our pension expense for fiscal 2016. A 25 basis point decrease in our discount rate assumption as of the end of fiscal 2016 would have resulted in an increase of \$115.7 million in our pension expense for fiscal 2016. For our year-end pension

obligation determination, we selected discount rates of 3.83% and 4.10% for fiscal years 2016 and 2015, respectively. Another significant assumption used to account for our pension plans is the expected long-term rate of return on plan assets. In developing the assumed long-term rate of return on plan assets for determining pension expense, we consider long-term historical returns (arithmetic average) of the plan's investments, the asset allocation among types of investments, estimated

long-term returns by investment type from external sources, and the current economic environment. Based on this information, we selected 7.75% for the long-term rate of return on plan assets for determining our fiscal 2016 pension expense. A 25 basis point increase/decrease in our expected long-term rate of return assumption as of the beginning of fiscal 2016 would decrease/increase annual pension expense for our pension plans by \$8.7 million. We selected an expected rate of return on plan assets of 7.50% to be used to determine our pension expense for fiscal 2017. A 25 basis point increase/decrease in our expected long-term rate of return assumption as of the beginning of fiscal 2017 would decrease/increase annual pension expense for our pension plans by \$7.2 million.

The rate of compensation increase is another significant assumption used in the development of accounting information for pension plans. We determine this assumption based on our long-term plans for compensation increases and current economic conditions. Based on this information, we selected 3.66% and 3.70% for fiscal years 2016 and 2015, respectively, as the rate of compensation increase for determining our year-end pension obligation. We selected 3.70% for the rate of compensation increase for determination of pension expense for fiscal year 2016, 4.25% for fiscal 2015, and 4.25% fiscal 2014, respectively. A 25 basis point increase in our rate of compensation increase assumption as of the beginning of fiscal 2016 would increase pension expense for our pension plans by \$1.1 million for the year. A 25 basis point decrease in our rate of compensation increase assumption as of the beginning of fiscal 2016 would decrease pension expense for our pension plans by \$1.6 million for the year. We selected a rate of 3.66% for the rate of compensation increase to be used to determine our pension expense for fiscal 2017. A 25 basis point increase in our rate of compensation increase assumption as of the beginning of fiscal 2017 would increase pension expense for our pension plans by \$0.7 million for the year. A 25 basis point decrease in our rate of compensation increase assumption as of the beginning of fiscal 2017 would decrease pension expense for our pension plans by \$0.7 million for the year.

In October 2014, The Society of Actuaries' Retirement Plan Experience Committee published new mortality tables and recommended their use for the measurement of U.S. pension plan obligations. With the assistance of our third-party actuary, in measuring our pension obligations as of May 31, 2015, we incorporated revised assumptions that generally reflect the mortality improvement inherent in these new tables, as adjusted for experience specific to our industry.

We also provide certain postretirement health care benefits. We recognized postretirement benefit expense of \$0.2 million, \$6.1 million, and \$9.9 million in fiscal 2016, 2015, and 2014, respectively. We reflected liabilities of \$201.6 million and \$235.3 million in our balance sheets as of May 29, 2016 and May 31, 2015, respectively. We anticipate contributing approximately \$22.1 million to our postretirement health care plans in fiscal 2017.

The postretirement benefit expense and obligation are also dependent on our assumptions used for the actuarially determined amounts. These assumptions include discount rates (discussed above), health care cost trend rates, inflation rates, retirement rates, mortality rates (also discussed above), and other factors. The health care cost trend assumptions are developed based on historical cost data, the near-term outlook, and an assessment of likely long-term trends. Assumed inflation rates are based on an evaluation of external market indicators. Retirement and mortality rates are based primarily on actual plan experience. The discount rate we selected for determination of postretirement expense was 3.50% for fiscal 2016, 3.65% for fiscal 2015, and 3.35% for fiscal 2014. We have selected a weighted-average discount rate of 3.18% for determination of postretirement expense for fiscal 2017. A 25 basis point increase/decrease in our discount rate assumption as of the beginning of fiscal 2016 would not have resulted in a material change to postretirement expense for our plans. We have assumed the initial year increase in cost of health care to be 9.0%, with the trend rate decreasing to 4.5% by 2024. A one percentage point change in the assumed health care cost trend rate would have the following effects:

(\$ in millions)	One	One
	Percent	Percent
	Increase	Decrease
Effect on total service and interest cost	\$ 0.4	\$ (0.4)
Effect on postretirement benefit obligation	11.3	(10.1)

We provide workers' compensation benefits to our employees. The measurement of the liability for our cost of providing these benefits is largely based upon actuarial analysis of costs. One significant assumption we make is the

discount rate used to calculate the present value of our obligation. The weighted-average discount rate used at May 29, 2016 was 2.57%. A 25 basis point increase/decrease in the discount rate assumption would not have a material impact on workers' compensation expense.

Business Combinations, Impairment of Long-Lived Assets (including property, plant and equipment), Identifiable Intangible Assets, and Goodwill—We use the acquisition method in accounting for acquired businesses. Under the acquisition method, our financial statements reflect the operations of an acquired business starting from the closing of the acquisition.

The assets acquired and liabilities assumed are recorded at their respective estimated fair values at the date of the acquisition. Any excess of the purchase price over the estimated fair values of the identifiable net assets acquired is recorded as goodwill. Significant judgment is often required in estimating the fair value of assets acquired, particularly intangible assets. As a result, in the case of significant acquisitions we normally obtain the assistance of a third-party valuation specialist in estimating fair values of tangible and intangible assets. The fair value estimates are based on available historical information and on expectations and assumptions about the future, considering the perspective of marketplace participants. While management believes those expectations and assumptions are reasonable, they are inherently uncertain. Unanticipated market or macroeconomic events and circumstances may occur, which could affect the accuracy or validity of the estimates and assumptions.

We reduce the carrying amounts of long-lived assets (including property, plant and equipment) to their fair values when their carrying amount is determined to not be recoverable. We generally compare undiscounted estimated future cash flows of an asset or asset group to the carrying values of the asset or asset group. If the undiscounted estimated future cash flows exceed the carrying values of the asset or asset group, no impairment is recognized. If the undiscounted estimated future cash flows are less than the carrying values of the asset or asset group, we write-down the asset or assets to their estimated fair values. The estimates of fair value are generally in the form of appraisal, or by discounting estimated future cash flows of the asset or asset group.

Determining the useful lives of intangible assets also requires management judgment. Certain brand intangibles are expected to have indefinite lives based on their history and our plans to continue to support and build the acquired brands, while other acquired intangible assets (e.g., customer relationships) are expected to have determinable useful lives. Our estimates of the useful lives of definite-lived intangible assets are primarily based upon historical experience, the competitive and macroeconomic environment, and our operating plans. The costs of definite-lived intangibles are amortized to expense over their estimated life.

We reduce the carrying amounts of indefinite-lived intangible assets, and goodwill to their fair values when the fair value of such assets is determined to be less than their carrying amounts (i.e., assets are deemed to be impaired). Fair value is typically estimated using a discounted cash flow analysis, which requires us to estimate the future cash flows anticipated to be generated by the particular asset being tested for impairment as well as to select a discount rate to measure the present value of the anticipated cash flows. When determining future cash flow estimates, we consider historical results adjusted to reflect current and anticipated operating conditions. Estimating future cash flows requires significant judgment by management in such areas as future economic conditions, industry-specific conditions, product pricing, and necessary capital expenditures. The use of different assumptions or estimates for future cash flows could produce different impairment amounts (or none at all) for long-lived assets and identifiable intangible assets.

In assessing other intangible assets not subject to amortization for impairment, we have the option to perform a qualitative assessment to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of such an intangible asset is less than its carrying amount. If we determine that it is not more likely than not that the fair value of such an intangible asset is less than its carrying amount, then we are not required to perform any additional tests for assessing intangible assets for impairment. However, if we conclude otherwise or elect not to perform the qualitative assessment, then we are required to perform a quantitative impairment test that involves a comparison of the estimated fair value of the intangible asset with its carrying value. If the carrying value of the intangible asset exceeds its fair value, an impairment loss is recognized in an amount equal to that excess. If we perform a quantitative impairment test in evaluating impairment of our indefinite lived brands/trademarks, we utilize a “relief from royalty” methodology. The methodology determines the fair value of each brand through use of a discounted cash flow model that incorporates an estimated “royalty rate” we would be able to charge a third party for the use of the particular brand. When determining the future cash flow estimates, we must estimate future net sales and a fair market royalty rate for each applicable brand and an appropriate discount rate to measure the present value of the anticipated cash flows. Estimating future net sales requires significant judgment by management in such areas as future economic conditions, product pricing, and consumer trends. In determining an appropriate discount rate to apply to the estimated future cash flows, we consider the current interest rate environment and our estimated cost of capital.

In fiscal 2016, we elected to perform a quantitative impairment test for indefinite lived intangibles. During fiscal 2016, we recognized impairment charges of \$50.1 million in our Consumer Foods segment for our Chef Boyardee® brand.

In fiscal 2015, we elected to perform a quantitative impairment test for indefinite lived intangibles. During fiscal 2015, we recognized impairment charges of \$4.8 million in our Consumer Foods segment for our Poppycock® brand.

In fiscal 2014, we elected to perform a quantitative impairment test for indefinite lived intangibles. We recognized impairment charges of \$72.7 million in our Consumer Foods segment, primarily for our Chef Boyardee® brand. We also recognized a \$3.2 million impairment charge for an amortizable technology license in our Corporate expenses in fiscal 2014.

Goodwill is tested annually for impairment of value and whenever events or changes in circumstances indicate the carrying amount of the asset may be impaired. A significant amount of judgment is involved in determining if an indicator of impairment has occurred. Such indicators may include deterioration in general economic conditions, adverse changes in the markets in which an entity operates, increases in input costs that have negative effects on earnings and cash flows, or a trend of negative or declining cash flows over multiple periods, among others. The fair value that could be realized in an actual transaction may differ from that used to evaluate the impairment of goodwill. In testing goodwill for impairment, we have the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not (more than 50%) that the estimated fair value of a reporting unit is less than its carrying amount. If we elect to perform a qualitative assessment and determine that an impairment is more likely than not, we are then required to perform a quantitative impairment test, otherwise no further analysis is required. We also may elect not to perform the qualitative assessment and, instead, proceed directly to the quantitative impairment test.

Under the qualitative assessment, various events and circumstances that would affect the estimated fair value of a reporting unit are identified (similar to impairment indicators above). Furthermore, management considers the results of the most recent two-step quantitative impairment test completed for a reporting unit and compares the weighted average cost of capital between the current and prior years for each reporting unit.

Under the two-step quantitative impairment test, the first step of the evaluation involves comparing the current fair value of each reporting unit to its carrying value, including goodwill. Fair value is typically estimated using a discounted cash flow analysis, which requires us to estimate the future cash flows anticipated to be generated by the reporting unit being tested for impairment as well as to select a risk-adjusted discount rate to measure the present value of the anticipated cash flows. When determining future cash flow estimates, we consider historical results adjusted to reflect current and anticipated operating conditions. We estimate cash flows for the reporting unit over a discrete period (typically four or five years) and the terminal period (considering expected long term growth rates and trends). Estimating future cash flows requires significant judgment by management in such areas as future economic conditions, industry-specific conditions, product pricing, and necessary capital expenditures. The use of different assumptions or estimates for future cash flows or significant changes in risk-adjusted discounts rates due to changes in market conditions could produce substantially different estimates of the fair value of the reporting unit.

If the fair value of a reporting unit determined in the first step of the evaluation is lower than its carrying value, we proceed to the second step, which compares the carrying value of goodwill to its implied fair value. In estimating the implied fair value of goodwill for a reporting unit, we must assign the fair value of the reporting unit (as determined in the first step) to the assets and liabilities associated with the reporting unit as if the reporting unit had been acquired in a business combination (i.e., we estimate the fair value of each asset and liability held in the reporting unit). The various assets and liabilities within the reporting unit are generally not adjusted to their new, estimated fair values (unless impairments of any individual assets are indicated). The implied goodwill is equal to the residual of the estimated fair value of the reporting unit over the estimated fair values of each identifiable asset and liability within the reporting unit. Any excess of the carrying value of goodwill of the reporting unit over its implied fair value is recorded as impairment.

In the fourth quarter of fiscal 2016, in conjunction with our annual review for impairment, we performed a qualitative analysis of goodwill for the reporting units in our Consumer Foods and Commercial Foods segments. Because forecasted sales and profits for the International reporting unit in our Consumer Foods segment continued to fall below our expectations relative to our previous projections throughout fiscal 2016, largely as a result of foreign exchange rates, we performed quantitative analyses of goodwill on this segment reporting unit in fiscal 2016.

Estimating the fair value of individual reporting units requires us to make assumptions and estimates regarding our future plans and future industry and economic conditions. We estimated the future cash flows of the International reporting unit and calculated the net present value of those estimated cash flows using a risk adjusted discount rate, in

order to estimate the fair value of each reporting unit from the perspective of a market participant. We used discount rates and terminal growth rates of 7.5% and 3%, respectively, to calculate the present value of estimated future cash flows. We then compared the estimated fair value of the reporting unit to the respective historical carrying value (including allocated assets and liabilities of certain shared and Corporate functions), and determined that the fair value of the reporting unit was greater than the carrying value in fiscal 2016. With the assistance of a third-party valuation

specialist, we estimated the fair value of this reporting unit and determined that we had 12% cushion over the carrying value. As such, the results of the quantitative analysis did not result in an impairment of the International reporting unit.

Because forecasted sales and profits for a reporting unit in our divested Private Brands business continued to fall below our expectations relative to our previous projections throughout fiscal 2015, we performed quantitative analyses of goodwill on this Private Brands segment reporting unit in fiscal 2015. Estimating the fair value of individual reporting units requires us to make assumptions and estimates regarding our future plans and future industry and economic conditions. We estimated the future cash flows of each reporting unit within the Private Brands segment and calculated the net present value of those estimated cash flows using a risk adjusted discount rate, in order to estimate the fair value of each reporting unit from the perspective of a market participant. We used discount rates and terminal growth rates of 8% and 3%, respectively, to calculate the present value of estimated future cash flows. We then compared the estimated fair value of the reporting unit to the respective historical carrying value (including allocated assets and liabilities of certain shared and Corporate functions), and determined that the fair value of the reporting unit was less than the carrying value in fiscal 2015. With the assistance of a third-party valuation specialist, we estimated the fair value of the assets and liabilities of each of this reporting unit in order to determine the implied fair value of goodwill of each reporting unit. We recognized an impairment charge for the difference between the implied fair value of goodwill and the carrying value of goodwill at the respective measurement dates. Accordingly, during fiscal 2015, we recorded charges totaling \$20.9 million for the impairment of goodwill in the portion of the business we retained from the Private Brands segment that is now included in the Grocery reporting unit of the Consumer Foods segment. During fiscal 2014, we recorded a \$9.0 million charge for the impairment of goodwill in the portion of the business we retained from the Private Brands segment that is now included in our Grocery reporting unit of the Consumer Foods segment.

We completed the divestiture of our Private Brands operations in the third quarter of fiscal 2016. In fiscal 2016, we recognized charges of \$1.92 billion (\$1.44 billion after-tax) to write-down the goodwill and long-lived assets of the Private Brands business.

During fiscal 2015, we recognized impairment charges of \$1.51 billion and \$43.9 million for goodwill and indefinite-lived intangibles, respectively, in our Private Brands business. During fiscal 2015, we also recognized a charge of \$13.7 million in our Private Brands business for the impairment of certain long-lived assets. The impairment was measured based upon an estimated disposal value for the related production facility. These impairment charges are included in discontinued operations.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, Revenue from Contracts with Customers, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU will replace most existing revenue recognition guidance in U.S. GAAP. On July 9, 2015, the FASB deferred the effective date of the new revenue recognition standard by one year. Based on the FASB's ASU, we will apply the new revenue standard in our fiscal year 2019. Early adoption in our fiscal year 2018 is permitted. We are evaluating the effect that ASU 2014-09 will have on our consolidated financial statements and related disclosures. The standard permits the use of either the retrospective or cumulative effect transition method.

In July 2015, the FASB issued ASU 2015-11, Inventory, which requires an entity to measure inventory within the scope at the lower of cost and net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. The effective date for the standard is for fiscal years beginning after December 15, 2016. Early adoption is permitted. We do not expect ASU 2015-11 to have a material impact to our financial statements. The standard is to be applied prospectively.

In February 2016, the FASB issued its final lease accounting standard, FASB Accounting Standard Codification ("ASC") Topic 842, Leases, which requires lessees to reflect most leases on their balance sheet as assets and obligations. The effective date for the standard is for fiscal years beginning after December 15, 2018. Early adoption is permitted. We are evaluating the effect that ASC 842 will have on our consolidated financial statements and related

disclosures. The standard is to be applied under the modified retrospective method, with elective reliefs, which requires application of the new guidance for all periods presented.

In March 2016, the FASB issued ASU 2016-09, Improvements to Employee Share-Based Payment Accounting, which simplifies the accounting for income taxes, among other changes, related to stock-based compensation. We plan to early adopt ASU 2016-09 in the first quarter of fiscal 2017 with an effective date of May 30, 2016. We are evaluating the effect that ASU 2016-09 will have on our consolidated financial statements.

FORWARD-LOOKING STATEMENTS

This report, including Management's Discussion and Analysis of Financial Condition and Results of Operations, contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are based on management's current expectations and are subject to uncertainty and changes in circumstances. We undertake no responsibility for updating these statements. Readers of this report should understand that these statements are not guarantees of performance or results. Many factors could affect our actual financial results and cause them to vary materially from the expectations contained in the forward-looking statements, including those set forth in this report. These risks and uncertainties include, among other things: general economic and industry conditions; our ability to successfully execute our long-term value creation strategy; our ability to successfully complete the spin-off of our Lamb Weston business on a tax-free basis, within the expected time frame or at all, and achieve the intended benefits of the spin-off; our ability to access capital; our ability to execute our operating and restructuring plans and achieve our targeted operating efficiencies, cost-saving initiatives, and trade optimization programs; the effectiveness of our hedging activities, including volatility in commodities that could negatively impact our derivative positions and, in turn, our earnings; the competitive environment and related market conditions; our ability to respond to changing consumer preferences and the success of our innovation and marketing investments; the ultimate impact of any product recalls and litigation, including litigation related to the lead paint and pigment matters; actions of governments and regulatory factors affecting our businesses, including the Patient Protection and Affordable Care Act; the availability and prices of raw materials, including any negative effects caused by inflation or weather conditions; risks and uncertainties associated with intangible assets, including any future goodwill or intangible assets impairment charges; our ability to realize the synergies and benefits contemplated by the Ardent Mills joint venture; the costs, disruption, and diversion of management's attention associated with campaigns commenced by activist investors; and other risks described in our reports filed with the Securities and Exchange Commission. We caution readers not to place undue reliance on any forward-looking statements included in this report, which speak only as of the date of this report.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The principal market risks affecting us during fiscal 2016 and 2015 were exposures to price fluctuations of commodity and energy inputs, interest rates, and foreign currencies. These fluctuations impacted all reporting segments.

Commodity Market Risk

We purchase commodity inputs such as wheat, corn, oats, soybean meal, soybean oil, meat, dairy products, sugar, natural gas, electricity, and packaging materials to be used in our operations. These commodities are subject to price fluctuations that may create price risk. We enter into commodity hedges to manage this price risk using physical forward contracts or derivative instruments. We have policies governing the hedging instruments our businesses may use. These policies include limiting the dollar risk exposure for each of our businesses. We also monitor the amount of associated counter-party credit risk for all non-exchange-traded transactions.

Interest Rate Risk

We may use interest rate swaps to manage the effect of interest rate changes on the fair value of our existing debt as well as the forecasted interest payments for the anticipated issuance of debt.

As of May 29, 2016 and May 31, 2015, the fair value of our long term debt (including current installments) was estimated at \$5.9 billion and \$8.2 billion, respectively, based on current market rates provided primarily by outside investment advisors. As of May 29, 2016 and May 31, 2015, a 1% increase in interest rates would decrease the fair value of our long-term debt by approximately \$249.5 million and \$428.6 million, respectively, while a 1% decrease in interest rates would increase the fair value of our long-term debt by approximately \$275.0 million and \$479.5 million, respectively.

Foreign Currency Risk

In order to reduce exposures for our processing activities related to changes in foreign currency exchange rates, we may enter into forward exchange or option contracts for transactions denominated in a currency other than the functional currency for certain of our operations. This activity primarily relates to economically hedging against foreign currency risk in purchasing inventory and capital equipment, sales of finished goods, and future settlement of foreign denominated assets and liabilities.

Value-at-Risk (VaR)

We employ various tools to monitor our derivative risk, including value-at-risk ("VaR") models. We perform simulations using historical data to estimate potential losses in the fair value of current derivative positions. We use price and volatility information for the prior 90 days in the calculation of VaR that is used to monitor our daily risk. The purpose of this measurement is to provide a single view of the potential risk of loss associated with derivative positions at a given point in time based on recent changes in market prices. Our model uses a 95% confidence level. Accordingly, in any given one day time period, losses greater than the amounts included in the table below are expected to occur only 5% of the time. We include commodity swaps, futures, and options and foreign exchange forwards, swaps, and options in this calculation. The following table provides an overview of our average daily VaR for our energy, agriculture, foreign exchange, and other commodities (including discontinued operations) for fiscal 2016 and 2015. Other commodities below consist primarily of forward and option contracts for a commodities index which includes items such as agricultural commodities, energy commodities, and metals. The other commodities category below may also include items such as packaging and/or livestock.

In Millions	Fair Value Impact	
	Average	
	During the	
	Fiscal Year	Fiscal Year
	Ended May 29, 2016	Ended May 31, 2015
Processing Activities		
Energy commodities	\$ 0.6	\$ 1.2
Agriculture commodities	1.7	2.7
Other commodities	—	1.4
Foreign exchange	0.2	0.1

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

ConAgra Foods, Inc. and Subsidiaries
Consolidated Statements of Operations
(in millions, except per share amounts)

	For the Fiscal Years Ended May		
	2016	2015	2014
Net sales	\$11,642.9	\$11,937.0	\$11,838.2
Costs and expenses:			
Cost of goods sold	8,552.1	9,061.4	8,910.8
Selling, general and administrative expenses	2,209.4	1,545.3	1,778.9
Interest expense, net	297.8	330.0	377.5
Income from continuing operations before income taxes and equity method investment earnings	583.6	1,000.3	771.0
Income tax expense	225.4	362.1	178.3
Equity method investment earnings	137.8	122.1	32.5
Income from continuing operations	496.0	760.3	625.2
Loss from discontinued operations, net of tax	(1,161.9)	(1,001.1)	(310.1)
Net income (loss)	\$(665.9)	\$(240.8)	\$315.1
Less: Net income attributable to noncontrolling interests	11.1	11.8	12.0
Net income (loss) attributable to ConAgra Foods, Inc.	\$(677.0)	\$(252.6)	\$303.1
Earnings (loss) per share — basic			
Income from continuing operations attributable to ConAgra Foods, Inc. common stockholders	\$1.11	\$1.75	\$1.45
Loss from discontinued operations attributable to ConAgra Foods, Inc. common stockholders	(2.68)	(2.35)	(0.73)
Net income (loss) attributable to ConAgra Foods, Inc. common stockholders	\$(1.57)	\$(0.60)	\$0.72
Earnings (loss) per share — diluted			
Income from continuing operations attributable to ConAgra Foods, Inc. common stockholders	\$1.09	\$1.73	\$1.43
Loss from discontinued operations attributable to ConAgra Foods, Inc. common stockholders	(2.65)	(2.32)	(0.73)
Net income (loss) attributable to ConAgra Foods, Inc. common stockholders	\$(1.56)	\$(0.59)	\$0.70

The accompanying Notes are an integral part of the consolidated financial statements.

ConAgra Foods, Inc. and Subsidiaries
Consolidated Statements of Comprehensive Income (Loss)
(in millions)

	For the Fiscal Years Ended May						2014		
	2016		2015				2014		
	Pre-Tax Amount	Tax (Expense) Benefit	After-Tax Amount	Pre-Tax Amount	Tax (Expense) Benefit	After-Tax Amount	Pre-Tax Amount	Tax (Expense) Benefit	After-Tax Amount
Net income (loss)	\$(1,033.6)	\$ 367.7	\$(665.9)	\$ 244.0	\$(484.8)	\$(240.8)	\$ 617.9	\$(302.8)	\$ 315.1
Other comprehensive income (loss):									
Derivative adjustments:									
Unrealized derivative adjustments	—	—	—	—	—	—	49.6	(18.3)	) 31.3
Reclassification for derivative adjustments included in net income	(2.1)	) 0.8	(1.3)	) (0.5)	) 0.2	(0.3)	) 55.0	(20.6)	) 34.4
Unrealized gains on available-for-sale securities	0.1	—	0.1	0.7	(0.3)	) 0.4	0.2	(0.1)	) 0.1
Currency translation losses:									
Unrealized currency translation losses	(58.9)	) —	(58.9)	) (145.2)	) —	(145.2)	) (25.7)	) —	(25.7)
Reclassification for currency translation losses included in net income	73.4	—	73.4	—	—	—	—	—	—
Pension and post-employment benefit obligations:									
Unrealized pension and post-employment benefit obligations	(37.7)	) 14.8	(22.9)	) (94.9)	) 36.7	(58.2)	) 23.8	(8.2)	) 15.6
Reclassification for pension and post-employment benefit obligations included in net income	(14.5)	) 4.9	(9.6)	) 0.8	(0.3)	) 0.5	3.3	(1.2)	) 2.1
Comprehensive income (loss)	(1,073.3)	) 388.2	(685.1)	) 4.9	(448.5)	) (443.6)	) 724.1	(351.2)	) 372.9
Comprehensive income attributable to noncontrolling interests	7.8	(0.9)	) 6.9	4.6	(0.4)	) 4.2	8.9	(0.9)	) 8.0
Comprehensive income (loss) attributable to ConAgra Foods, Inc.	\$(1,081.1)	\$ 389.1	\$(692.0)	) \$ 0.3	\$(448.1)	) \$(447.8)	\$ 715.2	\$(350.3)	) \$ 364.9

The accompanying Notes are an integral part of the consolidated financial statements.

ConAgra Foods, Inc. and Subsidiaries
Consolidated Balance Sheets
(in millions, except share data)

	May 29, 2016	May 31, 2015
ASSETS		
Current assets		
Cash and cash equivalents	\$834.5	\$164.7
Receivables, less allowance for doubtful accounts of \$3.7 and \$3.8	836.6	739.0
Inventories	1,582.1	1,642.6
Prepaid expenses and other current assets	206.5	168.2
Current assets held for sale	117.0	848.8
Total current assets	3,576.7	3,563.3
Property, plant and equipment		
Land and land improvements	208.1	194.2
Buildings, machinery and equipment	4,993.0	4,822.3
Furniture, fixtures, office equipment and other	801.8	807.4
Construction in progress	206.3	244.3
	6,209.2	6,068.2
Less accumulated depreciation	(3,498.9)	(3,423.6)
Property, plant and equipment, net	2,710.3	2,644.6
Goodwill	4,533.8	4,544.6
Brands, trademarks and other intangibles, net	1,276.8	1,272.5
Other assets	1,067.2	926.8
Noncurrent assets held for sale	225.8	4,486.0
	\$13,390.6	\$17,437.8
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Notes payable	\$38.8	\$7.9
Current installments of long-term debt	571.4	1,007.8
Accounts payable	945.4	1,080.0
Accrued payroll	271.1	206.3
Other accrued liabilities	651.0	647.1
Current liabilities held for sale	54.7	361.0
Total current liabilities	2,532.4	3,310.1
Senior long-term debt, excluding current installments	4,721.9	6,692.9
Subordinated debt	195.9	195.9
Other noncurrent liabilities	2,144.1	1,915.9
Noncurrent liabilities held for sale	1.5	713.0
Total liabilities	9,595.8	12,827.8
Commitments and contingencies (Note 17)		
Common stockholders' equity		
Common stock of \$5 par value, authorized 1,200,000,000 shares; issued 567,907,172	2,839.7	2,839.7
Additional paid-in capital	1,136.3	1,049.4
Retained earnings	3,218.3	4,331.1
Accumulated other comprehensive loss	(344.5)	(329.5)
Less treasury stock, at cost, 129,842,206 and 139,702,605 common shares	(3,136.2)	(3,364.7)
Total ConAgra Foods, Inc. common stockholders' equity	3,713.6	4,526.0
Noncontrolling interests	81.2	84.0

Total stockholders' equity	3,794.8	4,610.0
	\$13,390.6	\$17,437.8

The accompanying Notes are an integral part of the consolidated financial statements.

ConAgra Foods, Inc. and Subsidiaries
Consolidated Statements of Common Stockholders' Equity
(in millions, except share data)

	ConAgra Foods, Inc. Stockholders' Equity							
	Common Shares	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Noncontrolling Interests	Total Equity
Balance at May 26, 2013	567.9	\$2,839.7	\$1,006.2	5,129.5	\$ (196.1)	\$(3,514.9)	\$ 98.6	\$5,363.0
Stock option and incentive plans			32.4	(0.8)		120.5		152.1
Currency translation adjustment					(21.7)		(4.0)	(25.7)
Repurchase of common shares						(100.0)		(100.0)
Unrealized gain on securities					0.1			0.1
Derivative adjustment, net of reclassification adjustment					65.7			65.7
Activities of noncontrolling interests			(1.7)				2.1	0.4
Pension and postretirement healthcare benefits					17.7			17.7
Dividends declared on common stock; \$1.00 per share				(421.2)				(421.2)
Net income attributable to ConAgra Foods, Inc.				303.1				303.1
Balance at May 25, 2014	567.9	2,839.7	1,036.9	5,010.6	(134.3)	(3,494.4)	96.7	5,355.2
Stock option and incentive plans			14.2	(0.4)		179.7		193.5
Currency translation adjustment					(137.6)		(7.6)	(145.2)
Repurchase of common shares						(50.0)		(50.0)
Unrealized gain on securities					0.4			0.4
Derivative adjustment, net of reclassification adjustment					(0.3)			(0.3)
Activities of noncontrolling interests			(1.7)				(5.1)	(6.8)
Pension and postretirement healthcare benefits					(57.7)			(57.7)
Dividends declared on common stock; \$1.00 per share				(426.5)				(426.5)
Net loss attributable to ConAgra Foods, Inc.				(252.6)				(252.6)
Balance at May 31, 2015	567.9	2,839.7	1,049.4 91.7	4,331.1 (1.2)	(329.5)	(3,364.7) 228.5	84.0	4,610.0 319.0

Stock option and incentive plans									
Currency translation adjustment	18.7					(4.2	)	14.5	
Repurchase of common shares								—	
Unrealized gain on securities	0.1							0.1	
Derivative adjustment, net of reclassification adjustment	(1.3	)						(1.3	)
Activities of noncontrolling interests			(4.8	)			1.4	(3.4	)
Pension and postretirement healthcare benefits	(32.5	)						(32.5	)
Dividends declared on common stock; \$1.00 per share			(434.6	)				(434.6	)
Net loss attributable to ConAgra Foods, Inc.			(677.0	)				(677.0	)
Balance at May 29, 2016	567.9	\$2,839.7	\$1,136.3	\$3,218.3	\$ (344.5	)	\$(3,136.2)	\$ 81.2	\$3,794.8

The accompanying Notes are an integral part of the consolidated financial statements.

ConAgra Foods, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
(in millions)

	For the Fiscal Years Ended May		
	2016	2015	2014
Cash flows from operating activities:			
Net income (loss)	\$(665.9)	\$(240.8)	\$315.1
Loss from discontinued operations	(1,161.9)	(1,001.1)	(310.1)
Income from continuing operations	496.0	760.3	625.2
Adjustments to reconcile income from continuing operations to net cash flows from operating activities:			
Depreciation and amortization	373.9	380.4	354.6
Asset impairment charges	62.6	36.0	118.9
Lease cancellation expense	55.6	—	—
(Gain) loss on extinguishment of debt	23.9	24.6	(4.0)
Loss on sale of fixed assets	2.3	7.5	1.2
Earnings of affiliates less than (in excess of) distributions	(59.5)	(30.8)	13.6
Stock-settled share-based payments expense	45.1	35.8	44.8
Contributions to pension plans	(11.5)	(12.7)	(18.3)
Pension expense (benefits)	374.4	(0.8)	(0.9)
Other items	42.9	11.4	(19.5)
Change in operating assets and liabilities excluding effects of business acquisitions and dispositions:			
Receivables	(171.9)	77.3	50.4
Inventories	55.4	(112.1)	7.3
Deferred income taxes and income taxes payable, net	(290.6)	47.1	75.2
Prepaid expenses and other current assets	14.3	(11.4)	0.5
Accounts payable	(111.0)	(11.6)	(3.2)
Accrued payroll	88.8	70.8	(93.8)
Other accrued liabilities	54.6	(56.4)	(31.8)
Net cash flows from operating activities - continuing operations	1,045.3	1,215.4	1,120.2
Net cash flows from operating activities - discontinued operations	162.1	265.2	448.4
Net cash flows from operating activities	1,207.4	1,480.6	1,568.6
Cash flows from investing activities:			
Additions to property, plant and equipment	(429.8)	(351.2)	(461.1)
Sale of property, plant and equipment	42.4	18.3	40.0
Purchase of businesses, net of cash acquired	—	(95.7)	(39.9)
Purchase of intangible assets	(10.4)	—	—
Return of investment in equity method investee	—	391.4	—
Other items	0.3	—	—
Net cash flows from investing activities - continuing operations	(397.5)	(37.2)	(461.0)
Net cash flows from investing activities - discontinued operations	2,524.9	(4.4)	(70.5)
Net cash flows from investing activities	2,127.4	(41.6)	(531.5)
Cash flows from financing activities:			
Net short-term borrowings	30.9	(150.0)	(43.2)
Issuance of long-term debt	30.0	550.0	—
Repayment of long-term debt	(2,525.0)	(1,493.5)	(569.1)
Repurchase of ConAgra Foods, Inc. common shares	—	(50.0)	(100.0)

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Sale of ConAgra Foods, Inc. common shares	8.6	—	—
Cash dividends paid	(432.5)	(425.2)	(420.9)
Exercise of stock options and issuance of other stock awards	260.2	153.8	103.7
Other items	(8.4)	(13.6)	(4.5)
Net cash flows from financing activities - continuing operations	(2,636.2)	(1,428.5)	(1,034.0)
Net cash flows from financing activities - discontinued operations	(45.2)	(1.7)	(0.1)
Net cash flows from financing activities	(2,681.4)	(1,430.2)	(1,034.1)
Effect of exchange rate changes on cash and cash equivalents	(2.0)	(8.8)	(3.8)
Net change in cash and cash equivalents	651.4	—	(0.8)
Add: Cash balance included in assets held for sale at beginning of period	18.4	64.9	58.4
Less: Cash balance included in assets held for sale at end of period	—	18.4	64.9
Cash and cash equivalents at beginning of year	164.7	118.2	125.5
Cash and cash equivalents at end of year	\$834.5	\$164.7	\$118.2
The accompanying Notes are an integral part of the consolidated financial statements.			

Notes to Consolidated Financial Statements

Fiscal Years Ended May 29, 2016, May 31, 2015, and May 25, 2014

(columnar dollars in millions, except per share amounts)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fiscal Year — The fiscal year of ConAgra Foods, Inc. (“ConAgra Foods”, “Company”, “we”, “us”, or “our”) ends the last Sunday in May. The fiscal years for the consolidated financial statements presented consist of a 52-week period for fiscal year 2016, a 53-week period for fiscal 2015, and a 52-week period for fiscal year 2014.

Basis of Consolidation — The consolidated financial statements include the accounts of ConAgra Foods, Inc. and all majority-owned subsidiaries. In addition, the accounts of all variable interest entities for which we have been determined to be the primary beneficiary are included in our consolidated financial statements from the date such determination is made. All significant intercompany investments, accounts, and transactions have been eliminated.

Investments in Unconsolidated Affiliates — The investments in, and the operating results of, 50%-or-less-owned entities not required to be consolidated are included in the consolidated financial statements on the basis of the equity method of accounting or the cost method of accounting, depending on specific facts and circumstances.

We review our investments in unconsolidated affiliates for impairment whenever events or changes in business circumstances indicate that the carrying amount of the investments may not be fully recoverable. Evidence of a loss in value that is other than temporary includes, but is not limited to, the absence of an ability to recover the carrying amount of the investment, the inability of the investee to sustain an earnings capacity which would justify the carrying amount of the investment, or, where applicable, estimated sales proceeds which are insufficient to recover the carrying amount of the investment. Management’s assessment as to whether any decline in value is other than temporary is based on our ability and intent to hold the investment and whether evidence indicating the carrying value of the investment is recoverable within a reasonable period of time outweighs evidence to the contrary. Management generally considers our investments in equity method investees to be strategic long-term investments. Therefore, management completes its assessments with a long-term viewpoint. If the fair value of the investment is determined to be less than the carrying value and the decline in value is considered to be other than temporary, an appropriate write-down is recorded based on the excess of the carrying value over the best estimate of fair value of the investment.

Cash and Cash Equivalents — Cash and all highly liquid investments with an original maturity of three months or less at the date of acquisition, including short-term time deposits and government agency and corporate obligations, are classified as cash and cash equivalents.

Inventories — We use the lower of cost (determined using the first-in, first-out method) or market for valuing inventories.

Property, Plant and Equipment — Property, plant and equipment are carried at cost. Depreciation has been calculated using the straight-line method over the estimated useful lives of the respective classes of assets as follows:

Land improvements	1 - 40 years
Buildings	15 - 40 years
Machinery and equipment	3 - 20 years
Furniture, fixtures, office equipment and other	5 - 15 years

We review property, plant and equipment for impairment whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable. Recoverability of an asset considered “held-and-used” is determined by comparing the carrying amount of the asset to the undiscounted net cash flows expected to be generated from the use of the asset. If the carrying amount is greater than the undiscounted net cash flows expected to be generated by the asset, the asset’s carrying amount is reduced to its estimated fair value. An asset considered “held-for-sale” is reported at the lower of the asset’s carrying amount or fair value.

Goodwill and Other Identifiable Intangible Assets — Goodwill and other identifiable intangible assets with indefinite lives (e.g., brands or trademarks) are not amortized and are tested annually for impairment of value and whenever events or

Notes to Consolidated Financial Statements - (Continued)

Fiscal Years Ended May 29, 2016, May 31, 2015, and May 25, 2014

(columnar dollars in millions except per share amounts)

changes in circumstances indicate the carrying amount of the asset may be impaired. A significant amount of judgment is involved in determining if an indicator of impairment has occurred. Such indicators may include deterioration in general economic conditions, adverse changes in the markets in which an entity operates, increases in input costs that have negative effects on earnings and cash flows, or a trend of negative or declining cash flows over multiple periods, among others. The fair value that could be realized in an actual transaction may differ from that used to evaluate the impairment of goodwill and other intangible assets.

In testing goodwill for impairment, we have the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not (more than 50%) that the estimated fair value of a reporting unit is less than its carrying amount. If we elect to perform a qualitative assessment and determine that an impairment is more likely than not, we are then required to perform a quantitative impairment test, otherwise no further analysis is required. We also may elect not to perform the qualitative assessment and, instead, proceed directly to the quantitative impairment test.

Under the goodwill qualitative assessment, various events and circumstances that would affect the estimated fair value of a reporting unit are identified (similar to impairment indicators above). Furthermore, management considers the results of the most recent two-step quantitative impairment test completed for a reporting unit and compares the weighted average cost of capital between the current and prior years for each reporting unit.

Under the goodwill two-step quantitative impairment test, the evaluation of impairment involves comparing the current fair value of each reporting unit to its carrying value, including goodwill. The first step of the test compares the carrying value of a reporting unit, including goodwill, with its fair value. We estimate the fair value using level 3 inputs as defined by the fair value hierarchy. Refer to Note 20 for the definition of the levels in the fair value hierarchy. The inputs used to calculate the fair value include a number of subjective factors, such as estimates of future cash flows, estimates of our future cost structure, discount rates for our estimated cash flows, required level of working capital, assumed terminal value, and time horizon of cash flow forecasts. If the carrying value of a reporting unit exceeds its fair value, we complete the second step of the test to determine the amount of goodwill impairment loss, if any, to be recognized. In the second step, we estimate an implied fair value of the reporting unit's goodwill by allocating the fair value of the reporting unit to all of the assets and liabilities other than goodwill (including any unrecognized intangible assets). The impairment loss is equal to the excess of the carrying value of the goodwill over the implied fair value of that goodwill.

In the fourth quarter of fiscal 2016, in conjunction with our annual review for impairment, we performed a qualitative analysis of goodwill for the reporting units in our Consumer Foods and Commercial Foods segments. Because sales and profits for our International reporting unit were below our expectations throughout fiscal 2016, largely as a result of foreign exchange rates, we performed a quantitative analysis of goodwill on the International reporting unit in the fourth quarter of fiscal 2016. Estimating the fair value of individual reporting units requires us to make assumptions and estimates regarding our future plans, industry and economic conditions. No impairment charges were recorded in fiscal 2016.

In assessing other intangible assets not subject to amortization for impairment, we have the option to perform a qualitative assessment to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of such an intangible asset is less than its carrying amount. If we determine that it is not more likely than not that the fair value of such an intangible asset is less than its carrying amount, then we are not required to perform any additional tests for assessing intangible assets for impairment. However, if we conclude otherwise or elect not to perform the qualitative assessment, then we are required to perform a quantitative impairment test that involves a comparison of the estimated fair value of the intangible asset with its carrying value. If the carrying value of the intangible asset exceeds its fair value, an impairment loss is recognized in an amount equal to that excess. In fiscal 2016, we elected to perform a quantitative impairment test for other intangible assets not subject to amortization. The estimates of fair value of intangible assets not subject to amortization are determined using a "relief from royalty" methodology, which is used in estimating the fair value of our brands/trademarks. Discount rate assumptions are based on an assessment of the risk inherent in the projected future cash flows generated by the

respective intangible assets. Also subject to judgment are assumptions about royalty rates. Refer to Note 9 for the details of the impairment charge in fiscal 2016.

Identifiable intangible assets with definite lives (e.g., licensing arrangements with contractual lives or customer relationships) are amortized over their estimated useful lives and tested for impairment whenever events or changes in circumstances indicate the carrying amount of the asset may be impaired. Identifiable intangible assets with definite lives are

Notes to Consolidated Financial Statements - (Continued)

Fiscal Years Ended May 29, 2016, May 31, 2015, and May 25, 2014

(columnar dollars in millions except per share amounts)

evaluated for impairment using a process similar to that used in evaluating elements of property, plant and equipment. If impaired, the asset is written down to its fair value.

Fair Values of Financial Instruments — Unless otherwise specified, we believe the carrying value of financial instruments approximates their fair value.

Environmental Liabilities — Environmental liabilities are accrued when it is probable that obligations have been incurred and the associated amounts can be reasonably estimated. We use third-party specialists to assist management in appropriately measuring the obligations associated with environmental liabilities. Such liabilities are adjusted as new information develops or circumstances change. We do not discount our environmental liabilities as the timing of the anticipated cash payments is not fixed or readily determinable. Management's estimate of our potential liability is independent of any potential recovery of insurance proceeds or indemnification arrangements. We do not reduce our environmental liabilities for potential insurance recoveries.

Employment-Related Benefits — Employment-related benefits associated with pensions, postretirement health care benefits, and workers' compensation are expensed as such obligations are incurred. The recognition of expense is impacted by estimates made by management, such as discount rates used to value these liabilities, future health care costs, and employee accidents incurred but not yet reported. We use third-party specialists to assist management in appropriately measuring the obligations associated with employment-related benefits.

We recognize changes in the fair value of pension plan assets and net actuarial gains or losses in excess of 10% of the greater of the market-related value of plan assets or the plan's projected benefit obligation ("the corridor") in current period expense annually as of our measurement date, which is our fiscal year-end, or when measurement is required otherwise under generally accepted accounting principles.

Revenue Recognition — Revenue is recognized when title and risk of loss are transferred to customers upon delivery based on terms of sale and collectability is reasonably assured. Revenue is recognized as the net amount to be received after deducting estimated amounts for discounts, trade allowances, and returns of damaged and out-of-date products.

Shipping and Handling — Amounts billed to customers related to shipping and handling are included in net sales.

Shipping and handling costs are included in cost of goods sold.

Marketing Costs — We promote our products with advertising, consumer incentives, and trade promotions. Such programs include, but are not limited to, discounts, coupons, rebates, and volume-based incentives. Advertising costs are expensed as incurred. Consumer incentives and trade promotion activities are recorded as a reduction of revenue or as a component of cost of goods sold based on amounts estimated as being due to customers and consumers at the end of the period, based principally on historical utilization and redemption rates. Advertising and promotion expenses totaled \$371.4 million, \$330.0 million, and \$395.7 million in fiscal 2016, 2015, and 2014, respectively, and are included in selling, general and administrative expenses.

Research and Development — We incurred expenses of \$66.7 million, \$70.4 million, and \$86.0 million for research and development activities in fiscal 2016, 2015, and 2014, respectively.

Comprehensive Income — Comprehensive income includes net income, currency translation adjustments, certain derivative-related activity, changes in the value of available-for-sale investments, and changes in prior service cost and net actuarial gains (losses) from pension (for amounts not in excess of the 10% "corridor") and postretirement health care plans. We generally deem our foreign investments to be essentially permanent in nature and we do not provide for taxes on currency translation adjustments arising from converting the investment denominated in a foreign currency to U.S. dollars. When we determine that a foreign investment, as well as undistributed earnings, are no longer permanent in nature, estimated taxes are provided for the related deferred tax liability (asset), if any, resulting from currency translation adjustments.

Notes to Consolidated Financial Statements - (Continued)

Fiscal Years Ended May 29, 2016, May 31, 2015, and May 25, 2014

(columnar dollars in millions except per share amounts)

The following table details the accumulated balances for each component of other comprehensive income (loss), net of tax (except for currency translation adjustments):

	2016	2015	2014
Currency translation gains (losses), net of reclassification adjustments	\$(95.2)	\$(113.9)	\$23.7
Derivative adjustments, net of reclassification adjustments	(0.4)	0.9	1.2
Unrealized losses on available-for-sale securities	(0.6)	(0.7)	(1.1)
Pension and post-employment benefit obligations, net of reclassification adjustments	(248.3)	(215.8)	(158.1)
Accumulated other comprehensive loss	\$(344.5)	\$(329.5)	\$(134.3)

The following table summarizes the reclassifications from accumulated other comprehensive loss into income (loss):

	2016	2015	Affected Line Item in the Consolidated Statement of Operations ¹
Net derivative adjustment, net of tax:			
Cash flow hedges	\$(2.1)	\$(0.5)	Interest expense, net
	(2.1)	(0.5)	Total before tax
	0.8	0.2	Income tax expense (benefit)
	\$(1.3)	\$(0.3)	Net of tax
Amortization of pension and postretirement healthcare liabilities:			
Net prior service benefit	\$(5.1)	\$(4.2)	Selling, general and administrative expenses
Divestiture of Private Brands	(4.3)	—	Income (loss) from discontinued operations, net of tax
Pension settlement of equity method investment	(5.2)	—	Equity method investment earnings
Net actuarial loss	0.1	3.5	Selling, general and administrative expenses
Curtailment	—	1.5	Cost of goods sold
	(14.5)	0.8	Total before tax
	4.9	(0.3)	Income tax expense (benefit)
	\$(9.6)	\$0.5	Net of tax
Currency translation losses	\$73.4	\$—	Income (loss) from discontinued operations, net of tax
	\$73.4	\$—	Total before tax
	\$—	\$—	Income tax expense
	\$73.4	\$—	Net of tax

¹ Amounts in parentheses indicate income recognized in the Consolidated Statements of Operations.

Foreign Currency Transaction Gains and Losses — We recognized net foreign currency transaction losses from continuing operations of \$7.7 million, \$2.9 million, and \$5.4 million in fiscal 2016, 2015, and 2014, respectively, in selling, general and administrative expenses.

Business Combinations — We use the acquisition method in accounting for acquired businesses. Under the acquisition method, our financial statements reflect the operations of an acquired business starting from the completion of the acquisition. The assets acquired and liabilities assumed are recorded at their respective estimated fair values at the date of the acquisition. Any excess of the purchase price over the estimated fair values of the identifiable net assets acquired is recorded as goodwill.

Notes to Consolidated Financial Statements - (Continued)

Fiscal Years Ended May 29, 2016, May 31, 2015, and May 25, 2014

(columnar dollars in millions except per share amounts)

Reclassifications and other changes — Certain prior year amounts have been reclassified to conform with current year presentation.

Use of Estimates — Preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. These estimates and assumptions affect reported amounts of assets, liabilities, revenues, and expenses as reflected in the consolidated financial statements. Actual results could differ from these estimates.

Accounting Changes — In November 2015, the FASB issued ASU 2015-17, Balance Sheet Classification of Deferred Taxes, which will require entities to present deferred tax assets ("DTAs") and deferred tax liabilities ("DTLs") as noncurrent in a classified balance sheet. The ASU simplifies the current guidance, which requires entities to separately present DTAs and DTLs as current and noncurrent in a classified balance sheet. The effective date for the standard is for fiscal years beginning after December 15, 2016. Early adoption was permitted. We adopted this standard for the fiscal year ended May 29, 2016. As a result, we have retrospectively adjusted Other current assets and Non-current liabilities by \$104.3 million for the year ended May 30, 2015.

Recently Issued Accounting Standards — In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, Revenue from Contracts with Customers, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU will replace most existing revenue recognition guidance in U.S. GAAP. On July 9, 2015, the FASB deferred the effective date of the new revenue recognition standard by one year. Based on the FASB's ASU, we will apply the new revenue standard in our fiscal year 2019. Early adoption in our fiscal year 2018 is permitted. We are evaluating the effect that ASU 2014-09 will have on our consolidated financial statements and related disclosures. The standard permits the use of either the retrospective or cumulative effect transition method.

In July 2015, the FASB issued ASU 2015-11, Inventory, which requires an entity to measure inventory within the scope at the lower of cost and net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. The effective date for the standard is for fiscal years beginning after December 15, 2016. Early adoption is permitted. We do not expect ASU 2015-11 to have a material impact to our financial statements. The standard is to be applied prospectively.

In February 2016, the FASB issued its final lease accounting standard, FASB Accounting Standard Codification ("ASC") Topic 842, Leases, which requires lessees to reflect most leases on their balance sheet as assets and obligations. The effective date for the standard is for fiscal years beginning after December 15, 2018. Early adoption is permitted. We are evaluating the effect that ASC 842 will have on our consolidated financial statements and related disclosures. The standard is to be applied under the modified retrospective method, with elective reliefs, which requires application of the new guidance for all periods presented.

In March 2016, the FASB issued ASU 2016-09, Improvements to Employee Share-Based Payment Accounting, which simplifies the accounting for income taxes, among other changes, related to stock-based compensation. We plan to early adopt ASU 2016-09 in the first quarter of 2017 with an effective date of May 30, 2016. We are evaluating the effect that ASU 2016-09 will have on our consolidated financial statements.

2. ACQUISITIONS

In May 2015, we acquired Blake's All Natural Foods, a family-owned company specializing in all natural and organic frozen meals, including pot pies, casseroles, pasta dishes, and other entrees, for \$20.7 million in cash net of cash acquired. Approximately \$20.0 million of the purchase price has been classified as goodwill. The goodwill is deductible for income tax purposes. This business is included in the Consumer Foods segment.

In July 2014, we acquired TaiMei Potato Industry Limited, a potato processor in China, for \$92.2 million, consisting of \$74.9 million in cash, net of cash acquired, plus assumed liabilities. The purchase included property and equipment associated with making frozen potato products. Approximately \$23.8 million of the purchase price has been classified as goodwill and \$3.5 million to other intangible assets. The amount allocated to goodwill is not deductible for income tax purposes. This business is included in the Commercial Foods segment.

Notes to Consolidated Financial Statements - (Continued)

Fiscal Years Ended May 29, 2016, May 31, 2015, and May 25, 2014

(columnar dollars in millions except per share amounts)

In September 2013, we acquired frozen dessert production assets from Harlan Bakeries for \$39.9 million in cash. The purchase included machinery, operating systems, warehousing/storage, and other assets associated with making frozen fruit pies, cream pies, pastry shells, and loaf cakes. This business is included in the Consumer Foods segment.

For each of these acquisitions, the amounts allocated to goodwill were primarily attributable to anticipated synergies, product portfolios, and other intangibles that do not qualify for separate recognition.

Under the acquisition method of accounting, the assets acquired and liabilities assumed in these acquisitions were recorded at their respective estimated fair values at the date of acquisition.

3. RESTRUCTURING ACTIVITIES**Supply Chain and Administrative Efficiency Plan**

We previously announced a plan for the integration and restructuring of the operations of Ralcorp Holdings, Inc. ("Ralcorp"), optimization of the entire Company's supply chain network, manufacturing assets, and dry distribution and mixing centers, and improvement of selling, general and administrative effectiveness and efficiencies, which we refer to as the Supply Chain and Administrative Efficiency Plan (the "SCAE Plan"). Although the divestiture of the Private Brands business was completed in the third quarter of fiscal 2016, we will continue to implement portions of the SCAE Plan, including work related to optimizing our supply chain network and pursue cost reductions through our selling, general and administrative functions and productivity improvements. The SCAE Plan also includes plans announced in the second quarter of fiscal 2016 to realize efficiency benefits through a combination of reductions in selling, general and administrative expenses and enhancements to trade spend processes and tools.

Although we remain unable to make good faith estimates relating to the entire SCAE Plan, we are reporting on actions initiated through the end of fiscal 2016, including the estimated amounts or range of amounts for each major type of costs expected to be incurred, and the charges that have resulted or will result in cash outflows. As of May 29, 2016, our Board of Directors has approved the incurrence of up to \$739.0 million of expenses in connection with the SCAE Plan, including expenses allocated for the Private Brands operations. We have incurred or expect to incur approximately \$443.9 million of charges, which includes \$315.5 million of cash charges and \$128.4 million of non-cash charges, for actions identified to date under the SCAE Plan related to our continuing operations. We recognized charges of \$281.8 million, \$47.7 million, and \$31.3 million in relation to the SCAE Plan related to our continuing operations in fiscal 2016, 2015, and 2014, respectively. We expect to incur costs related to the SCAE Plan over a multi-year period.

We anticipate that we will recognize the following pre-tax expenses associated with the SCAE Plan related to our continuing operations (amounts include charges recognized from plan inception to May 29, 2016):

	Consumer Foods	Corporate	Commercial Foods	Total
Multi-employer pension costs	\$ 31.3	\$ —	\$ —	\$31.3
Accelerated depreciation	50.9	1.2	—	52.1
Other cost of goods sold	7.8	—	—	7.8
Total cost of goods sold	90.0	1.2	—	91.2
Severance and related costs	35.4	99.7	8.1	143.2
Accelerated depreciation	0.1	1.5	—	1.6
Consulting/Professional fees	1.1	63.2	—	64.3
Fixed asset impairment /Net loss on disposal	10.8	0.8	—	11.6
Contract/Lease termination expenses	1.3	64.1	—	65.4
Other selling, general and administrative expenses	15.7	50.9	—	66.6
Total selling, general and administrative expenses	64.4	280.2	8.1	352.7
Consolidated total	\$ 154.4	\$ 281.4	\$ 8.1	\$443.9

Notes to Consolidated Financial Statements - (Continued)

Fiscal Years Ended May 29, 2016, May 31, 2015, and May 25, 2014

(columnar dollars in millions except per share amounts)

During fiscal 2016, we recognized the following pre-tax expenses for the SCAE Plan related to our continuing operations:

	Consumer Foods	Corporate	Commercial Foods	Total
Multi-employer pension costs	\$ 29.8	\$ —	\$ —	\$29.8
Accelerated depreciation	17.3	0.2	—	17.5
Other cost of goods sold	1.7	—	—	1.7
Total cost of goods sold	48.8	0.2	—	49.0
Severance and related costs	11.8	88.6	0.1	100.5
Accelerated depreciation	—	0.5	—	0.5
Consulting/Professional fees	0.1	48.0	—	48.1
Fixed asset impairment /Net loss on disposal	9.7	0.8	—	10.5
Contract/Lease termination expenses (recoveries)	(0.1)	61.4	—	61.3
Other selling, general and administrative expenses	3.8	8.1	—	11.9
Total selling, general and administrative expenses	25.3	207.4	0.1	232.8
Consolidated total	\$ 74.1	\$ 207.6	\$ 0.1	\$281.8

Included in the above results are \$195.7 million of charges that have resulted or will result in cash outflows and \$86.2 million in non-cash charges. Not included in the above amounts are \$11.8 million of pre-tax expenses related to the Private Brands operations we sold in the third quarter of fiscal 2016.

During the second quarter of fiscal 2016, we entered into a series of related transactions in which we exchanged a warehouse we owned in Indiana for two buildings and parcels of land that we leased as part of our Omaha corporate offices. Concurrent with the asset exchange, leases on the two Omaha corporate buildings were canceled. We have recognized aggregate charges of \$55.6 million for the early termination of these leases. We also entered into a lease for the warehouse in Indiana and we recorded a financing lease obligation of \$74.2 million.

We recognized the following cumulative (plan inception to May 29, 2016) pre-tax expenses related to the SCAE Plan in our Consolidated Statement of Operations related to our continuing operations:

	Consumer Foods	Corporate	Commercial Foods	Total
Multi-employer pension costs	\$ 31.3	\$ —	\$ —	\$31.3
Accelerated depreciation	38.8	1.2	—	40.0
Other cost of goods sold	3.8	—	—	3.8
Total cost of goods sold	73.9	1.2	—	75.1
Severance and related costs	33.4	96.4	8.1	137.9
Accelerated depreciation	—	1.3	—	1.3
Consulting/Professional fees	1.1	50.8	—	51.9
Fixed asset impairment / Net loss on disposal	10.8	0.8	—	11.6
Contract/Lease termination expenses	1.3	61.7	—	63.0
Other selling, general and administrative expenses	7.0	13.0	—	20.0
Total selling, general and administrative expenses	53.6	224.0	8.1	285.7
Consolidated total	\$ 127.5	\$ 225.2	\$ 8.1	\$360.8

Included in the above results are \$248.8 million of charges that have resulted or will result in cash outflows and \$112.0 million in non-cash charges. Not included in the above table are \$130.2 million of pre-tax expenses (\$84.5 million of cash charges and \$45.7 million of non-cash charges) related to the Private Brands operations which we sold in the third quarter of fiscal 2016.

Notes to Consolidated Financial Statements - (Continued)

Fiscal Years Ended May 29, 2016, May 31, 2015, and May 25, 2014

(columnar dollars in millions except per share amounts)

Liabilities recorded for the SCAE Plan and changes therein for fiscal 2016 were as follows:

	Balance at May 31, 2015	Costs Incurred and Charged to Expense	Costs Paid or Otherwise Settled	Changes in Estimates	Balance at May 29, 2016
Multi-employer pension costs	\$ 11.4	\$ 30.0	\$ (0.7)	\$ —	\$ 40.7
Severance and related costs	16.4	84.8	(46.5)	(7.5)	47.2
Consulting	0.2	48.2	(43.7)	—	4.7
Contract termination	3.1	6.0	(2.5)	(0.3)	6.3
Other costs	1.2	10.5	(11.2)	—	0.5
Total	\$ 32.3	\$ 179.5	\$ (104.6)	\$ (7.8)	\$ 99.4

Acquisition-related Restructuring Costs

During fiscal 2012, we started incurring costs in connection with actions taken to attain synergies when integrating businesses acquired prior to the third quarter of fiscal 2013. These costs, collectively referred to as "acquisition-related restructuring costs", include severance and other costs associated with consolidating facilities and administrative functions. In connection with the acquisition-related restructuring costs, we have incurred charges of \$23.7 million, \$15.8 million of which are charges that have resulted or will result in cash outflows and \$7.9 million of which are non-cash charges. At the end of fiscal 2014, the acquisition-related restructuring costs were substantially complete. During fiscal 2015 and 2014, we recognized \$0.2 million and \$9.4 million, respectively, of pre-tax expenses for acquisition-related restructuring costs, primarily representing impairment of equipment, all within our Consumer Foods segment.

Notes to Consolidated Financial Statements - (Continued)

Fiscal Years Ended May 29, 2016, May 31, 2015, and May 25, 2014

(columnar dollars in millions except per share amounts)

4. LONG-TERM DEBT

	May 29, 2016	May 31, 2015
4.65% senior debt due January 2043	\$176.7	\$737.0
6.625% senior debt due August 2039	91.4	450.0
8.25% senior debt due September 2030	300.0	300.0
7.0% senior debt due October 2028	382.2	382.2
6.7% senior debt due August 2027	9.2	9.2
7.125% senior debt due October 2026	262.5	372.4
3.2% senior debt due January 2023	837.0	1,000.0
3.25% senior debt due September 2022	250.0	250.0
9.75% subordinated debt due March 2021	195.9	195.9
4.95% senior debt due August 2020	197.7	300.0
7.0% senior debt due April 2019	335.0	475.0
2.1% senior debt due March 2018	225.0	225.0
1.9% senior debt due January 2018	1,000.0	1,000.0
5.819% senior debt due June 2017	475.0	475.0
LIBOR plus 0.37% senior notes due July 2016	550.0	550.0
1.3% senior debt due January 2016	—	750.0
1.35% senior debt due September 2015	—	250.0
2.00% to 9.59% lease financing obligations due on various dates through 2040	149.2	68.4
Other indebtedness	40.4	10.9
Total face value of debt	5,477.2	7,801.0
Unamortized fair value adjustment of senior debt in connection with Ralcorp	39.8	146.7
Unamortized discounts/premiums	(19.8)	(32.8)
Unamortized debt issuance costs	(14.6)	(30.1)
Adjustment due to hedging activity	6.6	11.8
Less current installments	(571.4)	(1,007.8)
Total long-term debt	\$4,917.8	\$6,888.8

The aggregate minimum principal maturities of the long-term debt for each of the five fiscal years following May 29, 2016, are as follows:

2017\$571.7

20181,714.0

2019347.8

202031.6

2021402.2

During the third quarter of fiscal 2016, we repurchased \$560.3 million aggregate principal amount of senior notes due 2043, \$341.8 million aggregate principal amount of senior notes due 2039, \$139.9 million aggregate principal amount of senior notes due 2019, \$110.0 million aggregate principal amount of senior notes due 2026, \$85.0 million aggregate principal amount of senior notes due 2020, and \$163.0 million of aggregate principal amount of senior notes due 2023, in each case prior to maturity in a tender offer including a \$109.5 million tender premium, resulting in a net loss of \$23.9 million as a cost of early retirement of debt.

Notes to Consolidated Financial Statements - (Continued)

Fiscal Years Ended May 29, 2016, May 31, 2015, and May 25, 2014

(columnar dollars in millions except per share amounts)

During the third quarter of fiscal 2016, we repaid the entire principal balance of \$750.0 million of our 1.30% senior notes on the maturity date of January 25, 2016. The repayment was primarily funded through the issuance of term loans totaling \$600.0 million, which were repaid in the third quarter of fiscal 2016 with the proceeds from the divestiture of our Private Brands business.

See Note 6 for repayment of senior notes issued by Ralcorp in an aggregate principal amount of \$33.9 million in the third quarter of fiscal 2016.

During the second quarter of fiscal 2016, we repaid the entire principal balance of \$250.0 million of our 1.35% senior notes on the maturity date of September 10, 2015.

During fiscal 2015, we repurchased \$225.0 million aggregate principal amount of senior notes due in 2023, \$200.0 million aggregate principal amount of senior notes due 2043, \$25.0 million aggregate principal amount of senior notes due 2019, \$25.0 million aggregate principal amount of senior notes due 2018, and \$25.0 million aggregate principal amount of senior notes due 2017, in each case prior to maturity in a tender offer, resulting in a net loss of \$16.3 million as a cost of early retirement of debt, including a \$9.5 million tender premium.

During the first quarter of fiscal 2015, we repaid the remaining borrowings of our unsecured term loan facility (the "Term Loan Facility") of \$900.0 million (with interest rate at LIBOR plus 1.75% per annum), prior to maturity, resulting in a loss of \$8.3 million as a cost of early retirement of debt. The Term Loan Facility was terminated after repayment.

During fiscal 2015, we issued \$550.0 million aggregate principal amount of floating rate notes due July 21, 2016. The notes bear interest at a rate equal to three-month LIBOR plus 0.37% per annum.

During fiscal 2014, we repaid the entire principal balance of \$500.0 million of our 5.875% senior notes, which were due April 15, 2014.

Net interest expense consists of:

	2016	2015	2014
Long-term debt	\$304.5	\$335.0	\$391.9
Short-term debt	2.4	2.8	1.5
Interest income	(1.3)	(1.2)	(2.3)
Interest capitalized	(7.8)	(6.6)	(13.6)
	\$297.8	\$330.0	\$377.5

Interest paid from continuing operations was \$323.8 million, \$335.4 million, and \$393.7 million in fiscal 2016, 2015, and 2014, respectively.

Our net interest expense in fiscal 2015 and 2014 was reduced by \$7.1 million and \$4.1 million, respectively, due to the impact of the interest rate swap contracts designated as fair value hedges entered into in the third quarter of fiscal 2014. The interest rate swaps effectively converted the interest on our senior long-term debt instruments maturing in fiscal 2019 and 2020 from fixed rate to floating rate (see Note 18). These interest rate swap contracts were terminated during the third quarter of fiscal 2015. The cumulative adjustments to the fair value of the debt instruments that were hedged (the effective portion of the hedges), totaling \$12.6 million, will be amortized as a reduction of interest expense over the remaining lives of the debt instruments (through fiscal 2020). Our net interest expense was reduced by \$2.1 million and \$0.8 million for fiscal 2016 and fiscal 2015, respectively, as a result of this amortization.

We entered into interest rate swaps during fiscal 2010 that effectively changed our interest rate on the senior long-term debt instrument that matured in fiscal 2014 from fixed to variable. During the second quarter of fiscal 2011, we terminated these interest rate swap contracts and received proceeds of \$28.2 million. The cumulative adjustment to the fair value of the debt instrument that was hedged (the effective portion of the hedge) was amortized as a reduction of interest expense over the remaining life of the debt instrument (through fiscal 2014). Net interest expense for fiscal 2014 was reduced by \$8.6 million due to the impact of the interest rate swap contracts.

As a result of our acquisition of Ralcorp, senior unsecured notes issued in exchange for senior notes issued by Ralcorp of \$716.0 million were recorded at fair value. The fair value adjustment on these notes was \$156.8 million and is being

Notes to Consolidated Financial Statements - (Continued)

Fiscal Years Ended May 29, 2016, May 31, 2015, and May 25, 2014

(columnar dollars in millions except per share amounts)

amortized within interest expense over the life of the respective notes. The portion written off related to the third quarter of fiscal 2016 tender offers totaled \$94.2 million. Our net interest expense in fiscal 2016, 2015, and 2014 was reduced by \$6.7 million, \$7.4 million, and \$6.7 million, respectively, as a result of this amortization.

5. CREDIT FACILITIES AND BORROWINGS

At May 29, 2016, we had a \$1.50 billion multi-year revolving credit facility with a syndicate of financial institutions that matures in September 2018. The multi-year facility has historically been used principally as a back-up facility for our commercial paper program. As of May 29, 2016, there were no outstanding borrowings under the credit facility. Borrowings under the multi-year facility, based on our fiscal year-end credit rating, bear interest at 1.25% over LIBOR and may be prepaid without penalty. The multi-year revolving credit facility requires us to repay borrowings if our consolidated funded debt exceeds 65% of our consolidated capital base, or if our fixed charges coverage ratio is less than 1.75 to 1.0 on a four-quarter rolling basis. In the fourth quarter of fiscal 2015 and the second quarter of fiscal 2016, the Company entered into amendments to exclude certain non-cash impairments from the calculation of the fixed charge coverage ratio. As of May 29, 2016, we were in compliance with all financial covenants in the facility. We finance our short-term liquidity needs with bank borrowings, commercial paper borrowings, and bankers' acceptances. As of May 29, 2016 and May 31, 2015, there were no outstanding borrowings under our commercial paper program.

6. DISCONTINUED OPERATIONS

Private Brands Operations

On February 1, 2016, pursuant to the Stock Purchase Agreement, dated as of November 1, 2015, we completed the disposition of our Private Brands operations to TreeHouse Foods, Inc. ("Treehouse") for \$2.6 billion in cash on a debt-free basis, subject to working capital and other adjustments.

As a result of the disposition, we recognized a pre-tax charge of \$1.92 billion (\$1.44 billion after-tax) in fiscal 2016 to write-down the goodwill and long-lived assets to the final sales price, less costs to sell, and to recognize the final loss of the Private Brands business. We reflected the results of this business as discontinued operations for all periods presented. The assets and liabilities of the discontinued business have been reclassified as assets and liabilities held for sale within our Consolidated Balance Sheets for all periods presented prior to the divestiture.

In fiscal 2016, we repaid senior notes issued by Ralcorp in an aggregate principal amount of \$33.9 million, consisting of 4.95% senior notes due August 15, 2020 in an aggregate principal amount of \$17.2 million (with an effective interest rate of 2.83%) and 6.625% senior notes due August 15, 2039 in total an aggregate principal amount of \$16.7 million (with an effective interest rate of 4.82%), in each case, prior to maturity, resulting in a loss \$5.4 million as a cost of early retirement of debt, which is reflected in discontinued operations.

In connection with classifying the Private Brands operations as assets held for sale, we recognized, in fiscal 2016, a deferred tax asset of \$1.54 billion on the capital loss of our investment in this business. A partial valuation allowance is recorded as we have not met the accounting requirements for recognition of a benefit at this time. In fiscal 2016, we recognized an income tax benefit of \$20.7 million, resulting primarily from prior period capital gains. In addition, we released \$147.3 million of the valuation allowance in the fourth quarter of fiscal 2016 due to the impending Spicetec and JM Swank dispositions.

In fiscal 2015, we recorded a \$1.51 billion impairment of goodwill and \$57.6 million of impairment charges to write-down various brands and fixed assets, which are reflected in discontinued operations. In fiscal 2014, we recorded a \$593.2 million impairment of goodwill and \$3.0 million of impairment charges to write-down a small brand, which are reflected in discontinued operations.

Notes to Consolidated Financial Statements - (Continued)

Fiscal Years Ended May 29, 2016, May 31, 2015, and May 25, 2014

(columnar dollars in millions except per share amounts)

The summary comparative financial results of the Private Brands business, included within discontinued operations, were as follows:

	2016	2015	2014
Net sales	\$2,490.6	\$3,895.4	\$4,005.4
Long-lived asset impairment charges	\$(1,923.0)	\$(1,564.6)	\$(596.2)
Income from operations of discontinued operations before income taxes	168.0	68.8	186.5
Loss before income taxes and equity method investment earnings	(1,755.0)	(1,495.8)	(409.7)
Income tax expense (benefit)	(593.1)	(128.1)	41.8
Loss from discontinued operations, net of tax	\$(1,161.9)	\$(1,367.7)	\$(451.5)

The assets and liabilities classified as held for sale reflected in our Consolidated Balance Sheets related to the Private Brands business were as follows:

	May 31, 2015
Cash and cash equivalents	\$18.4
Receivables, less allowance for doubtful accounts of \$0.5	199.3
Inventories	489.3
Prepays and other current assets	37.3
Current assets held for sale	\$744.3
Property, plant and equipment, net	\$920.4
Goodwill	1,600.8
Brands, trademarks and other intangibles, net	1,716.6
Other assets	9.1
Noncurrent assets held for sale	\$4,246.9
Accounts payable	\$219.5
Accrued payroll	7.0
Other accrued liabilities	67.5
Current liabilities held for sale	\$294.0
Other noncurrent liabilities	\$711.0
Noncurrent liabilities held for sale	\$711.0

ConAgra Mills Operations

On May 29, 2014, the Company, Cargill, Incorporated ("Cargill"), and CHS, Inc. ("CHS") completed the formation of Ardent Mills. In connection with the formation, we contributed all of the assets of ConAgra Mills, our milling operations. For further details about the joint venture, see Note 7. We reflected the results of the ConAgra Mills operations as discontinued operations for all periods presented. The assets and liabilities of the discontinued business have been reclassified as assets and liabilities held for sale within our Consolidated Balance Sheet for the period presented prior to divestiture. Our equity in the earnings of Ardent Mills is reflected in our continuing operations.

Notes to Consolidated Financial Statements - (Continued)

Fiscal Years Ended May 29, 2016, May 31, 2015, and May 25, 2014

(columnar dollars in millions except per share amounts)

The summary comparative financial results of the ConAgra Mills operations, included within discontinued operations, were as follows:

	2015	2014
Net sales	\$16.2	\$1,859.0
Income (loss) from operations of discontinued operations before income taxes	(9.2)	124.8
Net gain on sale of businesses	627.3	90.3
Income before income taxes and equity method investment earnings	618.1	215.1
Income tax expense	251.1	78.0
Equity method investment earnings	—	0.3
Income from discontinued operations, net of tax	\$367.0	\$137.4

Medallion Foods

In fiscal 2014, we completed the sale of a small snack business, Medallion Foods, for \$32.0 million in cash. The business results were previously reflected in the Private Brands segment. We reflected the results of these operations as discontinued operations for all periods presented. We recognized a pre-tax loss of \$5.8 million (\$3.5 million after-tax) on the sale of this business in fiscal 2014. In fiscal 2014, we recognized an impairment charge related to allocated amounts of goodwill and intangible assets, totaling \$25.4 million (\$15.2 million after-tax), in anticipation of this divestiture. Net sales, income from operations of discontinued operations before income taxes, and income tax benefit for fiscal 2014 related to Medallion Foods were \$59.1 million, \$5.9 million, and \$10.2 million, respectively.

Lightlife® Operations

In fiscal 2014, we completed the sale of the assets of the Lightlife® business for \$54.7 million in cash. This business produced and sold vegetarian-based burgers, hot dogs, and other meatless frozen and refrigerated items. The results of this business were previously reflected in the Consumer Foods segment. We reflected the results of these operations as discontinued operations for all periods presented. We recognized a pre-tax gain of \$32.1 million (\$19.8 million after-tax) on the sale of this business in fiscal 2014. Loss from operations of discontinued operations before income taxes and income tax benefit for fiscal 2015 related to the Lightlife® business were \$0.7 million and \$0.3 million, respectively. Net sales, income from operations of discontinued operations before income taxes, and income tax expense for fiscal 2014 related to the Lightlife® business were \$11.2 million, \$1.9 million, and \$14.9 million, respectively.

Other Assets Held for Sale

During late fiscal 2016 and early fiscal 2017, we announced the agreements to sell Spicetec and JM Swank, parts of our Commercial segment. We expect to realize net proceeds from the sales in early fiscal 2017 of \$316.5 million and \$162.4 million, respectively. The assets and liabilities of these businesses have been reclassified as assets and liabilities held for sale within our Consolidated Balance Sheets for all periods presented.

Notes to Consolidated Financial Statements - (Continued)
Fiscal Years Ended May 29, 2016, May 31, 2015, and May 25, 2014
(columnar dollars in millions except per share amounts)

The assets and liabilities classified as held for sale reflected in our Consolidated Balance Sheets related to the Spicetec and JM Swank businesses were as follows:

	May 29, 2016	May 31, 2015
Spicetec:		
Current assets	\$43.3	\$38.0
Noncurrent assets (including goodwill of \$102.4 million)	145.9	148.2
Current liabilities	10.3	14.7
Noncurrent liabilities	1.2	1.6
Swank:		
Current assets	\$73.7	\$66.6
Noncurrent assets (including goodwill of \$52.5 million)	73.0	74.3
Current liabilities	44.3	48.0
Noncurrent liabilities	0.4	0.4

In addition, we are actively marketing certain other long-lived assets. These assets have been reclassified as assets held for sale within our Consolidated Balance Sheets for all periods presented. These assets were held within our Corporate and Consumer Foods segments, respectively. The balance of these noncurrent assets classified as held for sale was \$6.9 million and \$16.7 million at May 29, 2016 and May 31, 2015, respectively.

7. INVESTMENTS IN JOINT VENTURES

In the first quarter of fiscal 2015, the Company, Cargill, and CHS, completed the formation of Ardent Mills. In connection with the formation, we contributed all of the assets of ConAgra Mills, our milling operations, including \$49.0 million of cash, to Ardent Mills, we received a 44% ownership interest in Ardent Mills, and Ardent Mills distributed \$391.4 million in cash to us as a return of capital. The contribution of the assets of ConAgra Mills in exchange for a non-controlling interest in the newly formed joint venture was required to be accounted for at fair value, and accordingly, we recognized a gain of \$625.6 million (\$379.6 million after-tax) in fiscal 2015 in income from discontinued operations, to reflect the excess of the fair value of our interest over its carrying value at the time of the transfer. As part of the formation of Ardent Mills, in the fourth quarter of fiscal 2014, pursuant to an agreement with the U.S. Department of Justice, we sold three flour milling facilities to Miller Milling Company LLC for \$163.0 million. We received the cash proceeds from the sale of these flour milling facilities in the first quarter of fiscal 2015. In the first quarter of fiscal 2015, we used the net cash proceeds from the Ardent Mills transaction to repay debt. The business results were previously reflected in the Commercial Foods segment. The operating results of our legacy milling business, including the disposition of three mills aforementioned, are included as discontinued operations within our Consolidated Statement of Operations.

We recognized the 44% ownership interest in Ardent Mills at fair value, as of the date of the formation of the joint venture. We now recognize our proportionate share of the earnings of Ardent Mills under the equity method of accounting within results of continuing operations. Due to differences in fiscal reporting periods, we recognized the equity method earnings on a lag of approximately one month; and as a result, we recognized only 11 months of earnings from Ardent Mills in fiscal 2015. The carrying value of our Ardent Mills equity method investment at the end of fiscal 2016 and 2015 was \$732.8 million and \$708.4 million, respectively.

We also have potato joint ventures in our Commercial Foods segment and other equity method investments in our Consumer Foods segment. We recognized a gain of \$17.7 million in fiscal 2016 related to the settlement of a pension plan of an international potato venture, classified within equity method investment earnings.

The total carrying value of our equity method investments at the end of fiscal 2016 and 2015 was \$910.8 million and \$853.0 million, respectively. These amounts are included in Other assets.

In fiscal 2016, we had sales to and purchases from our equity method investments of \$16.6 million and \$90.8 million, respectively. Total dividends received from equity method investments in fiscal 2016 were \$78.3 million.

Notes to Consolidated Financial Statements - (Continued)

Fiscal Years Ended May 29, 2016, May 31, 2015, and May 25, 2014

(columnar dollars in millions except per share amounts)

In fiscal 2015, we had sales to and purchases from our equity method investments of \$9.5 million and \$98.0 million, respectively. Total dividends received from equity method investments in fiscal 2015 were \$91.3 million.

We entered into transition services agreements in connection with the Ardent Mills formation and recognized \$9.7 million and \$14.1 million of income for the performance of transition services during fiscal 2016 and 2015, respectively, classified within Selling, general and administrative expenses.

Summarized combined financial information for our equity method investments on a 100% basis is as follows:

	2016	2015
Net Sales:		
Ardent Mills	\$3,395.3	\$3,299.2
Potato joint ventures	917.3	872.1
Others	167.2	167.3
Total net sales	\$4,479.8	\$4,338.6
Gross margin:		
Ardent Mills	339.2	365.3
Potato joint ventures	167.0	171.7
Others	32.8	33.3
Total gross margin	539.0	570.3
Earnings after income taxes:		
Ardent Mills	\$142.9	\$173.5
Potato joint ventures	101.3	99.8
Others	6.4	6.1
Total earnings after income taxes	\$250.6	\$279.4
	May 29, 2016	May 31, 2015

Ardent Mills:		
Current assets	\$988.4	\$1,080.3
Noncurrent assets	1,695.3	1,692.5
Current liabilities	507.7	415.3
Noncurrent liabilities	545.0	649.5
Potato joint ventures:		
Current assets	\$304.8	\$285.3
Noncurrent assets	294.8	193.0
Current liabilities	202.2	151.8
Noncurrent liabilities	81.7	47.1
Others:		
Current assets	\$80.8	\$73.1
Noncurrent assets	10.5	10.8
Current liabilities	51.0	42.2
Noncurrent liabilities	—	—

Notes to Consolidated Financial Statements - (Continued)
 Fiscal Years Ended May 29, 2016, May 31, 2015, and May 25, 2014
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8. VARIABLE INTEREST ENTITIES

Variable Interest Entities Consolidated

We own a 49.99% interest in Lamb Weston BSW, LLC ("Lamb Weston BSW"), a potato processing venture with Ochoa Ag Unlimited Foods, Inc. ("Ochoa"). We provide all sales and marketing services to Lamb Weston BSW. Under certain circumstances, we could be required to compensate Ochoa for lost profits resulting from significant production shortfalls ("production shortfalls"). Commencing on June 1, 2018, or on an earlier date under certain circumstances, we have a contractual right to purchase the remaining equity interest in Lamb Weston BSW from Ochoa (the "call option"). We are currently subject to a contractual obligation to purchase all of Ochoa's equity investment in Lamb Weston BSW at the option of Ochoa (the "put option"). The purchase prices under the call option and the put option (the "options") are based on the book value of Ochoa's equity interest at the date of exercise, as modified by an agreed-upon rate of return for the holding period of the investment balance. The agreed-upon rate of return varies depending on the circumstances under which any of the options are exercised. As of May 29, 2016, the price at which Ochoa had the right to put its equity interest to us was \$47.4 million. This amount is presented within other noncurrent liabilities in our Consolidated Balance Sheets. We have determined that Lamb Weston BSW is a variable interest entity and that we are the primary beneficiary of the entity. Accordingly, we consolidate the financial statements of Lamb Weston BSW.

At May 31, 2015, we held a promissory note from Lamb Weston BSW with a balance of \$36.1 million. The promissory note and accrued interest was repaid in full during the third quarter of fiscal 2016. In addition, as of May 31, 2015, we provided lines of credit of up to \$15.0 million to Lamb Weston BSW which were terminated in the third quarter of fiscal 2016. The amounts owed by Lamb Weston BSW to the Company as of May 31, 2015 were not reflected in our Consolidated Balance Sheet, as they were eliminated in consolidation.

During the third quarter of fiscal 2016, Lamb Weston BSW issued a \$30.0 million promissory note with a financial institution. The note includes a \$23.0 million fixed rate loan segment with interest at 4.34% and a \$7.0 million variable rate loan segment with interest at LIBOR plus an applicable margin ranging from 1.90% to 2.30%, payable in semi-annual installments through fiscal 2032. Lamb Weston BSW also issued a \$10.0 million revolving note with interest at LIBOR plus an applicable margin ranging from 1.75% to 2.00% that matures in June 2021. As of May 29, 2016, Lamb Weston BSW had \$1.0 million outstanding against this revolving note.

Our variable interests in Lamb Weston BSW include an equity investment in the venture, the options, the promissory note, certain fees paid to us by Lamb Weston BSW for sales and marketing services, the contingent obligation related to production shortfalls, and the lines of credit advanced to Lamb Weston BSW. Our maximum exposure to loss as a result of our involvement with this venture is equal to our equity investment in the venture, the balance of the promissory note extended to the venture, the amount, if any, advanced under the lines of credit, and the amount, if any, by which the put option exercise price exceeds the fair value of the noncontrolling interest in Lamb Weston BSW upon its exercise. Also, in the event of a production shortfall, we could be required to compensate Ochoa for lost profits. It is not possible to determine the maximum exposure to losses from the potential exercise of the put option or from potential production shortfalls. However, we do not expect to incur material losses resulting from these potential exposures.

Notes to Consolidated Financial Statements - (Continued)

Fiscal Years Ended May 29, 2016, May 31, 2015, and May 25, 2014

(columnar dollars in millions except per share amounts)

Due to the consolidation of these variable interest entities, we reflected the following in our Consolidated Balance Sheets:

	May 29, May 31, 2016 2015	
Cash and cash equivalents	\$ 4.3	\$ 13.7
Receivables, less allowance for doubtful accounts	0.1	0.2
Inventories	1.2	1.3
Prepaid expenses and other current assets	0.4	0.3
Property, plant and equipment, net	52.2	53.2
Goodwill	18.8	18.8
Brands, trademarks and other intangibles, net	5.2	6.0
Total assets	\$ 82.2	\$ 93.5
Notes payable	\$ 1.0	\$ —
Current installments of long-term debt	0.5	—
Accounts payable	10.9	16.9
Accrued payroll	0.8	0.7
Other accrued liabilities	0.9	0.6
Senior long-term debt, excluding current installments	29.5	—
Other noncurrent liabilities (minority interest)	32.2	31.3
Total liabilities	\$ 75.8	\$ 49.5

The liabilities recognized as a result of consolidating the Lamb Weston BSW entity do not represent additional claims on our general assets. The creditors of Lamb Weston BSW have claims only on the assets of Lamb Weston BSW. The assets recognized as a result of consolidating Lamb Weston BSW are the property of the venture and are not available to us for any other purpose, other than as a secured lender under the promissory note and lines of credit.

Variable Interest Entities Not Consolidated

We also have variable interests in certain other entities that we have determined to be variable interest entities, but for which we are not the primary beneficiary. We do not consolidate the financial statements of these entities.

We hold a 50% interest in Lamb Weston RDO, a potato processing venture (see Note 7). We provide all sales and marketing services to Lamb Weston RDO. We receive a fee for these services based on a percentage of the net sales of the venture. We reflect the value of our ownership interest in this venture in other assets in our Consolidated Balance Sheets, based upon the equity method of accounting. The balance of our investment was \$16.9 million and \$14.6 million at May 29, 2016 and May 31, 2015, respectively, representing our maximum exposure to loss as a result of our involvement with this venture. The capital structure of Lamb Weston RDO includes owners' equity of \$33.9 million and term borrowings from banks of \$41.1 million as of May 29, 2016. We have determined that we do not have the power to direct the activities that most significantly impact the economic performance of this venture.

We lease certain office buildings from entities that we have determined to be variable interest entities. The lease agreements with these entities include fixed-price purchase options for the assets being leased. The lease agreements also contain contingent put options (the "lease put options") that allow the lessors to require us to purchase the buildings at the greater of original construction cost, or fair market value, without a lease agreement in place (the "put price") in certain limited circumstances. As a result of substantial impairment charges related to our Private Brands operations, these lease put options are exercisable now and remain exercisable until generally 30 days after the end of the respective lease agreements. We are amortizing the difference between the estimated put price and the estimated fair value (without a lease agreement in place) of each respective property over the remaining respective lease term within selling, general and administrative expenses. As of May 29, 2016, the estimated amount by which the put prices exceeded the fair values of the related properties was \$58.5 million, of which we have accrued \$9.3 million. As these buildings are worth considerably more when under lease agreements than when vacant, we may be able to mitigate some, or all of the financial exposure created by the put options by maintaining active lease agreements and/or by

subleasing the buildings to credit worthy tenants. We do not expect to ultimately incur material financial

Notes to Consolidated Financial Statements - (Continued)

Fiscal Years Ended May 29, 2016, May 31, 2015, and May 25, 2014

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losses as a result of the potential exercise of the lease put options by the lessors. These leases are accounted for as operating leases, and accordingly, there are no material assets or liabilities, other than the accrued portion of the put price, associated with these entities included in our Consolidated Balance Sheets. We have determined that we do not have the power to direct the activities that most significantly impact the economic performance of these entities. In making this determination, we have considered, among other items, the terms of the lease agreements, the expected remaining useful lives of the assets leased, and the capital structure of the lessor entities.

9. GOODWILL AND OTHER IDENTIFIABLE INTANGIBLE ASSETS

The change in the carrying amount of goodwill for fiscal 2016 and 2015 was as follows:

	Consumer Foods	Commercial Foods	Total
Balance as of May 25, 2014	\$3,850.9	\$ 697.7	\$4,548.6
Impairment	(20.9)	—	(20.9)
Acquisitions	20.0	23.8	43.8
Currency translation and purchase accounting adjustments	(25.4)	(1.5)	(26.9)
Balance as of May 31, 2015	\$3,824.6	\$ 720.0	\$4,544.6
Currency translation	(9.8)	(1.0)	(10.8)
Balance as of May 29, 2016	\$3,814.8	\$ 719.0	\$4,533.8

Other identifiable intangible assets were as follows:

	2016		2015	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Non-amortizing intangible assets	\$857.9	\$ —	\$915.4	\$ —
Amortizing intangible assets	584.0	165.1	489.6	132.5
	\$1,441.9	\$ 165.1	\$1,405.0	\$ 132.5

During fiscal 2015, we recorded charges totaling \$20.9 million for the impairment of goodwill in the portion of the business we retained from the Private Brands segment that is now included in the Grocery reporting unit of the Consumer Foods segment.

During fiscal 2014, we recorded a \$9.0 million charge for the impairment of goodwill in the portion of the business we retained from the Private Brands segment that is now included in our Grocery reporting unit of the Consumer Foods segment.

In fiscal 2016, we elected to perform a quantitative impairment test for indefinite lived intangibles. During fiscal 2016, we recognized impairment charges of \$50.1 million in our Consumer Foods segment for our Chef Boyardee® brand.

In fiscal 2015 and 2014, we also elected to perform a quantitative impairment test for indefinite lived intangibles.

During fiscal 2015, we recognized impairment charges of \$4.8 million in our Consumer Foods segment for our Poppycock® brand.

During fiscal 2014, we recognized impairment charges of \$72.7 million in our Consumer Foods segment, primarily for our Chef Boyardee® brand. We also recognized a \$3.2 million impairment charge for an amortizable technology license in Corporate expenses in fiscal 2014.

See Note 6 for a discussion of impairments related to discontinued operations.

Amortizing intangible assets, carrying a remaining weighted average life of approximately 16 years, are principally composed of customer relationships, licensing arrangements, and intellectual property. For fiscal 2016, 2015, and 2014, we recognized amortization expense of \$36.7 million, \$28.8 million, and \$28.9 million, respectively. Based on amortizing assets recognized in our Consolidated Balance Sheet as of May 29, 2016, amortization expense is estimated to average \$35.6 million

Notes to Consolidated Financial Statements - (Continued)

Fiscal Years Ended May 29, 2016, May 31, 2015, and May 25, 2014

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for each of the next five years, with a high expense of \$36.8 million in fiscal year 2017 and decreasing to a low expense of \$34.8 million in fiscal year 2021.

In the first quarter of fiscal 2016, we entered into an agreement for the use of certain intellectual property and recorded an amortizing intangible asset of \$92.8 million, of which only \$10.4 million was a cash payment made in the first quarter of fiscal 2016. Remaining payments will be made over a six-year period.

10. EARNINGS PER SHARE

Basic earnings per share is calculated on the basis of weighted average outstanding common shares. Diluted earnings per share is computed on the basis of basic weighted average outstanding common shares adjusted for the dilutive effect of stock options, restricted stock unit awards, and other dilutive securities.

The following table reconciles the income and average share amounts used to compute both basic and diluted earnings per share:

	2016	2015	2014
Net income (loss) available to ConAgra Foods, Inc. common stockholders:			
Income from continuing operations attributable to ConAgra Foods, Inc. common stockholders	\$484.9	\$748.5	\$613.2
Loss from discontinued operations, net of tax, attributable to ConAgra Foods, Inc. common stockholders	(1,161.9)	(1,001.1)	(310.1)
Net income (loss) attributable to ConAgra Foods, Inc. common stockholders	\$(677.0)	\$(252.6)	\$303.1
Less: Increase in redemption value of noncontrolling interests in excess of earnings allocated	4.8	1.7	1.7
Net income (loss) available to ConAgra Foods, Inc. common stockholders	\$(681.8)	\$(254.3)	\$301.4
Weighted average shares outstanding:			
Basic weighted average shares outstanding	434.4	426.1	421.3
Add: Dilutive effect of stock options, restricted stock unit awards, and other dilutive securities	4.1	5.2	6.2
Diluted weighted average shares outstanding	438.5	431.3	427.5

For fiscal 2016, 2015, and 2014, there were 0.4 million, 3.3 million, and 3.1 million stock options outstanding, respectively, that were excluded from the computation of shares contingently issuable upon exercise of the stock options because exercise prices exceeded the average market value of our common stock during the period.

11. INVENTORIES

The major classes of inventories were as follows:

	May 29, 2016	May 31, 2015
Raw materials and packaging	\$300.5	\$364.0
Work in process	119.4	125.3
Finished goods	1,082.9	1,073.1
Supplies and other	79.3	80.2
Total	\$1,582.1	\$1,642.6

Notes to Consolidated Financial Statements - (Continued)

Fiscal Years Ended May 29, 2016, May 31, 2015, and May 25, 2014

(columnar dollars in millions except per share amounts)

12. OTHER NONCURRENT LIABILITIES

Other noncurrent liabilities consisted of:

	May 29, 2016	May 31, 2015
Postretirement health care and pension obligations	\$1,147.8	\$769.9
Noncurrent income tax liabilities	491.7	850.0
Self-insurance liabilities	61.0	67.0
Environmental liabilities (see Note 17)	55.8	55.0
Accrued legal settlement costs (see Note 17)	108.9	—
Technology agreement liability (see Note 9)	84.5	—
Other	302.9	266.0
	2,252.6	2,007.9
Less current portion	(108.5)	(92.0)
	\$2,144.1	\$1,915.9

13. CAPITAL STOCK

We have authorized shares of preferred stock as follows:

Class B—\$50 par value; 150,000 shares

Class C—\$100 par value; 250,000 shares

Class D—without par value; 1,100,000 shares

Class E—without par value; 16,550,000 shares

There were no preferred shares issued or outstanding as of May 29, 2016.

We have repurchased our shares of common stock from time to time after considering market conditions and in accordance with repurchase limits authorized by our Board of Directors. In December 2011, our Board of Directors approved a \$750.0 million increase to the share repurchase program. We repurchased 1.4 million shares of our common stock for approximately \$50.0 million and 2.9 million shares of our common stock for approximately \$100.0 million in fiscal 2015 and 2014, respectively, under this program.

14. SHARE-BASED PAYMENTS

In accordance with stockholder-approved plans, we issue share-based payments under various stock-based compensation arrangements, including stock options, restricted stock units, cash-settled restricted stock units, performance shares, and other share-based awards. The shares to be delivered under the plan may consist, in whole or part, of treasury stock or authorized but unissued stock, not reserved for any other purpose.

On September 19, 2014, the stockholders approved the ConAgra Foods 2014 Stock Plan, which authorized the issuance of up to 30.0 million shares of ConAgra Foods common stock as well as certain shares of stock subject to outstanding awards under predecessor stock plans that expire, lapse, are cancelled, terminated, forfeited or otherwise become unexercisable. At May 29, 2016, approximately 30.2 million shares were reserved for granting additional options, restricted stock units, cash-settled restricted stock units, performance shares, or other share-based awards. All amounts below are of continuing and discontinued operations.

Stock Option Plan

We have stockholder-approved stock option plans that provide for granting of options to employees for the purchase of common stock at prices equal to the fair value at the date of grant. Options become exercisable under various vesting schedules (typically three years) and generally expire seven to ten years after the date of grant.

Notes to Consolidated Financial Statements - (Continued)

Fiscal Years Ended May 29, 2016, May 31, 2015, and May 25, 2014

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The fair value of each option is estimated on the date of grant using a Black-Scholes option-pricing model with the following weighted average assumptions for stock options granted:

	2016	2015	2014
Expected volatility (%)	17.88	17.45	21.13
Dividend yield (%)	2.74	3.10	3.24
Risk-free interest rates (%)	1.60	1.58	1.37
Expected life of stock option (years)	4.96	4.92	4.91

The expected volatility is based on the historical market volatility of our stock over the expected life of the stock options granted. The expected life represents the period of time that the awards are expected to be outstanding and is based on the contractual term of each instrument, taking into account employees' historical exercise and termination behavior.

A summary of the option activity as of May 29, 2016 and changes during the fiscal year then ended is presented below:

Options	Number of Options (in Millions)	Weighted Average Exercise Price	Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value (in Millions)
Outstanding at May 31, 2015	15.5	\$ 28.28		
Granted	1.6	\$ 43.14		
Exercised	(8.8)	\$ 24.19		\$ 165.6
Forfeited	(1.2)	\$ 35.63		
Expired	—	\$ —		
Outstanding at May 29, 2016	7.1	\$ 33.11	6.73	\$ 234.1
Exercisable at May 29, 2016	4.0	\$ 30.21	5.47	\$ 119.9

We recognize compensation expense using the straight-line method over the requisite service period. During fiscal 2016, 2015, and 2014, the Company granted 1.6 million options, 4.4 million options, and 3.6 million options, respectively, with a weighted average grant date value of \$5.08, \$3.36, and \$4.71, respectively. The total intrinsic value of options exercised was \$165.6 million, \$69.5 million, and \$46.9 million for fiscal 2016, 2015, and 2014, respectively. The closing market price of our common stock on the last trading day of fiscal 2016 was \$45.29 per share.

Compensation expense for stock option awards totaled \$9.4 million, \$12.4 million, and \$15.3 million for fiscal 2016, 2015, and 2014, respectively. Included in the compensation expense for stock option awards for fiscal 2016, 2015, and 2014 was \$1.0 million, \$1.4 million, and \$2.7 million, respectively, related to stock options granted by a subsidiary in the subsidiary's shares to the subsidiary's employees. The tax benefit related to the stock option expense for fiscal 2016, 2015, and 2014 was \$3.6 million, \$4.8 million, and \$5.7 million, respectively.

At May 29, 2016, we had \$6.6 million of total unrecognized compensation expense, net of estimated forfeitures, related to stock options that will be recognized over a weighted average period of 1.3 years.

Cash received from option exercises for the fiscal years ended May 29, 2016, May 31, 2015, and May 25, 2014 was \$228.7 million, \$150.2 million, and \$104.6 million, respectively. The actual tax benefit realized for the tax deductions from option exercises totaled \$57.3 million, \$26.7 million, and \$17.4 million for fiscal 2016, 2015, and 2014, respectively.

Share Unit Plans

In accordance with stockholder-approved plans, we issue stock under various stock-based compensation arrangements, including restricted stock units, cash-settled restricted stock units, and other share-based awards ("share units"). These awards generally have requisite service periods of three years. Under each arrangement, stock is issued without direct cost to the employee. We estimate the fair value of the share units based upon the market price of our

stock at the date of grant. Certain share unit grants do not provide for the payment of dividend equivalents to the participant during the requisite service period (vesting period). For those grants, the value of the grants is reduced by the net present value of the foregone dividend equivalent

Notes to Consolidated Financial Statements - (Continued)

Fiscal Years Ended May 29, 2016, May 31, 2015, and May 25, 2014

(columnar dollars in millions except per share amounts)

payments. We recognize compensation expense for share unit awards on a straight-line basis over the requisite service period. All cash-settled restricted stock units are marked-to-market and presented within other current and noncurrent liabilities in our Consolidated Balance Sheets. The compensation expense for our stock-settled share unit awards totaled \$25.1 million, \$21.0 million, and \$26.1 million for fiscal 2016, 2015, and 2014, respectively. The tax benefit related to the stock-settled share unit award compensation expense for fiscal 2016, 2015, and 2014 was \$9.6 million, \$8.1 million, and \$9.8 million, respectively. The compensation expense for our cash-settled share unit awards totaled \$33.9 million, \$29.2 million, and \$12.4 million for fiscal 2016, 2015, and 2014, respectively. The tax benefit related to the cash-settled share unit award compensation expense for fiscal 2016, 2015, and 2014 was \$13.0 million, \$11.2 million, and \$4.6 million, respectively.

The following table summarizes the nonvested share units as of May 29, 2016 and changes during the fiscal year then ended:

Share Units	Stock-settled		Cash-settled	
	Weighted		Weighted	
	Share Units	Average	Share Units	Average
	(in millions)	Grant-Date	(in millions)	Grant-Date
		Fair Value		Fair Value
Nonvested share units at May 31, 2015	2.16	\$ 31.20	2.17	\$ 30.74
Granted	1.04	\$ 43.64	0.79	\$ 44.48
Vested/Issued	(1.12)	\$ 29.29	(1.02)	\$ 28.25
Forfeited	(0.54)	\$ 37.74	(0.48)	\$ 37.98
Nonvested share units at May 29, 2016	1.54	\$ 38.67	1.46	\$ 37.53

During fiscal 2016, 2015, and 2014, we granted 1.0 million, 0.9 million, and 0.9 million stock-settled share units, respectively, with a weighted average grant date value of \$43.64, \$31.71, and \$36.22, respectively. During fiscal 2016, 2015, and 2014, we granted 0.8 million, 0.9 million, and 0.8 million cash-settled share units, respectively, with a weighted average grant date value of \$44.48, \$30.89, and \$36.89, respectively.

The total intrinsic value of stock-settled share units vested was \$48.8 million, \$46.6 million, and \$46.4 million during fiscal 2016, 2015, and 2014, respectively. The total intrinsic value of cash-settled share units vested was \$44.9 million and \$1.6 million during fiscal 2016 and 2015, respectively.

At May 29, 2016, we had \$22.5 million and \$21.7 million of total unrecognized compensation expense, net of estimated forfeitures, that will be recognized over a weighted average period of 2.0 years and 1.7 years, related to stock-settled share unit awards and cash-settled share unit awards, respectively.

Performance-Based Share Plan

Performance shares are granted to selected executives and other key employees with vesting contingent upon meeting various Company-wide performance goals. The performance goals for the performance period ending in fiscal 2015 are based upon our operating cash flow return on operations, a measure of operating cash flow as a percentage of invested capital, and revenue growth, each measured over a defined performance period. The performance goals for the performance periods ending in fiscal 2016 and 2017 are based upon our earnings before interest, taxes, depreciation, and amortization ("EBITDA") return on capital, and revenue growth, each measured over the defined performance period. The awards actually earned will range from zero to two hundred twenty percent of the targeted number of performance shares for each of the performance periods. Subject to overarching minimum earnings per share performance requirements for executive officers, a payout equal to 25 percent of approved target incentive is required to be paid out for each performance period, as applicable, if we achieve a threshold level of cash flow return on operations for the performance period ending in fiscal 2015, and a threshold level of EBITDA return on capital for the performance periods ending in fiscal 2016 and 2017. Awards, if earned, will be paid in shares of our common stock. Subject to limited exceptions set forth in the performance share plan, any shares earned will be distributed at the end of the performance period. The value of the performance shares is adjusted based upon the market price of our common stock at the end of each reporting period and amortized as compensation expense over the vesting period.

Notes to Consolidated Financial Statements - (Continued)

Fiscal Years Ended May 29, 2016, May 31, 2015, and May 25, 2014

(columnar dollars in millions except per share amounts)

A summary of the activity for performance share awards as of May 29, 2016 and changes during the fiscal year then ended is presented below:

Performance Shares	Shares (in Millions)	Weighted Average Grant-Date Fair Value
Nonvested performance shares at May 31, 2015	1.06	\$ 29.74
Granted	0.27	\$ 41.70
Adjustments for performance results attained and dividend equivalents	(0.11)	\$ 24.94
Vested/Issued	(0.29)	\$ 24.92
Forfeited	(0.18)	\$ 33.62
Nonvested performance shares at May 29, 2016	0.75	\$ 36.09

The compensation expense for our performance share awards totaled \$14.2 million, \$5.7 million, and \$6.5 million for fiscal 2016, 2015, and 2014, respectively. The tax benefit related to the compensation expense for fiscal 2016, 2015, and 2014 was \$5.4 million, \$2.2 million, and \$2.4 million, respectively.

The total intrinsic value of share units vested (including shares paid in lieu of dividends) during fiscal 2016, 2015, and 2014 was \$12.7 million, \$13.9 million, and \$10.4 million, respectively.

Based on estimates at May 29, 2016, the Company had \$9.7 million of total unrecognized compensation expense, net of estimated forfeitures, related to performance shares that will be recognized over a weighted average period of 1.6 years.

Accounting guidance requires the benefits of tax deductions in excess of recognized compensation expense to be reported as a financing cash flow, rather than as an operating cash flow in our Consolidated Statement of Cash Flows. As a result, in fiscal 2016, 2015, and 2014, our net operating cash flows decreased and our net financing cash flows increased by approximately \$51.3 million, \$24.0 million, and \$18.9 million, respectively.

15. PRE-TAX INCOME AND INCOME TAXES

Pre-tax income from continuing operations (including equity method investment earnings) consisted of the following:

	2016	2015	2014
United States	\$629.1	\$1,015.7	\$704.4
Canada	20.3	36.6	42.9
Foreign - other	72.0	70.1	56.2
	\$721.4	\$1,122.4	\$803.5

Notes to Consolidated Financial Statements - (Continued)

Fiscal Years Ended May 29, 2016, May 31, 2015, and May 25, 2014

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The provision for income taxes included the following:

	2016	2015	2014
Current			
Federal	\$338.2	\$284.6	\$280.0
State	39.4	26.4	26.0
Canada	5.3	5.7	10.2
Foreign - other	15.2	23.4	10.9
	398.1	340.1	327.1
Deferred			
Federal	(139.7)	22.7	(67.4)
State	(38.1)	6.1	(67.0)
Canada	(0.8)	1.1	1.0
Foreign - other	5.9	(7.9)	(15.4)
	(172.7)	22.0	(148.8)
	\$225.4	\$362.1	\$178.3

Income taxes computed by applying the U.S. Federal statutory rates to income from continuing operations before income taxes are reconciled to the provision for income taxes set forth in the Consolidated Statements of Operations as follows:

	2016	2015	2014
Computed U.S. Federal income taxes	\$252.5	\$392.8	\$281.2
State income taxes, net of U.S. Federal tax impact	1.2	22.1	10.9
Tax credits and domestic manufacturing deduction	(29.3)	(31.4)	(27.9)
Audit adjustments and settlements	(2.3)	—	(15.3)
Effect of taxes booked on foreign operations	(6.4)	(11.7)	(19.7)
Statute lapses on previously reserved items	(3.0)	(5.2)	(5.1)
Goodwill and intangible impairments	—	6.6	4.1
Change in legal structure and other state elections	—	—	(23.5)
Change in estimate related to tax methods used for certain international sales, federal credits, and state credits	6.0	(2.4)	(20.9)
Other	6.7	(8.7)	(5.5)
	\$225.4	\$362.1	\$178.3

Income taxes paid, net of refunds, were \$442.6 million, \$283.7 million, and \$223.9 million in fiscal 2016, 2015, and 2014, respectively.

Notes to Consolidated Financial Statements - (Continued)

Fiscal Years Ended May 29, 2016, May 31, 2015, and May 25, 2014

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The tax effect of temporary differences and carryforwards that give rise to significant portions of deferred tax assets and liabilities consisted of the following:

	May 29, 2016		May 31, 2015	
	Assets	Liabilities	Assets	Liabilities
Property, plant and equipment	\$—	\$411.6	\$—	\$392.1
Goodwill, trademarks and other intangible assets	—	698.8	—	699.0
Accrued expenses	20.4	—	20.7	—
Compensation related liabilities	88.7	—	78.1	—
Pension and other postretirement benefits	437.6	—	290.9	—
Investment in unconsolidated subsidiaries	—	256.8	—	211.6
Other liabilities that will give rise to future tax deductions	147.5	—	109.0	—
Net capital and operating loss carryforwards	1,595.7	—	34.1	—
Other	78.3	10.0	71.0	63.1
	2,368.2	1,377.2	603.8	1,365.8
Less: Valuation allowance	(1,448.0)	—	(38.0)	—
Net deferred taxes	\$920.2	\$1,377.2	\$565.8	\$1,365.8

The liability for gross unrecognized tax benefits at May 29, 2016 was \$38.4 million, excluding a related liability of \$9.3 million for gross interest and penalties. Included in the balance at May 29, 2016 are \$1.1 million of tax positions for which the ultimate deductibility is highly certain but for which there is uncertainty about the timing of such deductibility. Because of the impact of deferred tax accounting, the disallowance of the shorter deductibility period would not affect the annual effective tax rate but would accelerate the payment of cash to the taxing authority to an earlier period. Any associated interest and penalties imposed would affect the tax rate. As of May 31, 2015, our gross liability for unrecognized tax benefits was \$35.3 million, excluding a related liability of \$9.5 million for gross interest and penalties. Included in the balance at May 31, 2015 are \$1.7 million of tax positions for which the ultimate deductibility is highly certain but for which there is uncertainty about the timing of such deductibility. Interest and penalties recognized in the Consolidated Statement of Earnings was a benefit of \$0.2 million in fiscal 2016, \$0.4 million in fiscal 2015 and \$1.3 million in fiscal 2014.

The net amount of unrecognized tax benefits at May 29, 2016 and May 31, 2015 that, if recognized, would favorably impact our effective tax rate was \$21.3 million and \$23.1 million, respectively.

We accrue interest and penalties associated with uncertain tax positions as part of income tax expense.

We conduct business and file tax returns in numerous countries, states, and local jurisdictions. The U.S. Internal Revenue Service ("IRS") has completed its audit for tax years through fiscal 2015 and all resulting significant items for fiscal 2015 and prior years have been settled with the IRS. Other major jurisdictions where we conduct business generally have statutes of limitations ranging from 3 to 5 years.

We estimate that it is reasonably possible that the amount of gross unrecognized tax benefits will decrease by up to \$9.0 million over the next twelve months due to various Federal, state, and foreign audit settlements and the expiration of statutes of limitations.

Notes to Consolidated Financial Statements - (Continued)

Fiscal Years Ended May 29, 2016, May 31, 2015, and May 25, 2014

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The change in the unrecognized tax benefits for the year ended May 29, 2016 was:

Beginning balance on May 31, 2015	\$35.3
Increases from positions established during prior periods	1.9
Decreases from positions established during prior periods	(2.3)
Increases from positions established during the current period	11.4
Decreases relating to settlements with taxing authorities	(4.0)
Reductions resulting from lapse of applicable statute of limitation	(3.5)
Other adjustments to liability	(0.4)
Ending balance on May 29, 2016	\$38.4

We have approximately \$87.0 million of foreign net operating loss carryforwards (\$65.3 million will expire between fiscal 2017 and 2037 and \$22.0 million have no expiration dates) and \$13.3 million of Federal net operating loss carryforwards which expire between fiscal 2027 and 2031. Federal capital loss carryforwards related to the private brands divestiture of approximately \$4.0 billion will expire in fiscal 2021. Included in net deferred tax liabilities are \$43.9 million of tax effected state net operating loss carryforwards that expire in various years ranging from fiscal 2017 to 2036 and included in net deferred tax assets are \$202.7 million of tax effected state capital loss carryforwards related to the divestiture of private brands, the vast majority of which expire in fiscal 2021. Substantially all of our foreign tax credits will expire in fiscal 2025. State tax credits of approximately \$21.4 million will expire in various years ranging from fiscal 2017 to 2020. Preliminary estimates of the deferred tax asset associated with the capital loss carryforwards were reduced by \$55.1 million for Federal and increased by \$5.1 million for state as refinements were made to the detailed tax computations in the fourth quarter. Further adjustments may result from changes in tax attributes based upon contract terms of the private brands sale and review of this transaction by the tax authorities. Any such adjustments are expected to be immaterial.

We have recognized a valuation allowance for the portion of the net operating loss carryforwards, tax credit carryforwards, and other deferred tax assets we believe are not more likely than not to be realized. The net impact on income tax expense related to changes in the valuation allowance for fiscal 2016 was expense of \$1.4 billion. For fiscal 2015 and 2014, changes in the valuation allowance were a benefit of \$1.4 million and a benefit of \$2.0 million, respectively. The fiscal 2016 change principally relates to a full valuation being set up on the capital gain generated from the private brands disposition, less \$147.3 million that was released in the fourth quarter of fiscal 2016 due to the impending Spicetec and JM Swank dispositions.

As of May 29, 2016, undistributed earnings of the Company's foreign subsidiaries amounted to approximately \$540 million. Those earnings are considered to be indefinitely reinvested and accordingly, no U.S. federal income taxes have been provided thereon. We have not provided U.S. deferred taxes on cumulative earnings of non-U.S. affiliates and associated companies that the Company considers to be reinvested indefinitely. It is not practicable to estimate the amount of U.S. income taxes that would be incurred in the event that we were to repatriate the cumulative earnings of non-U.S. affiliates and associated companies. Deferred taxes are provided for earnings of non-U.S. affiliates and associated companies when we determine that such earnings are no longer indefinitely reinvested.

16. OPERATING LEASES

We lease certain facilities, land, and transportation equipment under agreements that expire at various dates. Rent expense under all operating leases from continuing operations was \$153.7 million, \$151.6 million, and \$156.4 million in fiscal 2016, 2015, and 2014, respectively.

Notes to Consolidated Financial Statements - (Continued)

Fiscal Years Ended May 29, 2016, May 31, 2015, and May 25, 2014

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A summary of non-cancellable operating lease commitments for fiscal years following May 29, 2016, was as follows:

2017	\$64.8
2018	57.5
2019	44.5
2020	30.0
2021	21.1
Later years	119.9
	\$337.8

17. CONTINGENCIES

In fiscal 1991, we acquired Beatrice Company ("Beatrice"). As a result of the acquisition of Beatrice and the significant pre-acquisition contingencies of the Beatrice businesses and its former subsidiaries, our condensed consolidated post-acquisition financial statements reflect liabilities associated with the estimated resolution of these contingencies. These include various litigation and environmental proceedings related to businesses divested by Beatrice prior to its acquisition by us. The litigation includes suits against a number of lead paint and pigment manufacturers, including ConAgra Grocery Products Company, a wholly owned subsidiary of the Company ("ConAgra Grocery Products"), and the Company as alleged successors to W. P. Fuller Co., a lead paint and pigment manufacturer owned and operated by Beatrice until 1967. Although decisions favorable to us have been rendered in Rhode Island, New Jersey, Wisconsin, and Ohio, we remain a defendant in active suits in Illinois and California. The Illinois suit seeks class-wide relief for reimbursement of costs associated with the testing of lead levels in blood. In California, a number of cities and counties joined in a consolidated action seeking abatement of the alleged public nuisance. On September 23, 2013, a trial of the California case concluded in the Superior Court of California for the County of Santa Clara, and on January 27, 2014, the court entered Judgment (the "Judgment") against ConAgra Grocery Products and two other defendants, which orders the creation of a California abatement fund in the amount of \$1.15 billion. Liability is joint and several. The Company believes ConAgra Grocery Products did not inherit any liabilities of W. P. Fuller Co. The Company will continue to vigorously defend itself in this case and has appealed the Judgment to The Court of Appeal of the State of California Sixth Appellate District. The Company expects the appeal process will last several years. The absence of any linkage between ConAgra Grocery Products and W. P. Fuller Co. is a critical issue among others that the Company will continue to advance throughout the appeals process. It is not possible to estimate exposure in this case or the remaining case in Illinois (which is based on different legal theories). If ultimately necessary, the Company will look to its insurance policies for coverage; its carriers are on notice. However, the extent of insurance coverage is uncertain, and the Company cannot absolutely assure that the final resolution of these matters will not have a material adverse effect on its financial condition, results of operations, or liquidity.

The environmental proceedings associated with Beatrice include litigation and administrative proceedings involving Beatrice's status as a potentially responsible party at 37 Superfund, proposed Superfund, or state-equivalent sites. These sites involve locations previously owned or operated by predecessors of Beatrice that used or produced petroleum, pesticides, fertilizers, dyes, inks, solvents, PCBs, acids, lead, sulfur, tannery wastes, and/or other contaminants. Beatrice has paid or is in the process of paying its liability share at 33 of these sites. Reserves for these matters have been established based on our best estimate of the undiscounted remediation liabilities, which estimates include evaluation of investigatory studies, extent of required clean-up, the known volumetric contribution of Beatrice and other potentially responsible parties, and its experience in remediating sites. The accrual for Beatrice-related environmental matters totaled \$54.0 million as of May 29, 2016, a majority of which relates to the Superfund and state-equivalent sites referenced above. We expect expenditures for Beatrice-related environmental matters to continue for up to 18 years.

In certain limited situations, we will guarantee an obligation of an unconsolidated entity. At the time in which we initially provide such a guarantee, we assess the risk of financial exposure to us under these agreements. We consider

the credit-worthiness of the guaranteed party, the value of any collateral pledged against the related obligation, and any other factors that may mitigate our risk. We actively monitor market and entity-specific conditions that may result in a change of our assessment of the risk of loss under these agreements.

We are a party to various potato supply agreements. Under the terms of certain such potato supply agreements, we have guaranteed repayment of short-term bank loans of the potato suppliers, under certain conditions. At May 29, 2016, the amount

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of supplier loans we have effectively guaranteed was \$40.5 million. We have not established a liability for these guarantees, as we have determined that the likelihood of our required performance under the guarantees is remote. Federal income tax credits were generated related to our sweet potato production facility in Delhi, Louisiana. Third parties invested in these income tax credits. We have guaranteed these third parties the face value of these income tax credits over their statutory lives, through fiscal 2017, in the event that the income tax credits are recaptured or reduced. The face value of the income tax credits was \$26.7 million as of May 29, 2016. We believe the likelihood of recapture or reduction of the income tax credits is remote, and therefore we have not established a liability in connection with these guarantees.

We are a party to a number of lawsuits and claims arising out of our ongoing business operations. Among these, there are lawsuits, claims, and matters related to the February 2007 recall of our peanut butter products. Among the matters outstanding during fiscal 2016 related to the peanut butter recall was an investigation by the U.S. Attorney's office in Georgia and the Consumer Protection Branch of the Department of Justice into the 2007 recall. Just prior to the end of fiscal 2015, we negotiated a resolution of this matter, which resulted in an executed plea agreement pursuant to which ConAgra Grocery Products will plead guilty to a single misdemeanor violation of the Food, Drug & Cosmetics Act. If the plea is accepted by the U.S. District Court for the Middle District of Georgia, the government's investigation into the 2007 recall will conclude and ConAgra Grocery Products will make payments totaling \$11.2 million to the federal government. Expenses related to this payment were accrued in previous periods. During fiscal 2013 and 2012, we recognized charges of \$7.5 million and \$17.5 million, respectively, in connection with this matter. During the fourth quarter of fiscal 2014, we reduced our accrual by \$6.7 million. During the first quarter of fiscal 2015, we further reduced our accrual by \$5.8 million and further reduced it by \$1.2 million in the second quarter of fiscal 2015, based on ongoing discussions with the U.S. Attorney's office and the Department of Justice. The plea agreement is subject to Court approval, which will be sought along with the formal sentencing process in the coming months.

In June 2009, an accidental explosion occurred at our manufacturing facility in Garner, North Carolina. This facility was the primary production facility for our Slim Jim® branded meat snacks. In June 2009, the U.S. Bureau of Alcohol, Tobacco, Firearms and Explosives announced its determination that the explosion was the result of an accidental natural gas release, and not a deliberate act. During the fourth quarter of fiscal 2011, we settled our property and business interruption claims related to the Garner accident with our insurance providers. During the fourth quarter of fiscal 2011, Jacobs Engineering Group Inc. ("Jacobs"), our engineer and project manager at the site, filed a declaratory judgment action against us seeking indemnity for personal injury claims brought against it as a result of the accident. In the first quarter of fiscal 2012, our motion for summary judgment was granted and the suit was dismissed without prejudice on the basis that the suit was filed prematurely. In the third quarter of fiscal 2014, Jacobs refiled its action for indemnity. On March 25, 2016, a Douglas County jury in Nebraska rendered a verdict in favor of Jacobs and against us in the amount of \$108.9 million. The case will be appealed. Although our insurance carriers have provided customary notices of reservation of their rights under the policies of insurance, we expect any ultimate exposure in this case to be limited to the applicable insurance deductible.

We hold a 50% ownership interest in Lamb-Weston/Meijer, V.O.F. ("Lamb Weston Meijer"), a Netherlands joint venture, headquartered in the Netherlands, that manufactures and sells frozen potato products principally in Europe. We and our partner are jointly and severally liable for all legal liabilities of Lamb Weston Meijer. As of May 29, 2016 and May 31, 2015, the total liabilities of Lamb Weston Meijer were \$203.7 million and \$129.1 million, respectively. Lamb Weston Meijer is well capitalized, with partners' equity of \$284.5 million and \$255.9 million as of May 29, 2016 and May 31, 2015, respectively. We have not established a liability on our balance sheets for the obligations of Lamb Weston Meijer, as we have determined the likelihood of any required payment by us to settle such liabilities of Lamb Weston Meijer is remote.

We lease certain office buildings from entities that we have determined to be variable interest entities. The lease agreements contain put options exercisable now and remain exercisable until generally 30 days after the end of the respective lease agreements, that allow the lessors to require us to purchase the buildings at the greater of original construction cost, or fair market value, without a lease in place. We have financial exposure with respect to these

entities in the event we are required to purchase the leased buildings for a price in excess of the then current fair value under the applicable lease purchase options. We are amortizing the difference between the estimated put price and the estimated fair value (without a lease agreement in place) of each respective property over the remaining respective lease term within selling, general, and administrative expenses. As of May 29, 2016, the estimated amount by which the put prices exceeded the fair values of the related properties was \$58.5 million, of which we have accrued \$9.3 million. As these buildings are worth considerably more when under lease agreements than when vacant, we may be able to mitigate some, or all, of the related financial exposure created by the put options by maintaining active lease agreements and/or by subleasing the buildings to credit worthy tenants. We do not expect to ultimately incur material financial losses as a result of the potential exercise of the lease put options by the lessors.

Notes to Consolidated Financial Statements - (Continued)
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After taking into account liabilities recognized for all of the foregoing matters, management believes the ultimate resolution of such matters should not have a material adverse effect on our financial condition, results of operations, or liquidity. It is reasonably possible that a change in one of the estimates of the foregoing matters may occur in the future and, as noted, while unlikely, the lead paint matter could result in a material final judgment. Costs of legal services associated with the foregoing matters are recognized in earnings as services are provided.

18. DERIVATIVE FINANCIAL INSTRUMENTS

Our operations are exposed to market risks from adverse changes in commodity prices affecting the cost of raw materials and energy, foreign currency exchange rates, and interest rates. In the normal course of business, these risks are managed through a variety of strategies, including the use of derivatives.

Commodity and commodity index futures and option contracts are used from time to time to economically hedge commodity input prices on items such as natural gas, vegetable oils, proteins, packaging materials, dairy, grains, and electricity. Generally, we economically hedge a portion of our anticipated consumption of commodity inputs for periods of up to 36 months. We may enter into longer-term economic hedges on particular commodities, if deemed appropriate. As of May 29, 2016, we had economically hedged certain portions of our anticipated consumption of commodity inputs using derivative instruments with expiration dates through January 2017.

In order to reduce exposures related to changes in foreign currency exchange rates, we enter into forward exchange, option, or swap contracts from time to time for transactions denominated in a currency other than the applicable functional currency. This includes, but is not limited to, hedging against foreign currency risk in purchasing inventory and capital equipment, sales of finished goods, and future settlement of foreign-denominated assets and liabilities. As of May 29, 2016, we had economically hedged certain portions of our foreign currency risk in anticipated transactions using derivative instruments with expiration dates through May 2017.

From time to time, we may use derivative instruments, including interest rate swaps, to reduce risk related to changes in interest rates. This includes, but is not limited to, hedging against increasing interest rates prior to the issuance of long-term debt and hedging the fair value of our senior long-term debt.

Derivatives Designated as Cash Flow Hedges

During 2011, we entered into interest rate swap contracts to hedge the interest rate risk related to our forecasted issuance of long-term debt in April 2014 (based on the anticipated refinancing of the senior long-term debt maturing at that time). We designated these interest rate swaps as cash flow hedges of the forecasted interest payments related to this anticipated debt issuance and recorded the unrealized loss in accumulated other comprehensive loss. In the third quarter of fiscal 2014, we determined that we would not issue long-term debt to refinance the debt maturing in April 2014. Accordingly, we recognized a charge to earnings, within selling, general and administrative expenses, of \$54.9 million in fiscal 2014.

Derivatives Designated as Fair Value Hedges

During fiscal 2014, we entered into interest rate swap contracts to hedge the fair value of certain of our senior long-term debt instruments maturing in fiscal 2019 and 2020. These contracts, with a total notional amount of \$500 million, effectively converted interest on this debt from fixed rate to floating rate. We designated these interest rate swap contracts as fair value hedges of the debt instruments. During fiscal 2015, we terminated the interest rate swap contracts and received proceeds of \$21.9 million. The proceeds include \$3.9 million of accrued interest from the interest rate swap contract, gains of \$5.4 million representing the change in fair value of the interest rate swap contracts (the ineffective portion of the hedge) recognized within selling, general and administrative expenses, and \$12.6 million of cumulative adjustment to the fair value of the debt instruments that were hedged (the effective portion of the hedge), that will be amortized as a reduction to interest expense over the remaining life of the debt instruments through fiscal 2020. The unamortized amount of the deferred gain was \$6.6 million at May 29, 2016. The portion written off related to the third quarter of fiscal 2016 tender offers totaled \$3.0 million (see Note 4).

Changes in fair value of such derivative instruments were immediately recognized in earnings along with changes in the fair value of the items being hedged (based solely on the change in the benchmark interest rate). In fiscal 2015 and

2014, we recognized gains of \$8.9 million and \$9.1 million, respectively, representing the fair value of the interest rate swap contracts and losses of \$5.8 million and \$6.8 million, respectively, representing the change in fair value of the related senior long-term

Notes to Consolidated Financial Statements - (Continued)

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debt. The net gains of \$3.1 million and \$2.3 million for fiscal 2015 and 2014, respectively, are classified within selling, general and administrative expenses.

The entire change in fair value of the derivative instruments was included in our assessment of hedge effectiveness.

Economic Hedges of Forecasted Cash Flows

Many of our derivatives do not qualify for, and we do not currently designate certain commodity or foreign currency derivatives to achieve, hedge accounting treatment. We reflect realized and unrealized gains and losses from derivatives used to economically hedge anticipated commodity consumption and to mitigate foreign currency cash flow risk in earnings immediately within general corporate expense (within cost of goods sold). The gains and losses are reclassified to segment operating results in the period in which the underlying item being economically hedged is recognized in cost of goods sold. In the event that management determines a particular derivative entered into as an economic hedge of a forecasted commodity purchase has ceased to function as an economic hedge, we cease recognizing further gains and losses on such derivatives in corporate expense and begin recognizing such gains and losses within segment operating results, immediately.

Economic Hedges of Fair Values — Foreign Currency Exchange Rate Risk

We may use options and cross currency swaps to economically hedge the fair value of certain monetary assets and liabilities (including intercompany balances) denominated in a currency other than the functional currency. These derivatives are marked-to-market with gains and losses immediately recognized in selling, general and administrative expenses. These substantially offset the foreign currency transaction gains or losses recognized as values of the monetary assets or liabilities being economically hedged change.

All derivative instruments are recognized on the Consolidated Balance Sheets at fair value (refer to Note 20 for additional information related to fair value measurements). The fair value of derivative assets is recognized within prepaid expenses and other current assets, while the fair value of derivative liabilities is recognized within other accrued liabilities. In accordance with generally accepted accounting principles, we offset certain derivative asset and liability balances, as well as certain amounts representing rights to reclaim cash collateral and obligations to return cash collateral, where master netting agreements provide for legal right of setoff. At May 29, 2016 and May 31, 2015 amounts representing a right to reclaim cash collateral of \$0.3 million and \$5.9 million, respectively, were included in prepaid expenses and other current assets in our Consolidated Balance Sheets.

Derivative assets and liabilities and amounts representing a right to reclaim cash collateral or obligation to return cash collateral were reflected in our Consolidated Balance Sheets as follows:

	May 29, May 31,	
	2016	2015
Prepaid expenses and other current assets	\$ 26.1	\$ 32.2
Other accrued liabilities	0.7	14.2

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The following table presents our derivative assets and liabilities, at May 29, 2016, on a gross basis, prior to the setoff of \$1.8 million to total derivative assets and \$2.1 million to total derivative liabilities where legal right of setoff existed:

	Derivative Assets		Derivative Liabilities	
	Balance Sheet	Fair Value	Balance Sheet	Fair Value
	Location		Location	
Commodity contracts	Prepaid expenses and other current assets	\$ 6.5	Other accrued liabilities	\$ 2.3
Foreign exchange contracts	Prepaid expenses and other current assets	21.4	Other accrued liabilities	0.2
Other	Prepaid expenses and other current assets	—	Other accrued liabilities	0.3
Total derivatives not designated as hedging instruments		\$ 27.9		\$ 2.8
Total derivatives		\$ 27.9		\$ 2.8

The following table presents our derivative assets and liabilities, at May 31, 2015, on a gross basis, prior to the setoff of \$7.3 million to total derivative assets and \$13.2 million to total derivative liabilities where legal right of setoff existed:

	Derivative Assets		Derivative Liabilities	
	Balance Sheet	Fair Value	Balance Sheet	Fair Value
	Location		Location	
Commodity contracts	Prepaid expenses and other current assets	\$ 20.8	Other accrued liabilities	\$ 26.9
Foreign exchange contracts	Prepaid expenses and other current assets	17.7	Other accrued liabilities	0.4
Other	Prepaid expenses and other current assets	1.0	Other accrued liabilities	0.1
Total derivatives not designated as hedging instruments		\$ 39.5		\$ 27.4
Total derivatives		\$ 39.5		\$ 27.4

The location and amount of gains (losses) from derivatives not designated as hedging instruments in our Consolidated Statements of Operations were as follows:

	For the Fiscal Year Ended May 29, 2016	Amount of Gain (Loss) Recognized on Derivatives in Consolidated Statement of Operations
Derivatives Not Designated as Hedging Instruments	Location in Consolidated Statement of Operations of Gain (Loss) Recognized on Derivatives	
Commodity contracts	Cost of goods sold	\$ (13.4)
Foreign exchange contracts	Cost of goods sold	1.5
Foreign exchange contracts	Selling, general and administrative expense	2.9

Total loss from derivative instruments not designated as hedging instruments	\$ (9.0)
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For the Fiscal Year Ended May 31, 2015		Amount of Gain (Loss) Recognized on Derivatives in Consolidated Statement of Operations
Derivatives Not Designated as Hedging Instruments	Location in Consolidated Statement of Operations of Gain (Loss) Recognized on Derivatives	
Commodity contracts	Cost of goods sold	\$ (80.5)
Foreign exchange contracts	Cost of goods sold	1.3
Foreign exchange contracts	Selling, general and administrative expense	10.3
Interest rate contracts	Selling, general and administrative expense	(1.4)
Total loss from derivative instruments not designated as hedging instruments		\$ (70.3)

For the Fiscal Year Ended May 25, 2014		Amount of Gain (Loss) Recognized on Derivatives in Consolidated Statement of Operations
Derivatives Not Designated as Hedging Instruments	Location in Consolidated Statement of Operations of Gain (Loss) Recognized on Derivatives	
Commodity contracts	Cost of goods sold	\$ 18.9
Foreign exchange contracts	Cost of goods sold	1.9
Commodity contracts	Selling, general and administrative expense	7.9
Foreign exchange contracts	Selling, general and administrative expense	(54.9)
Total loss from derivative instruments not designated as hedging instruments		\$ (26.2)

As of May 29, 2016, our open commodity contracts had a notional value (defined as notional quantity times market value per notional quantity unit) of \$107.5 million and \$55.1 million for purchase and sales contracts, respectively. As of May 31, 2015, our open commodity contracts had a notional value of \$554.9 million and \$393.1 million for purchase and sales contracts, respectively. The notional amount of our foreign currency forward and cross currency swap contracts as of May 29, 2016 and May 31, 2015 was \$120.0 million and \$108.6 million, respectively.

We enter into certain commodity, interest rate, and foreign exchange derivatives with a diversified group of counterparties. We continually monitor our positions and the credit ratings of the counterparties involved and limit the amount of credit exposure to any one party. These transactions may expose us to potential losses due to the risk of

nonperformance by these counterparties. We have not incurred a material loss due to nonperformance in any period presented and do not expect to incur any such material loss. We also enter into futures and options transactions through various regulated exchanges.

At May 29, 2016, the maximum amount of loss due to the credit risk of the counterparties, had the counterparties failed to perform according to the terms of the contracts, was \$21.4 million.

19. PENSION AND POSTRETIREMENT BENEFITS

We have defined benefit retirement plans ("plans") for eligible salaried and hourly employees. Benefits are based on years of credited service and average compensation or stated amounts for each year of service. We also sponsor postretirement plans which provide certain medical and dental benefits ("other postretirement benefits") to qualifying U.S. employees. Effective August 1, 2013, our defined benefit pension plan for eligible salaried employees was closed to new hire salaried employees. New hire salaried employees will generally be eligible to participate in our defined contribution plan.

We recognize the funded status of our plans and other benefits in the Consolidated Balance Sheets. For our plans, we also recognize as a component of accumulated other comprehensive loss, the net of tax results of the actuarial gains or losses within the corridor and prior service costs or credits that arise during the period but are not recognized in net periodic benefit cost. For our other benefits, we also recognize as a component of accumulated other comprehensive income (loss), the net of tax results of the gains or losses and prior service costs or credits that arise during the period but are not recognized in net periodic

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benefit cost. These amounts will be adjusted out of accumulated other comprehensive income (loss) as they are subsequently recognized as components of net periodic benefit cost. For our pension plans, we have elected to immediately recognize actuarial gains and losses in our operating results in the year in which they occur, to the extent they exceed the corridor, eliminating amortization. Amounts are included in the components of pension benefit and other postretirement benefit costs, below, as recognized net actuarial loss.

The information below includes the activities of our continuing and discontinued operations.

The changes in benefit obligations and plan assets at May 29, 2016 and May 31, 2015 are presented in the following table.

	Pension Benefits		Other Benefits	
	2016	2015	2016	2015
Change in Benefit Obligation				
Benefit obligation at beginning of year	\$4,092.2	\$3,979.0	\$235.4	\$283.5
Service cost	93.8	88.5	0.4	0.6
Interest cost	159.8	161.3	7.5	9.9
Plan participants' contributions	—	—	4.8	5.9
Amendments	2.0	0.7	—	(3.3)
Actuarial loss (gain)	(18.5)	35.7	0.6	(35.9)
Special termination benefits	25.6	6.9	—	—
Curtailments	(18.8)	—	—	—
Benefits paid	(168.2)	(176.7)	(21.9)	(24.3)
Currency	(1.0)	(3.2)	(0.2)	(1.0)
Business divestitures	(263.9)	—	(24.9)	—
Benefit obligation at end of year	\$3,903.0	\$4,092.2	\$201.7	\$235.4
Change in Plan Assets				
Fair value of plan assets at beginning of year	\$3,539.0	\$3,546.0	\$0.1	\$0.3
Actual return on plan assets	(146.2)	178.6	—	(0.3)
Employer contributions	11.9	13.5	17.1	18.5
Plan participants' contributions	—	—	4.8	5.9
Investment and administrative expenses	(22.0)	(18.8)	—	—
Benefits paid	(168.2)	(176.7)	(21.9)	(24.3)
Currency	(1.1)	(3.6)	—	—
Business divestitures	(254.0)	—	—	—
Fair value of plan assets at end of year	\$2,959.4	\$3,539.0	\$0.1	\$0.1

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The funded status and amounts recognized in our Consolidated Balance Sheets at May 29, 2016 and May 31, 2015 were:

	Pension Benefits		Other Benefits	
	2016	2015	2016	2015
Funded Status	\$(943.6)	\$(553.2)	\$(201.6)	\$(235.3)
Amounts Recognized in Consolidated Balance Sheets				
Other assets	\$3.0	\$20.5	\$—	\$—
Other accrued liabilities	(10.6)	(10.7)	(21.8)	(23.3)
Other noncurrent liabilities	(936.0)	(563.0)	(179.8)	(212.0)
Net Amount Recognized	\$(943.6)	\$(553.2)	\$(201.6)	\$(235.3)
Amounts Recognized in Accumulated Other Comprehensive (Income)				
Loss (Pre-tax)				
Actuarial net loss	\$373.0	\$339.6	\$23.9	\$16.1
Net prior service cost (benefit)	13.4	14.2	(11.6)	(25.0)
Total	\$386.4	\$353.8	\$12.3	\$(8.9)
Weighted-Average Actuarial Assumptions Used to Determine Benefit Obligations at May 29, 2016 and May 31, 2015				
Discount rate	3.83	% 4.10	% 3.18	% 3.50
Long-term rate of compensation increase	3.66	% 3.70	% N/A	N/A

The accumulated benefit obligation for all defined benefit pension plans was \$3.8 billion and \$3.9 billion at May 29, 2016 and May 31, 2015, respectively.

The projected benefit obligation, accumulated benefit obligation, and fair value of plan assets for pension plans with accumulated benefit obligations in excess of plan assets at May 29, 2016 and May 31, 2015 were:

	2016	2015
Projected benefit obligation	\$3,809.5	\$3,805.8
Accumulated benefit obligation	3,734.6	3,658.3
Fair value of plan assets	2,862.9	3,232.1

Components of pension benefit and other postretirement benefit costs included:

	Pension Benefits			Other Benefits		
	2016	2015	2014	2016	2015	2014
Service cost	\$93.8	\$88.5	\$89.0	\$0.4	\$0.6	\$0.7
Interest cost	159.8	161.3	151.1	7.5	9.9	9.7
Expected return on plan assets	(259.9)	(267.9)	(252.9)	—	—	—
Amortization of prior service cost (benefit)	2.7	3.7	3.8	(7.8)	(7.9)	(7.2)
Special termination benefits	25.6	6.9	0.4	—	—	—
Recognized net actuarial loss	348.5	6.9	2.7	0.1	3.5	6.7
Curtailment loss	0.3	1.5	—	—	—	—
Benefit cost — Company plans	370.8	0.9	(5.9)	0.2	6.1	9.9
Pension benefit cost — multi-employer plans	42.9	12.4	12.6	—	—	—
Total benefit cost	\$413.7	\$13.3	\$6.7	\$0.2	\$6.1	\$9.9

Notes to Consolidated Financial Statements - (Continued)

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Special termination benefits granted in connection with the voluntary retirement program resulted in the recognition of \$25.6 million of expense during fiscal 2016. This expense was included in restructuring activities. Special termination benefits granted in connection with the formation of Ardent Mills resulted in the recognition of \$6.9 million of expense during fiscal 2015. This expense was included in results of discontinued operations.

In fiscal 2016, the Company recorded a charge of \$348.5 million reflecting the year-end write-off of actuarial losses in excess of 10% of our pension liability.

The Company recorded an expense of \$29.8 million during fiscal 2016 related to our expected incurrence of certain multi-employer plan withdrawal costs. This expense was included in restructuring activities.

Other changes in plan assets and benefit obligations recognized in other comprehensive income (loss) were:

	Pension Benefits			Other Benefits		
	2016	2015		2016	2015	
Net actuarial gain (loss)	\$(390.5)	\$(143.8)		\$(8.0)	\$35.8	
Amendments	(2.0)	(0.6)		(5.6)	3.3	
Amortization of prior service cost (benefit)	2.7	5.2		(7.8)	(7.9)	
Recognized net actuarial loss	348.5	6.9		0.1	3.5	
Net amount recognized	\$(41.3)	\$(132.3)		\$(21.3)	\$34.7	
Weighted-Average Actuarial Assumptions Used to Determine Net Expense						
	Pension Benefits			Other Benefits		
	2016	2015	2014	2016	2015	2014
Discount rate	4.10%	4.15%	4.05%	3.50%	3.65%	3.35%
Long-term rate of return on plan assets	7.75%	7.75%	7.75%	N/A	N/A	N/A
Long-term rate of compensation increase	3.70%	4.25%	4.25%	N/A	N/A	N/A

At May 29, 2016, the Company elected to further refine its approach for calculating its service and interest costs beginning in fiscal 2017 by applying a split discount rate (spot rate approach) under which specific spot rates along the selected yield curve are applied to the relevant projected cash flows as the Company believes this method more precisely measures its obligations.

We amortize prior service cost for our pension plans and postretirement plans, as well as amortizable gains and losses for our postretirement plans, in equal annual amounts over the average expected future period of vested service. For plans with no active participants, average life expectancy is used instead of average expected useful service.

The amounts in accumulated other comprehensive income (loss) expected to be recognized as components of net expense during the next year are as follows:

	Pension Benefits	Other Benefits
Prior service cost (benefit)	\$ 2.6	\$ (6.8)
Net actuarial loss	NA	0.4

Notes to Consolidated Financial Statements - (Continued)

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Plan Assets

The fair value of plan assets, summarized by level within the fair value hierarchy described in Note 20, as of May 29, 2016, was as follows:

	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$0.9	\$73.4	\$—	\$74.3
Equity securities:				
U.S. equity securities	453.5	13.2	—	466.7
International equity securities	267.5	318.1	—	585.6
Fixed income securities:				
Government bonds	43.3	232.8	—	276.1
Corporate bonds	23.6	242.6	—	266.2
Mortgage-backed bonds	58.1	64.4	—	122.5
Real estate funds	—	—	425.0	425.0
Multi-strategy hedge funds	—	—	466.4	466.4
Private equity funds	—	—	89.7	89.7
Master limited partnerships	155.8	—	—	155.8
Private natural resources funds	—	—	27.9	27.9
Net receivables for unsettled transactions	3.2	—	—	3.2
Total assets	\$1,005.9	\$944.5	\$1,009.0	\$2,959.4

The fair value of plan assets, summarized by level within the fair value hierarchy described in Note 20, as of May 31, 2015, was as follows:

	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$2.4	\$80.3	\$—	\$82.7
Equity securities:				
U.S. equity securities	542.2	90.9	—	633.1
International equity securities	362.9	448.8	—	811.7
Fixed income securities:				
Government bonds	43.9	290.5	—	334.4
Corporate bonds	49.6	394.9	—	444.5
Mortgage-backed bonds	49.5	24.0	—	73.5
Real estate funds	—	6.6	344.9	351.5
Multi-strategy hedge funds	—	—	484.5	484.5
Private equity funds	—	—	93.0	93.0
Master limited partnerships	191.4	—	—	191.4
Private natural resources funds	—	11.9	19.9	31.8
Net receivables for unsettled transactions	6.9	—	—	6.9
Total assets	\$1,248.8	\$1,347.9	\$942.3	\$3,539.0

Level 1 assets are valued based on quoted prices in active markets for identical securities. The majority of the Level 1 assets listed above include the common stock of both U.S. and international companies, mutual funds, master limited partnership units, and real estate investment trusts, all of which are actively traded and priced in the market. Level 2 assets are valued based on other significant observable inputs including quoted prices for similar securities, yield curves, indices, etc. The Level 2 assets listed above consist primarily of commingled equity investments where values are based on the net asset value of the underlying investments held, individual fixed income securities where values are based on quoted prices of

Notes to Consolidated Financial Statements - (Continued)

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similar securities and observable market data, and commingled fixed income investments where values are based on the net asset value of the underlying investments held. Level 3 assets are those where the fair value is determined based on unobservable inputs. The Level 3 assets listed above consist of alternative investments where active market pricing is not readily available and, as such, we use net asset values as an estimate of fair value as a practical expedient. For real estate funds, the value is based on the net asset value provided by the investment manager who uses market data and independent third party appraisals to determine fair market value. For the multi-strategy hedge funds, the value is based on the net asset values provided by a third party administrator. For private equity and private energy funds, the investment manager provides the valuation using, among other things, comparable transactions, comparable public company data, discounted cash flow analysis, and market conditions.

Level 3 investments are generally considered long-term in nature with varying redemption availability. Certain of our Level 3 investments, with a fair value of approximately \$896.1 million as of May 29, 2016, have the ability to impose customary redemption gates which may further restrict or limit the redemption of invested funds therein. As of May 29, 2016, Level 3 investments with a fair value of \$0.3 million have imposed such gates.

As of May 29, 2016, we have unfunded commitments for additional investments of \$94.3 million in private equity funds, \$41.6 million in natural resources funds, and \$15.5 million in real estate funds. We expect unfunded commitments to be funded from plan assets rather than the general assets of the Company.

To develop the expected long-term rate of return on plan assets assumption for the pension plans, we consider the current asset allocation strategy, the historical investment performance, and the expectations for future returns of each asset class.

Our pension plan weighted-average asset allocations and our target asset allocations, by asset category were as follows:

	May 29, 2016	May 31, 2015	Target Allocation
Equity securities	36 %	41 %	25% - 45%
Debt securities	22 %	24 %	14% - 24%
Real estate funds	14 %	10 %	1% - 19%
Multi-strategy hedge funds	16 %	14 %	5% - 25%
Private equity	3 %	2 %	3% - 13%
Other	9 %	9 %	3% - 30%
Total	100 %	100 %	

The Company's investment strategy reflects the expectation that equity securities and multi-strategy hedge funds will outperform debt securities over the long term. Assets are invested in a prudent manner to maintain the security of funds while maximizing returns within the Company's Investment Policy guidelines. The strategy is implemented utilizing indexed and actively managed assets from the categories listed.

The investment goals are to provide a total return that, over the long term, increases the ratio of plan assets to liabilities subject to an acceptable level of risk. This is accomplished through diversification of assets in accordance with the Investment Policy guidelines. Investment risk is mitigated by periodic rebalancing between asset classes as necessitated by changes in market conditions within the Investment Policy guidelines.

Other investments are primarily made up of cash and master limited partnerships.

Notes to Consolidated Financial Statements - (Continued)

Fiscal Years Ended May 29, 2016, May 31, 2015, and May 25, 2014

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Level 3 Gains and Losses

The change in the fair value of the plan's Level 3 assets is summarized as follows:

	Fair Value May 31, 2015	Realized Gains (Losses)	Unrealized Gains (Losses)	Net Purchases and Sales	Fair Value May 29, 2016
Real estate funds	\$ 344.9	\$ 0.4	\$ 46.1	\$ 33.6	\$ 425.0
Multi-strategy hedge funds	484.5	0.2	(17.2)	(1.1)	466.4
Private equity	93.0	2.2	(0.5)	(5.0)	89.7
Private natural resources	19.9	—	(6.1)	14.1	27.9
Total	\$ 942.3	\$ 2.8	\$ 22.3	\$ 41.6	\$ 1,009.0
	Fair Value May 25, 2014	Realized Gains (Losses)	Unrealized Gains (Losses)	Net Purchases and Sales	Fair Value May 31, 2015
Real estate funds	\$ 170.6	\$ 0.5	\$ 21.0	\$ 152.8	\$ 344.9
Multi-strategy hedge funds	462.3	0.3	22.8	(0.9)	484.5
Private equity	81.3	2.7	(3.3)	12.3	93.0
Private natural resources	16.6	—	0.5	2.8	19.9
Total	\$ 730.8	\$ 3.5	\$ 41.0	\$ 167.0	\$ 942.3

Assumed health care cost trend rates have a significant effect on the benefit obligation of the postretirement plans.

Assumed Health Care Cost Trend Rates at:	May 29, 2016	May 31, 2015
Initial health care cost trend rate	9.0 %	9.0 %
Ultimate health care cost trend rate	4.5 %	4.5 %
Year that the rate reaches the ultimate trend rate	2024	2023

A one percentage point change in assumed health care cost rates would have the following effect:

	One Percent Increase	One Percent Decrease
Effect on total service and interest cost	\$ 0.4	\$ (0.4)
Effect on postretirement benefit obligation	11.3	(10.1)

We currently anticipate making contributions of approximately \$12.5 million to our pension plans in fiscal 2017. We anticipate making contributions of \$22.1 million to our other postretirement plans in fiscal 2017. These estimates are based on current tax laws, plan asset performance, and liability assumptions, which are subject to change.

The following table presents estimated future gross benefit payments for our plans:

	Pension Benefits	Health Care and Life Insurance Benefits
2017	\$ 183.8	\$ 22.1
2018	190.4	21.0
2019	194.7	19.8
2020	199.6	18.6
2021	204.2	17.5
Succeeding 5 years	1,080.3	69.0

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Multiemployer Pension Plans

The Company contributes to several multiemployer defined benefit pension plans under collective bargaining agreements that cover certain of its union-represented employees. The risks of participating in such plans are different from the risks of single-employer plans, in the following respects:

- a. Assets contributed to a multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.
- b. If a participating employer ceases to contribute to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.

If the Company ceases to have an obligation to contribute to a multiemployer plan in which it had been a contributing employer, it may be required to pay to the plan an amount based on the underfunded status of the plan and on the history of the Company's participation in the plan prior to the cessation of its obligation to contribute. The amount that an employer that has ceased to have an obligation to contribute to a multiemployer plan is required to pay to the plan is referred to as a withdrawal liability.

The Company's participation in multiemployer plans for the fiscal year ended May 29, 2016 is outlined in the table below. For each plan that is individually significant to the Company the following information is provided:

The "EIN / PN" column provides the Employer Identification Number and the three-digit plan number assigned to a plan by the Internal Revenue Service.

The most recent Pension Protection Act Zone Status available for 2015 and 2014 is for plan years that ended in calendar years 2015 and 2014, respectively. The zone status is based on information provided to the Company by each plan. A plan in the "red" zone has been determined to be in "critical status", based on criteria established under the Internal Revenue Code ("Code"), and is generally less than 65% funded. A plan in the "yellow" zone has been determined to be in "endangered status", based on criteria established under the Code, and is generally less than 80% funded. A plan in the "green" zone has been determined to be neither in "critical status" nor in "endangered status", and is generally at least 80% funded.

- The "FIP/RP Status Pending/Implemented" column indicates whether a Funding Improvement Plan, as required under the Code to be adopted by plans in the "yellow" zone, or a Rehabilitation Plan, as required under the Code to be adopted by plans in the "red" zone, is pending or has been implemented by the plan as of the end of the plan year that ended in calendar year 2015.

Contributions by the Company are the amounts contributed in the Company's fiscal periods ending in the specified year.

The "Surcharge Imposed" column indicates whether the Company contribution rate for its fiscal year that ended on May 29, 2016 included an amount in addition to the contribution rate specified in the applicable collective bargaining agreement, as imposed by a plan in "critical status", in accordance with the requirements of the Code.

The last column lists the expiration dates of the collective bargaining agreements pursuant to which the Company contributes to the plans.

For plans that are not individually significant to ConAgra Foods the total amount of contributions is presented in the aggregate.

Notes to Consolidated Financial Statements - (Continued)

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Pension Fund	EIN / PN	Pension Protection Act Zone Status		FIP / RP Status Pending / Implemented	Contributions by the Company (millions)			Surcharge Imposed	Expiration Dates of Collective Bargaining Agreements
		2015	2014		FY16	FY15	FY14		
Bakery and Confectionary Union and Industry International Pension Plan	52-6118572 / 001	Red	Red	RP Implemented	\$3.1	\$3.7	\$3.5	No	2/28/2020
Central States, Southeast and Southwest Areas Pension Fund	36-6044243 / 001	Red	Red	RP Implemented	1.9	2.0	2.1	No	6/04/2017
National Conference of Fireman & Oilers National Pension Fund	52-6085445 / 003	Yellow	Yellow	FIP Implemented	—	0.6	0.7	No	11/19/2015
Western Conference of Teamsters Pension Plan	91-6145047 / 001	Green	Green	N/A	5.4	4.9	4.9	No	05/31/2016 to 06/30/2018
Other Plans					0.7	0.8	1.2		
Total Contributions					\$11.1	\$12.0	\$12.4		

The Company was listed in its plans' Forms 5500 as providing more than 5% of the plan's total contributions for the National Conference of Firemen & Oilers National Pension Fund for the plan year ending in calendar year 2014. The Company withdrew from participation in that plan on or about June 1, 2015.

The Company was not listed in the Forms 5500 filed by any of the other plans or for any of the other years as providing more than 5% of the plan's total contributions. At the date our financial statements were issued, Forms 5500 were not available for plan years ending in calendar year 2015.

In addition to the contributions listed in the table above, we recorded an additional expense of \$31.8 million, \$0.4 million, and \$0.2 million in fiscal 2016, 2015, and 2014, respectively, related to our expected incurrence of certain withdrawal costs.

Certain of our employees are covered under defined contribution plans. The expense related to these plans was \$35.4 million, \$40.6 million, and \$40.2 million in fiscal 2016, 2015, and 2014, respectively.

20. FAIR VALUE MEASUREMENTS

FASB guidance establishes a three-level fair value hierarchy based upon the assumptions (inputs) used to price assets or liabilities. The three levels of inputs used to measure fair value are as follows:

Level 1 — Unadjusted quoted prices in active markets for identical assets or liabilities,

Level 2 — Observable inputs other than those included in Level 1, such as quoted prices for similar assets and liabilities in active markets or quoted prices for identical assets or liabilities in inactive markets, and

Level 3 — Unobservable inputs reflecting our own assumptions and best estimate of what inputs market participants would use in pricing the asset or liability.

The fair values of our Level 2 derivative instruments were determined using valuation models that use market observable inputs including interest rate curves and both forward and spot prices for currencies and commodities. Derivative assets and liabilities included in Level 2 primarily represent commodity and foreign currency option and forward contracts, interest rate swaps, and cross-currency swaps.

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The following table presents our financial assets and liabilities measured at fair value on a recurring basis based upon the level within the fair value hierarchy in which the fair value measurements fall, as of May 29, 2016:

	Level 1	Level 2	Level 3	Total
Assets:				
Derivative assets	\$ 4.7	\$ 21.4	\$ —	—\$26.1
Available-for-sale securities	3.0	—	—	3.0
Deferred compensation assets	0.7	—	—	0.7
Total assets	\$ 8.4	\$ 21.4	\$ —	—\$29.8
Liabilities:				
Derivative liabilities	\$ —	\$ 0.7	\$ —	—\$0.7
Deferred compensation liabilities	46.5	—	—	46.5
Total liabilities	\$ 46.5	\$ 0.7	\$ —	—\$47.2

The following table presents our financial assets and liabilities measured at fair value on a recurring basis based upon the level within the fair value hierarchy in which the fair value measurements fall, as of May 31, 2015:

	Level 1	Level 2	Level 3	Total
Assets:				
Derivative assets	\$ 13.6	\$ 18.6	\$ —	—\$32.2
Available-for-sale securities	2.8	—	—	2.8
Deferred compensation assets	0.9	—	—	0.9
Total assets	\$ 17.3	\$ 18.6	\$ —	—\$35.9
Liabilities:				
Derivative liabilities	\$ —	\$ 14.2	\$ —	—\$14.2
Deferred compensation liabilities	43.7	—	—	43.7
Total liabilities	\$ 43.7	\$ 14.2	\$ —	—\$57.9

Certain assets and liabilities, including long-lived assets, goodwill, asset retirement obligations, and cost and equity investments are measured at fair value on a nonrecurring basis. There were no significant fair value measurement losses recognized for such assets and liabilities in the periods reported.

During fiscal 2015, goodwill impairment charges of \$20.9 million were recognized within the Consumer Foods segment. See Note 9 for a discussion of the methodology employed to measure these impairments.

During fiscal 2016, we recognized impairment charges of \$50.1 million in our Consumer Foods segment for our Chef Boyardee® brand. During fiscal 2015, an impairment of an indefinite-lived brand was recognized for \$4.8 million in the Consumer Foods segment. The fair values of these brands were estimated using the “relief from royalty” method (see Note 9).

During fiscal 2015, we recognized impairment charges of \$1.51 billion and \$43.9 million for goodwill and indefinite-lived intangibles, respectively, in our Private Brands business. During fiscal 2015, we also recognized a charge of \$13.7 million in our Private Brands business for the impairment of certain long-lived assets. The impairment was measured based upon an estimated disposal value for the related production facility. These impairment charges are included in discontinued operations. (see Note 6).

The carrying amount of long-term debt (including current installments) was \$5.5 billion as of May 29, 2016 and \$7.9 billion as of May 31, 2015. Based on current market rates, the fair value of this debt (level 2 liabilities) at May 29, 2016 and May 31, 2015 was estimated at \$5.9 billion and \$8.2 billion, respectively.

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21. BUSINESS SEGMENTS AND RELATED INFORMATION

We report our operations in two reporting segments: Consumer Foods and Commercial Foods. In the third quarter of fiscal 2016, we completed the sale of substantially all of the operations that were previously reported within the Private Brands segment. The Private Brands operations we sold are classified as held for sale for periods prior to the sale and the results of operations have been classified as discontinued operations for all periods presented. Minor portions of the former Private Brands segment were retained and have been included in the Consumer Foods and Commercial Foods segments for all periods presented. Minor portions of the Consumer Foods and Commercial Foods segments have been classified as discontinued operations as they were included with the sale of the Private Brands operations.

The Consumer Foods reporting segment principally includes branded food sold in various retail channels primarily in North America. Our food products are sold in a variety of categories (meals, entrees, condiments, pasta, sides, snacks, and desserts) in various retail channels across frozen, refrigerated, and shelf-stable temperature classes.

The Commercial Foods reporting segment includes commercially branded and private label food and ingredients, which are sold primarily to commercial, foodservice, restaurant, food manufacturing, and industrial customers. The segment's primary food items include: frozen potato and sweet potato items and a variety of vegetable, spice, and frozen bakery goods, which are sold under brands such as Lamb Weston® and Spicetec Flavors & Seasonings®.

We do not aggregate operating segments when determining our reporting segments.

Intersegment sales have been recorded at amounts approximating market. Operating profit for each of the segments is based on net sales less all identifiable operating expenses. General corporate expense, net interest expense, and income taxes have been excluded from segment operations.

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	2016	2015	2014
Net sales			
Consumer Foods	\$7,225.1	\$7,565.3	\$7,596.3
Commercial Foods	4,417.8	4,371.7	4,241.9
Total net sales	\$11,642.9	\$11,937.0	\$11,838.2
Operating profit			
Consumer Foods	\$1,087.6	\$1,068.0	\$900.5
Commercial Foods	633.2	566.2	533.5
Total operating profit	\$1,720.8	\$1,634.2	\$1,434.0
Equity method investment earnings			
Consumer Foods	\$3.2	\$3.0	\$2.8
Commercial Foods	134.6	119.1	29.7
Total equity method investment earnings	\$137.8	\$122.1	\$32.5
Operating profit plus equity method investment earnings			
Consumer Foods	\$1,090.8	\$1,071.0	\$903.3
Commercial Foods	767.8	685.3	563.2
Total operating profit plus equity method investment earnings	\$1,858.6	\$1,756.3	\$1,466.5
General corporate expenses	\$839.4	\$303.9	\$285.5
Interest expense, net	297.8	330.0	377.5
Income tax expense	225.4	362.1	178.3
Income from continuing operations	\$496.0	\$760.3	\$625.2
Less: Net income attributable to noncontrolling interests	11.1	11.8	12.0
Income from continuing operations attributable to ConAgra Foods, Inc.	\$484.9	\$748.5	\$613.2
Identifiable assets			
Consumer Foods	\$7,811.3	\$7,792.7	\$7,917.4
Commercial Foods	3,770.9	3,678.1	2,954.3
Corporate	1,465.6	632.2	591.2
Held for Sale	342.8	5,334.8	7,778.6
Total identifiable assets	\$13,390.6	\$17,437.8	\$19,241.5
Additions to property, plant and equipment			
Consumer Foods	\$198.8	\$133.7	\$183.5
Commercial Foods	151.1	117.4	205.6
Corporate	79.9	100.1	72.0
Total additions to property, plant and equipment	\$429.8	\$351.2	\$461.1
Depreciation and amortization			
Consumer Foods	\$210.4	\$209.0	\$191.4
Commercial Foods	102.5	105.3	98.8
Corporate	61.0	66.1	64.4
Total depreciation and amortization	\$373.9	\$380.4	\$354.6

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Net sales by product type within each segment were:

	2016	2015	2014
Net sales			
Consumer Foods:			
Grocery	\$3,382.0	\$3,503.7	\$4,182.1
Frozen	2,867.4	2,985.5	2,288.1
International	874.8	970.8	1,010.7
Other Brands	100.9	105.3	115.4
Total Consumer Foods	\$7,225.1	\$7,565.3	\$7,596.3
Commercial Foods:			
Specialty Potatoes	\$2,968.1	\$2,892.4	\$2,792.7
Foodservice	1,449.7	1,479.3	1,449.2
Total Commercial Foods	\$4,417.8	\$4,371.7	\$4,241.9
Total net sales	\$11,642.9	\$11,937.0	\$11,838.2

Presentation of Derivative Gains (Losses) for Economic Hedges of Forecasted Cash Flows in Segment Results

Derivatives used to manage commodity price risk and foreign currency risk are not designated for hedge accounting treatment. We believe these derivatives provide economic hedges of certain forecasted transactions. As such, these derivatives are recognized at fair market value with realized and unrealized gains and losses recognized in general corporate expenses. The gains and losses are subsequently recognized in the operating results of the reporting segments in the period in which the underlying transaction being economically hedged is included in earnings. In the event that management determines a particular derivative entered into as an economic hedge of a forecasted commodity purchase has ceased to function as an economic hedge, we cease recognizing further gains and losses on such derivatives in corporate expense and begin recognizing such gains and losses within segment operating results, immediately.

The following table presents the net derivative gains (losses) from economic hedges of forecasted commodity consumption and the foreign currency risk of certain forecasted transactions, under this methodology:

	2016	2015	2014
Net derivative gains (losses) incurred	\$(12.1)	\$(79.3)	\$21.2
Less: Net derivative losses allocated to reporting segments	(30.2)	(46.6)	(1.6)
Net derivative gains (losses) recognized in general corporate expenses	\$18.1	\$(32.7)	\$22.8
Net derivative losses allocated to Consumer Foods	\$(21.1)	\$(41.9)	\$(5.9)
Net derivative gains (losses) allocated to Commercial Foods	(9.1)	(4.7)	4.3
Net derivative losses included in segment operating profit	\$(30.2)	\$(46.6)	\$(1.6)

As of May 29, 2016, the cumulative amount of net derivative gains from economic hedges that had been recognized in general corporate expenses and not yet allocated to reporting segments was \$3.2 million. This amount reflected net gains of \$3.6 million incurred during the fiscal year ended May 29, 2016, as well as net losses of \$0.4 million incurred prior to fiscal 2016. Based on our forecasts of the timing of recognition of the underlying hedged items, we expect to reclassify to segment operating results gains of \$2.4 million in fiscal 2017 and gains of \$0.8 million in fiscal 2018 and thereafter.

In the second quarter of fiscal 2015, management determined that certain derivatives that had been previously entered into as an economic hedge of forecasted commodity purchases had ceased to function as economic hedges. We recognized \$18.9 million and \$1.4 million of net derivative losses during fiscal 2015 within the operating results of the Consumer Foods and Commercial Foods segments, respectively, in connection with these derivatives. Management effectively exited these derivative positions in the third quarter of fiscal 2015.

Notes to Consolidated Financial Statements - (Continued)

Fiscal Years Ended May 29, 2016, May 31, 2015, and May 25, 2014

(columnar dollars in millions except per share amounts)

Other Information

At May 29, 2016, ConAgra Foods and its subsidiaries had approximately 20,900 employees, primarily in the United States. Approximately 36% of our employees are parties to collective bargaining agreements. Of the employees subject to collective bargaining agreements, approximately 31% are parties to collective bargaining agreements scheduled to expire during fiscal 2017.

Our operations are principally in the United States. With respect to operations outside of the United States, no single foreign country or geographic region was significant with respect to consolidated operations for fiscal 2016, 2015, and 2014. Foreign net sales, including sales by domestic segments to customers located outside of the United States, were approximately \$1.5 billion, \$1.6 billion, and \$1.7 billion in fiscal 2016, 2015, and 2014, respectively. Our long-lived assets located outside of the United States are not significant.

Our largest customer, Wal-Mart Stores, Inc. and its affiliates, accounted for approximately 16%, 16%, and 17% of consolidated net sales for fiscal 2016, 2015, and 2014, respectively, significantly impacting the Consumer Foods segment.

Wal-Mart Stores, Inc. and its affiliates accounted for approximately 20% and 16% of consolidated net receivables as of May 29, 2016 and May 31, 2015, respectively, significantly impacting the Consumer Foods segment.

We were a party to a supply agreement with an onion processing company where we had guaranteed, under certain conditions, repayment of up to \$25.0 million payable under a secured loan (the "Secured Loan") of this onion products supplier to the supplier's lender. During the fourth quarter of fiscal 2012, we received notice from the lender that the supplier had defaulted on the Secured Loan and we exercised our option to purchase the Secured Loan from the lender for \$40.8 million, thereby assuming first-priority secured rights to the underlying collateral for the amount of the Secured Loan, and cancelling our guarantee. The supplier filed for bankruptcy during the fourth quarter of fiscal 2012 and during the second quarter of fiscal 2013, we acquired ownership and all rights to the underlying collateral, consisting of agricultural land and an onion processing facility. During the third quarter of fiscal 2013, we recognized an impairment charge of \$10.2 million in our Commercial Foods segment to reduce the carrying amount of these assets to their estimated fair value based upon updated appraisals. During the second quarter of fiscal 2014, we recognized an additional impairment charge of \$8.9 million in our Commercial Foods segment to reduce the carrying amount of the processing facility to its estimated fair value based upon expected sales proceeds. In the fourth quarter of fiscal 2014, we sold the land and recognized a gain of \$5.1 million in our Commercial Foods segment. In the third quarter of fiscal 2015, we sold the processing facility and recognized an immaterial gain in our Commercial Foods segment.

Notes to Consolidated Financial Statements - (Continued)

Fiscal Years Ended May 29, 2016, May 31, 2015, and May 25, 2014

(columnar dollars in millions except per share amounts)

22. QUARTERLY FINANCIAL DATA (Unaudited)

	2016				2015			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Net sales	\$2,796.2	\$3,095.1	\$2,924.1	\$2,827.5	\$2,765.5	\$3,138.7	\$2,907.3	\$3,125.5
Gross profit	701.0	828.5	800.4	760.9	591.3	757.7	720.0	806.6
Income (loss) from continuing operations, net of tax	167.4	166.1	187.6	(25.1)	95.4	218.1	212.3	234.5
Income (loss) from discontinued operations, net of tax	(1,319.8)	(6.8)	18.7	146.0	389.1	(202.2)	(1,165.0)	(23.0)
Net income (loss) attributable to ConAgra Foods, Inc.	(1,154.1)	154.9	204.6	117.6	482.3	10.0	(954.1)	209.2
Earnings per share (1):								
Basic earnings per share:								
Net income (loss) attributable to ConAgra Foods, Inc. common stockholders	\$(2.68)	\$0.36	\$0.46	\$0.27	\$1.14	\$0.02	\$(2.23)	\$0.49
Diluted earnings per share:								
Net income (loss) attributable to ConAgra Foods, Inc. common stockholders	\$(2.65)	\$0.35	\$0.46	\$0.27	\$1.12	\$0.02	\$(2.21)	\$0.48
Dividends declared per common share	\$0.25	\$0.25	\$0.25	\$0.25	\$0.25	\$0.25	\$0.25	\$0.25
Share price:								
High	\$45.49	\$42.75	\$42.70	\$46.43	\$32.85	\$35.65	\$37.29	\$38.90
Low	37.42	38.84	38.70	42.06	28.73	31.87	33.57	33.58

(1) Basic and diluted earnings per share are calculated independently for each of the quarters presented. Accordingly, the sum of the quarterly earnings per share amounts may not agree with the total year.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
ConAgra Foods, Inc.:

We have audited the accompanying consolidated balance sheets of ConAgra Foods, Inc. and subsidiaries (the Company) as of May 29, 2016 and May 31, 2015, and the related consolidated statements of operations, comprehensive income (loss), common stockholders' equity, and cash flows for each of the fiscal years in the three year period ended May 29, 2016. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of ConAgra Foods, Inc. and subsidiaries as of May 29, 2016 and May 31, 2015, and the results of their operations and their cash flows for each of the fiscal years in the three year period ended May 29, 2016, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of May 29, 2016, based on the criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated July 15, 2016 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ KPMG LLP

Omaha, Nebraska
July 15, 2016

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

The Company's management carried out an evaluation, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended, as of May 29, 2016. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered by this report, the Company's disclosure controls and procedures are effective.

Internal Control Over Financial Reporting

The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, evaluated any change in the Company's internal control over financial reporting that occurred during the quarter covered by this report and determined that there was no change in the Company's internal control over financial reporting during the fourth quarter of fiscal 2016 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Management's Annual Report on Internal Control Over Financial Reporting

ConAgra Foods' management is responsible for establishing and maintaining adequate internal control over financial reporting of ConAgra Foods (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934, as amended). ConAgra Foods' internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles. ConAgra Foods' internal control over financial reporting includes those policies and procedures that: (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of ConAgra Foods; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles, and that receipts and expenditures of ConAgra Foods are being made only in accordance with the authorization of management and directors of ConAgra Foods; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of ConAgra Foods' assets that could have a material effect on the financial statements. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluations of effectiveness to future periods are subject to the risk that controls may become inadequate because of the changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

With the participation of ConAgra Foods' Chief Executive Officer and Chief Financial Officer, management assessed the effectiveness of ConAgra Foods' internal control over financial reporting as of May 29, 2016. In making this assessment, management used criteria established in Internal Control-Integrated Framework (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). As a result of this assessment, management concluded that, as of May 29, 2016, its internal control over financial reporting was effective.

The effectiveness of ConAgra Foods' internal control over financial reporting as of May 29, 2016 has been audited by KPMG LLP, an independent registered public accounting firm, as stated in their report, a copy of which is included in this annual report on Form 10-K.

/s/ SEAN M. CONNOLLY

Sean M. Connolly

President and Chief Executive Officer

July 15, 2016

/s/ JOHN F. GEHRING

John F. Gehring

Executive Vice President and Chief Financial Officer

July 15, 2016

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
ConAgra Foods, Inc.:

We have audited ConAgra Foods, Inc.'s (the Company) internal control over financial reporting as of May 29, 2016, based on the criteria established in Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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

In our opinion, ConAgra Foods, Inc. maintained, in all material respects, effective internal control over financial reporting as of May 29, 2016, based on the criteria established in Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of the Company as of May 29, 2016 and May 31, 2015, and the related consolidated statements of operations, comprehensive income (loss), common stockholders' equity, and cash flows for each of the fiscal years in the three-year period ended May 29, 2016, and our report dated July 15, 2016 expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG LLP

Omaha, Nebraska
July 15, 2016

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information with respect to our Directors will be set forth in the 2016 Proxy Statement under the heading “Voting Item #1—Election of Directors,” and the information is incorporated herein by reference.

Information regarding our executive officers is included in Part I of this Form 10-K under the heading “Executive Officers of the Registrant,” as permitted by Instruction 3 to Item 401(b) of Regulation S-K.

Information with respect to compliance with Section 16(a) of the Securities Exchange Act of 1934, as amended, by our Directors, executive officers, and holders of more than ten percent of our equity securities will be set forth in the 2016 Proxy Statement under the heading “Section 16(a) Beneficial Ownership Reporting Compliance,” and the information is incorporated herein by reference.

Information with respect to the Audit / Finance Committee and the audit committee’s financial experts will be set forth in the 2016 Proxy Statement under the heading “Board Committees—Audit / Finance Committee,” and the information is incorporated herein by reference.

We have adopted a code of ethics that applies to our Chief Executive Officer, Chief Financial Officer, and Controller.

This code of ethics is available on our website at www.conagrafoods.com through the “Investors—Corporate Governance” link. If we make any amendments to this code other than technical, administrative, or other non-substantive amendments, or grant any waivers, including implicit waivers, from a provision of this code to our Chief Executive Officer, Chief Financial Officer, or Controller, we will disclose the nature of the amendment or waiver, its effective date, and to whom it applies on our website at www.conagrafoods.com through the “Investors—Corporate Governance” link.

ITEM 11. EXECUTIVE COMPENSATION

Information with respect to director and executive compensation and our Human Resources Committee will be set forth in the 2016 Proxy Statement under the headings “Non-Employee Director Compensation,” “Board Committees—Human Resources Committee,” and “Executive Compensation,” and the information is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information with respect to security ownership of certain beneficial owners, directors and management will be set forth in the 2016 Proxy Statement under the heading “Information on Stock Ownership,” and the information is incorporated herein by reference.

Equity Compensation Plan Information

The following table provides information about shares of our common stock that may be issued upon the exercise of options, warrants, and rights under existing equity compensation plans as of our most recent fiscal year-end, May 29, 2016.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants, and Rights (a)	Weighted-Average Exercise Price of Outstanding Options, Warrants, and Rights (b)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) (c)
Equity compensation plans approved by security holders (1)	9,848,044	\$ 33.11	30,232,308
Equity compensation plans not approved by security holders	—	—	—
Total	9,848,044	\$ 33.11	30,232,308

Column (a) includes 750,886 shares that could be issued under performance shares outstanding at May 29, 2016. The performance shares are earned and common stock issued if pre-set financial objectives are met. Actual shares issued may be equal to, less than, or greater than the number of outstanding performance shares included in column (a), depending on actual performance. Column (b) does not take these awards into account because they do not have an exercise price. The number of shares reflected in column (a) with respect to these performance shares (1) assumes the vesting criteria will be achieved at target levels. Column (b) also excludes 1,536,681 restricted stock units and 490,185 deferral interests in deferred compensation plans that are included in column (a) but do not have an exercise price. The units vest and are payable in common stock after expiration of the time periods set forth in the related agreements. The interests in the deferred compensation plans are settled in common stock on the schedules selected by the participants.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Information with respect to Director independence and certain relationships and related transactions will be set forth in the 2016 Proxy Statement under the headings “Voting Item #1—Election of Directors—Consideration of Director Independence” and “Board Committees—Audit / Finance Committee,” and “Board Committees—Human Resources Committee” and the information is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information with respect to the principal accountant will be set forth in the 2016 Proxy Statement under the heading “Voting Item #2: Ratification of the Appointment of Independent Auditor,” and the information is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

a) List of documents filed as part of this report:`

1. Financial Statements

All financial statements of the Company as set forth under Item 8 of this Annual Report on Form 10-K.

2. Financial Statement Schedules

Schedule Number	Description	Page Number
S-II	Valuation and Qualifying Accounts	<u>98</u>
	Report of Independent Registered Public Accounting Firm	99

All other schedules are omitted because they are not applicable, or not required, or because the required information is included in the consolidated financial statements, notes thereto.

3. Exhibits

All exhibits as set forth on the Exhibit Index, which is incorporated herein by reference.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, ConAgra Foods, Inc. has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CONAGRA FOODS, INC.

By: /s/ SEAN M. CONNOLLY
Sean M. Connolly
President and Chief Executive Officer
July 15, 2016

By: /s/ JOHN F. GEHRING
John F. Gehring
Executive Vice President and Chief Financial Officer
July 15, 2016

By: /s/ ROBERT G. WISE
Robert G. Wise
Senior Vice President and Corporate Controller
July 15, 2016

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities indicated on the 15th day of July, 2016.

Sean M. Connolly*	Director
Bradley A. Alford*	Director
Thomas K. Brown*	Director
Stephen G. Butler*	Director
Steven F. Goldstone*	Director
Joie A. Gregor*	Director
Rajive Johri*	Director
W.G. Jurgensen*	Director
Richard H. Lenny*	Director
Ruth Ann Marshall*	Director
Timothy R. McLevish*	Director
Andrew J. Schindler*	Director

* John F. Gehring, by signing his name hereto, signs this annual report on Form 10-K on behalf of each person indicated. Powers-of-Attorney authorizing John F. Gehring to sign this annual report on Form 10-K on behalf of each of the indicated Directors of ConAgra Foods, Inc. have been filed herewith as Exhibit 24.

By: /s/ JOHN F. GEHRING
John F. Gehring
Attorney-In-Fact

Schedule II

CONAGRA FOODS, INC. AND SUBSIDIARIES

Valuation and Qualifying Accounts

For the Fiscal Years ended May 29, 2016, May 31, 2015, and May 25, 2014

(Dollars in millions)

Description	Balance at Beginning of Period	Additions		Deductions from Reserves	Balance at Close of Period
		Charged to Costs and Expenses	Other		
Year ended May 29,2016					
Allowance for doubtful receivables	\$ 3.8	1.1	(0.1) ⁽¹⁾	1.1	⁽²⁾ \$ 3.7
Year ended May 31, 2015					
Allowance for doubtful receivables	\$ 2.7	2.3	(0.1) ⁽¹⁾	1.1	⁽²⁾ \$ 3.8
Year ended May 25, 2014					
Allowance for doubtful receivables	\$ 4.2	1.2	—	2.7	⁽²⁾ \$ 2.7

⁽¹⁾ Primarily translation incurred during fiscal 2016 and 2015.⁽²⁾ Bad debts charged off and adjustments to previous reserves, less recoveries.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders

ConAgra Foods, Inc.:

Under date of July 15, 2016, we reported on the consolidated balance sheets of ConAgra Foods, Inc. and subsidiaries (the Company) as of May 29, 2016 and May 31, 2015, and the related consolidated statements of operations, comprehensive income (loss), common stockholders' equity, and cash flows for each of the fiscal years in the three-year period ended May 29, 2016, which are included in the annual report on Form 10-K of ConAgra Foods, Inc. for the fiscal year ended May 29, 2016. In connection with our audits of the aforementioned consolidated financial statements, we also audited the related consolidated financial statement schedule listed in the Index at Item 15. This consolidated financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on this consolidated financial statement schedule based on our audits.

In our opinion, such consolidated financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

/s/ KPMG LLP

Omaha, Nebraska

July 15, 2016

EXHIBIT INDEX

All documents referenced below were filed pursuant to the Securities Exchange Act of 1934 by ConAgra Foods, Inc. (file number 001-07275), unless otherwise noted.

EXHIBIT DESCRIPTION

- *2.2 Master Agreement by and among ConAgra Foods, Inc., Cargill, Incorporated, CHS Inc. and HM Luxembourg S.A R.L. dated as of March 4, 2013, incorporated herein by reference to Exhibit 2.2 of ConAgra Foods' annual report on Form 10-K for the fiscal year ended May 26, 2013
- *2.2.1 Amendment No. 1 dated April 30, 2013 to Master Agreement by and among ConAgra Foods, Inc., Cargill, Incorporated, CHS Inc. and HM Luxembourg S.A R.L., incorporated herein by reference to Exhibit 2.2.1 of ConAgra Foods' annual report on Form 10-K for the fiscal year ended May 26, 2013
- *2.2.2 Acknowledgment and Amendment No. 2 dated May 31, 2013 to Master Agreement by and among ConAgra Foods, Inc., Cargill, Incorporated, CHS Inc. and HM Luxembourg S.A R.L., incorporated herein by reference to Exhibit 2.2.2 of ConAgra Foods' annual report on Form 10-K for the fiscal year ended May 26, 2013
- *2.2.3 Acknowledgment and Amendment No. 3 to Master Agreement dated as of the 24th of July, 2013 by and among ConAgra Foods, Inc., Cargill, Incorporated, and CHS Inc. in connection with that certain Master Agreement, made as of the 4th day of March, 2013, incorporated herein by reference to Exhibit 2.1 of ConAgra Foods' quarterly report on Form 10-Q for the quarter ended February 23, 2014
- *2.2.4 Acknowledgment and Amendment No. 4 to Master Agreement dated as of the 27th of March 2014, by and among ConAgra Foods, Inc., Cargill, Incorporated and CHS Inc. in connection with that certain Master Agreement, made as of the 4th day of March, 2013, incorporated herein by reference to Exhibit 2.2.4 of ConAgra Foods' annual report on Form 10-K for the fiscal year ended May 25, 2014
- *2.2.5 Acknowledgment and Amendment No. 5 to Master Agreement dated as of the 25th of May 2014, by and among ConAgra Foods, Inc., Cargill, Incorporated and CHS Inc. in connection with that certain Master Agreement, made as of the 4th day of March, 2013, incorporated herein by reference to Exhibit 2.2.5 of ConAgra Foods' annual report on Form 10-K for the fiscal year ended May 25, 2014
- *2.3 Stock Purchase Agreement, dated as of November 1, 2015, between ConAgra Foods, Inc. and TreeHouse Foods, Inc., incorporated herein by reference to Exhibit 2.1 of ConAgra Foods' current report on Form 8-K filed on November 2, 2015
- 3.1 ConAgra Foods' Certificate of Incorporation, as restated, incorporated herein by reference to Exhibit 3.1 of ConAgra Foods' current report on Form 8-K filed on December 2, 2005
- 3.2 Amended and Restated By-Laws of ConAgra Foods, Inc., as Amended on May 7, 2015, June 18, 2015, and September 30, 2015, incorporated herein by reference to Exhibit 3.1 of ConAgra Foods' current report on Form 8-K filed on October 1, 2015
- 4.1 Indenture, dated as of October 8, 1990, between ConAgra Foods, Inc. and The Bank of New York Mellon (as successor to JPMorgan Chase Bank, N.A. and The Chase Manhattan Bank (National Association)), as trustee, incorporated by reference to Exhibit 4.1 of ConAgra Foods' Registration Statement on Form S-3

(Registration No. 033-36967)

- **10.1 ConAgra Foods, Inc. Amended and Restated Non-Qualified CRISP Plan (January 1, 2009 Restatement), incorporated herein by reference to Exhibit 10.1 of ConAgra Foods' quarterly report on Form 10-Q for the quarter ended November 23, 2008
- **10.1.1 Amendment One dated November 29, 2010 to the ConAgra Foods, Inc. Amended and Restated Non-Qualified CRISP Plan (January 1, 2009 Restatement), incorporated herein by reference to Exhibit 10.1 of ConAgra Foods' quarterly report on Form 10-Q for the quarter ended February 27, 2011
- **10.2 ConAgra Foods, Inc. Non-Qualified Pension Plan (January 1, 2009 Restatement), incorporated herein by reference to Exhibit 10.2 of ConAgra Foods' quarterly report on Form 10-Q for the quarter ended November 23, 2008

- **10.2.1 Amendment One dated December 3, 2009 to ConAgra Foods, Inc. Nonqualified Pension Plan, incorporated herein by reference to Exhibit 10.2 of ConAgra Foods' quarterly report on Form 10-Q for the quarter ended February 28, 2010
- **10.2.2 Amendment Two dated November 29, 2010 to the ConAgra Foods, Inc. Non-Qualified Pension Plan (January 1, 2009 Restatement), incorporated herein by reference to Exhibit 10.2 of ConAgra Foods' quarterly report on Form 10-Q for the quarter ended February 27, 2011
- **10.3 ConAgra Foods, Inc. Directors' Deferred Compensation Plan (January 1, 2009 Restatement), incorporated herein by reference to Exhibit 10.4 of ConAgra Foods' quarterly report on Form 10-Q for the quarter ended November 23, 2008
- **10.3.1 Amendment One dated December 10, 2010 to ConAgra Foods, Inc. Directors' Deferred Compensation Plan (September, 2009 Restatement), incorporated herein by reference to Exhibit 10.4 of ConAgra Foods' quarterly report on Form 10-Q for the quarter ended February 27, 2011
- **10.4 ConAgra Foods, Inc. Amended and Restated Voluntary Deferred Compensation Plan (January 1, 2009 Restatement), incorporated herein by reference to Exhibit 10.3 of ConAgra Foods' quarterly report on Form 10-Q for the quarter ended November 23, 2008
- **10.4.1 Amendment One dated December 3, 2009 to the ConAgra Foods, Inc. Amended and Restated Voluntary Deferred Compensation Plan (January 1, 2009 Restatement), incorporated herein by reference to Exhibit 10.1 of ConAgra Foods' quarterly report on Form 10-Q for the quarter ended February 28, 2010
- **10.4.2 Amendment Two dated November 29, 2010 to ConAgra Foods, Inc. Amended and Restated Voluntary Deferred Compensation Plan (January 1, 2009 Restatement), incorporated herein by reference to Exhibit 10.3 of ConAgra Foods' quarterly report on Form 10-Q for the quarter ended February 27, 2011
- **10.4.3 Amendment Three dated March 6, 2013 to ConAgra Foods, Inc. Amended and Restated Voluntary Deferred Compensation Plan (January 1, 2009 Restatement), incorporated herein by reference to Exhibit 10.1 of ConAgra Foods' quarterly report on Form 10-Q for the quarter ended February 24, 2013
- **10.4.4 Amendment Four dated May 21, 2013 to ConAgra Foods, Inc. Amended and Restated Voluntary Deferred Compensation Plan (January 1, 2009 Restatement), incorporated herein by reference to Exhibit 10.4.4 of ConAgra Foods' annual report on Form 10-K for the fiscal year ended May 26, 2013
- **10.4.5 Amendment Five dated December 9, 2013 to ConAgra Foods, Inc. Amended and Restated Voluntary Deferred Compensation Plan (January 1, 2009 Restatement), incorporated herein by reference to Exhibit 10.1 of ConAgra Foods' quarterly report on Form 10-Q for the quarter ended February 23, 2014
- **10.5 ConAgra Foods 1995 Stock Plan, incorporated herein by reference to Exhibit 10.7 of ConAgra Foods' annual report on Form 10-K for the fiscal year ended May 29, 2005
- **10.6 ConAgra Foods 2000 Stock Plan, incorporated herein by reference to Exhibit 10.8 of ConAgra Foods' annual report on Form 10-K for the fiscal year ended May 29, 2005
- **10.7 Amendment dated May 2, 2002 to ConAgra Foods Stock Plans and other Plans, incorporated herein by reference to Exhibit 10.10 of ConAgra Foods' annual report on Form 10-K for the fiscal year ended May 26, 2002

- **10.8 ConAgra Foods 2006 Stock Plan, incorporated herein by reference to Exhibit 10.10 of ConAgra Foods' annual report on Form 10-K for the fiscal year ended May 28, 2006
- Form of Stock Option Agreement for Non-Employee Directors (ConAgra Foods 2006 Stock Plan),
- **10.8.1 incorporated herein by reference to Exhibit 10.1 of ConAgra Foods' current report on Form 8-K filed on October 3, 2006
- Form of Stock Option Agreement for Employees (ConAgra Foods 2006 Stock Plan), incorporated herein by
- **10.8.2 reference to Exhibit 10.25 of ConAgra Foods' quarterly report on Form 10-Q for the quarter ended November 26, 2006
- Form of Restricted Stock Award Agreement (ConAgra Foods 2006 Stock Plan), incorporated herein by
- **10.8.3 reference to Exhibit 10.26 of ConAgra Foods' quarterly report on Form 10-Q for the quarter ended November 26, 2006

- **10.8.4 Form of Restricted Stock Unit Agreement (ConAgra Foods 2006 Stock Plan), incorporated herein by reference to Exhibit 10.27 of ConAgra Foods' quarterly report on Form 10-Q for the quarter ended November 26, 2006
- **10.8.4.1 Amendment One to Restricted Stock Unit Agreement (ConAgra Foods 2006 Stock Plan) (Pre-July 2007), incorporated herein by reference to Exhibit 10.12 of ConAgra Foods' quarterly report on Form 10-Q for the quarter ended November 23, 2008
- **10.8.5 Form of Restricted Stock Unit Agreement (ConAgra Foods 2006 Stock Plan) (Post-July 2007), incorporated herein by reference to Exhibit 10.13 of ConAgra Foods' quarterly report on Form 10-Q for the quarter ended November 23, 2008
- **10.9 ConAgra Foods 2009 Stock Plan, incorporated herein by reference to Exhibit 10.1 of ConAgra Foods' current report on Form 8-K filed on September 28, 2009
- **10.9.1 Form of Stock Option Agreement (ConAgra Foods 2009 Stock Plan) for Non-Employee Directors under the ConAgra Foods 2009 Stock Plan, incorporated herein by reference to Exhibit 10.5 of ConAgra Foods' quarterly report on Form 10-Q for the quarter ended August 30, 2009
- **10.9.2 Form of Stock Option Agreement (ConAgra Foods 2009 Stock Plan) for Employees, incorporated herein by reference to Exhibit 10.4 of ConAgra Foods' quarterly report on Form 10-Q for the quarter ended August 30, 2009
- **10.9.3 Form of Stock Option Agreement (ConAgra Foods 2009 Stock Plan) for certain named executive officers, incorporated herein by reference to Exhibit 10.6 of ConAgra Foods' quarterly report on Form 10-Q for the quarter ended August 30, 2009
- **10.9.4 Form of Restricted Stock Unit Agreement (ConAgra Foods 2009 Stock Plan), incorporated herein by reference to Exhibit 10.3 of ConAgra Foods' quarterly report on Form 10-Q for the quarter ended August 30, 2009
- **10.9.4.1 Form of Restricted Stock Unit Agreement (ConAgra Foods 2009 Stock Plan) (Choice Program), incorporated herein by reference to Exhibit 10.1 of ConAgra Foods' quarterly report on Form 10-Q for the quarter ended August 29, 2010
- **10.9.4.2 Form of Restricted Stock Unit Agreement (ConAgra Foods 2009 Stock Plan) (Choice Program-post November 2010), incorporated herein by reference to Exhibit 10.5 of ConAgra Foods' quarterly report on Form 10-Q for the quarter ended February 27, 2011
- **10.9.5 Form of Restricted Stock Unit Agreement for stock settled RSUs (ConAgra Foods 2009 Stock Plan post July 2012), incorporated herein by reference to Exhibit 10.1 of ConAgra Foods' quarterly report on Form 10-Q for the quarter ended August 26, 2012
- **10.9.6 Form of Restricted Stock Unit Agreement (ConAgra Foods 2009 Stock Plan) (Ralcorp Transaction), incorporated herein by reference to Exhibit 10.10.6 of ConAgra Foods' annual report on Form 10-K for the fiscal year ended May 26, 2013
- **10.9.7 Form of Restricted Stock Unit Agreement for Non-Employee Directors (ConAgra Foods 2009 Stock Plan), incorporated herein by reference to Exhibit 10.6 of ConAgra Foods' quarterly report on Form 10-Q

for the quarter ended February 27, 2011

- **10.9.8 Form of Restricted Stock Unit Agreement for Non-Employee Directors (ConAgra Foods 2009 Stock Plan) (post July 2012), incorporated herein by reference to Exhibit 10.2 of ConAgra Foods' quarterly report on Form 10-Q for the quarter ended August 26, 2012
- **10.10 ConAgra Foods, Inc. 2014 Stock Plan, incorporated herein by reference to Exhibit 10.1 of ConAgra Foods' current report on Form 8-K filed on September 22, 2014
- **10.10.1 Form of Restricted Stock Unit Agreement for Non-Employee Directors under the ConAgra Foods, Inc. 2014 Stock Plan, incorporated herein by reference to Exhibit 10.10.1 of ConAgra Foods' annual report on Form 10-K for the fiscal year ended May 31, 2015
- **10.10.2 Form of Restricted Stock Unit Agreement (Cash-Settled) under the ConAgra Foods, Inc. 2014 Stock Plan, incorporated herein by reference to Exhibit 10.10.2 of ConAgra Foods' annual report on Form 10-K for the fiscal year ended May 31, 2015

- **10.10.3 Form of Restricted Stock Unit Agreement (Stock-Settled) under the ConAgra Foods, Inc. 2014 Stock Plan, incorporated herein by reference to Exhibit 10.10.3 of ConAgra Foods' annual report on Form 10-K for the fiscal year ended May 31, 2015
- **10.10.4 Form on Nonqualified Stock Option Agreement for Employees under the ConAgra Foods, Inc. 2014 Stock Plan, incorporated herein by reference to Exhibit 10.10.4 of ConAgra Foods' annual report on Form 10-K for the fiscal year ended May 31, 2015
- **10.10.5 Form of Retention Restricted Stock Unit Agreement (Stock Settled) under the ConAgra Foods' 2014 Stock Plan, incorporated herein by reference to Exhibit 10.3 of ConAgra Foods' quarterly report on Form 10-Q for quarter ended August 30, 2015
- **10.11 ConAgra Foods Executive Incentive Plan, as amended and restated, incorporated herein by reference to Exhibit 10.2 of ConAgra Foods' current report on Form 8-K filed on September 28, 2009
- **10.12 ConAgra Foods, Inc. 2014 Executive Incentive Plan incorporated herein by reference to Exhibit 10.2 of ConAgra Foods' current report on Form 8-K filed on September 22, 2014
- **10.13 ConAgra Foods, Inc. 2008 Performance Share Plan, effective July 16, 2008, incorporated herein by reference to Exhibit 10.3 of ConAgra Foods' quarterly report on Form 10-Q for quarter ended August 24, 2008
- **10.14 CEO Performance Share Plan for Transitional Awards, incorporated herein by reference to Exhibit 10.1 of ConAgra Foods' current report on Form 8-K filed on February 12, 2015
- **10.15 ConAgra Foods, Inc. Deferred Compensation Plan Requirements dated December 10, 2010, incorporated herein by reference to Exhibit 10.7 of ConAgra Foods' quarterly report on Form 10-Q for the quarter ended February 27, 2011
- **10.16 Amendment to Certain Equity Awards and Agreements Pursuant to the ConAgra Foods Inc. 2015 Voluntary Retirement Program and 2015 SG&A Reduction Program, incorporated herein by reference to Exhibit 10.1 of ConAgra Foods' quarterly report on Form 10-Q for the quarter ended November 29, 2015
- **10.17 Form of Amended and Restated Change of Control Agreement between ConAgra Foods and its executives (pre September 2011), incorporated herein by reference to Exhibit 10.14 of ConAgra Foods' quarterly report on Form 10-Q for the quarter ended November 23, 2008
- **10.17.1 Form of Change of Control Agreement between ConAgra Foods and its executives (post September 2011), as amended and restated on February 18, 2015, incorporated herein by reference to Exhibit 10.16.1 of ConAgra Foods' annual report on Form 10-K for the fiscal year ended May 31, 2015
- **10.18 Form of Executive Time Sharing Agreement, as adopted on February 18, 201, incorporated herein by reference to Exhibit 10.17 of ConAgra Foods' annual report on Form 10-K for the fiscal year ended May 31, 2015

- **10.19 Amended and Restated Employment Agreement between ConAgra Foods and Gary M. Rodkin, incorporated herein by reference to Exhibit 10.15 of ConAgra Foods' quarterly report on Form 10-Q for the quarter ended November 23, 2008
- **10.19.1 Letter Agreement, dated as of February 12, 2015, between ConAgra Foods and Gary M. Rodkin incorporated herein by reference to Exhibit 10.4 of ConAgra Foods' current report on form 8-K filed February 12, 2015
- **10.20 Stock Option Agreement between ConAgra Foods, Inc. and Gary M. Rodkin incorporated herein by reference to Exhibit 10.2 of ConAgra Foods' current report on Form 8-K filed on September 1, 2005
- **10.21 Employment Agreement, dated as of February 12, 2015, between ConAgra Foods, Inc. and Sean Connolly, incorporated herein by reference to Exhibit 10.2 of ConAgra Foods' current report on Form 8-K filed on February 12, 2015
- **10.22 Amendment to Employment Agreement dated December 31, 2015, effective January 1, 2016, by and between ConAgra Foods, Inc. and Sean Connolly, incorporated herein by reference to Exhibit 10.1 of ConAgra Foods' quarterly report on Form 10-Q for the quarter ended February 28, 2016
- **10.23 Change of Control Agreement, dated as of February 12, 2015, between ConAgra Foods and Sean Connolly, incorporated herein by reference to Exhibit 10.3 of ConAgra Foods' current report on Form 8-K filed on February 12, 2015

- **10.24 Letter Agreement between ConAgra Foods, Inc. and Brian L. Keck dated September 7, 2010, as amended, incorporated herein by reference to Exhibit 10.2 of ConAgra Foods' quarterly report on Form 10-Q for the quarter ended August 28, 2011
- **10.25 Amendment to Stock Option Agreements between ConAgra Foods, Inc. and Brian L. Keck dated March 14, 2014, incorporated herein by reference to Exhibit 10.19 of ConAgra Foods' annual report on Form 10-K for the fiscal year ended May 25, 2014
- **10.26 Letter Agreement between ConAgra Foods, Inc. and Paul Maass dated May 16, 2013, incorporated herein by reference to Exhibit 10.21 of ConAgra Foods' annual report on Form 10-K for the fiscal year ended May 26, 2013
- **10.27 Transition and Separation Agreement with Paul Maass dated May 4, 2015, incorporated herein by reference to Exhibit 10.25 of ConAgra Foods' annual report on Form 10-K for the fiscal year ended May 31, 2015
- 10.28 Separation Agreement with Albert Bolles, Ph.D., dated August 11, 2015, incorporated herein by reference to Exhibit 10.1 of ConAgra Foods' current report on Form 8-K filed on August 14, 2015
- 10.29 Revolving Credit Agreement, dated as of September 14, 2011, by and among ConAgra Foods, Inc., JP Morgan Chase Bank, N.A., as administrative agent and a lender, Bank of America, N.A., as syndication agent and a lender, and the other financial institutions party thereto, incorporated herein by reference to Exhibit 10.1 of ConAgra Foods' current report on Form 8-K filed on September 15, 2011
- 10.29.1 Amendment No. 1 to the Revolving Credit Agreement, entered into as of December 21, 2012, among ConAgra Foods, Inc., JPMorgan Chase Bank, N.A. as administrative agent and a lender and the other financial institutions party thereto, incorporated herein by reference to Exhibit 10.3 of ConAgra Foods' current report on Form 8-K filed on December 27, 2012
- 10.29.2 Amendment No. 2 to the Revolving Credit Agreement entered into as of August 27, 2013, incorporated herein by reference to Exhibit 10.1 of ConAgra Foods, quarterly report on Form 10-Q for the Quarter Ended November 24, 2013
- 10.29.3 Amendment No. 3 to the Revolving Credit Agreement, entered into as of March 23, 2015, incorporated herein by reference to Exhibit 10.1 of ConAgra Foods Current Report on Form 8-K filed on March 26, 2015
- 10.29.4 Amendment No. 4 to Revolving Credit Agreement, dated as of September 14, 2011, among the Company, JPMorgan Chase Bank, N.A., as administrative agent and a lender, and the other financial institutions party thereto, incorporated herein by reference to Exhibit 10.1 of ConAgra Foods' current report on Form 8-K filed September 22, 2015
- 10.30 Term Loan Agreement, entered into as of December 21, 2012, among ConAgra Foods, Inc. and Bank of America, N.A., as administrative agent, JPMorgan Bank, N.A., as syndication agent and Merrill Lynch, Pierce, Fenner & Smith, Incorporated, as sole lead arranger and sole bookrunner, and the other financial institutions party thereto, incorporated herein by reference to Exhibit 10.2 of ConAgra Foods' Current Report on Form 8-K filed on December 27, 2012

- 10.31 Letter Agreement, entered into as of January 15, 2016, between ConAgra Foods, Inc. and Bank of America, N.A., as lender, incorporated herein by reference to Exhibit 10.1 of ConAgra Foods' current report on Form 8-K filed on January 20, 2016
- 10.32 Letter Agreement, entered into as of January 15, 2016, between ConAgra Foods, Inc. and Goldman Sachs Bank USA, as lender, incorporated herein by reference to Exhibit 10.2 of ConAgra Foods' current report on Form 8-K filed on January 20, 2016
- 10.33 Letter Agreement, entered into as of January 15, 2016, between ConAgra Foods, Inc. and Wells Fargo Bank, National Association, as lender, incorporated herein by reference to Exhibit 10.3 of ConAgra Foods' current report on Form 8-K filed on January 20, 2016
- 10.34 Cooperation Agreement, dated as of July 8, 2015, between JANA Partners LLC and ConAgra Foods, Inc., incorporated herein by reference to Exhibit 99.1 of ConAgra Foods' current report on Form 8-K filed on July 8, 2015

10.34.1 Amended and Restated Cooperation Agreement, dated as of May 27, 2016, between JANA Partners LLC and ConAgra Foods, Inc., incorporated herein by reference to Exhibit 99.1 of ConAgra Foods' current report on Form 8-K filed on May 31, 2016

12 Statement regarding computation of ratio of earnings to fixed charges

21 Subsidiaries of ConAgra Foods, Inc.

23 Consent of KPMG LLP

24 Powers of Attorney

31.1 Section 302 Certificate

31.2 Section 302 Certificate

32.1 Section 906 Certificates

The following materials from ConAgra Foods' Annual Report on Form 10-K for the year ended May 29, 2016, formatted in XBRL (eXtensible Business Reporting Language): (i) the Consolidated Statements of Operations, (ii) the Consolidated Statements of Comprehensive Income (Loss), (iii) the Consolidated Balance Sheets, (iv) the Consolidated Statements of Common Stockholders' Equity, (v) the Consolidated Statements of Cash Flows, (vi) Notes to Consolidated Financial Statements, and (vii) document and entity information.

* Schedules have been omitted pursuant to Item 601(b)(2) of Regulation S-K. ConAgra Foods agrees to furnish supplementally to the Securities and Exchange Commission a copy of any omitted schedule upon request.

** Management contract or compensatory plan.

Pursuant to Item 601(b)(4) of Regulation S-K, certain instruments with respect to ConAgra Foods' long-term debt are not filed with this Form 10-K. ConAgra Foods will furnish a copy of any such long-term debt agreement to the Securities and Exchange Commission upon request.