Mondelez International, Inc.
Form 10-Q
April 30, 2015
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2015

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 number 1-16483

Mondelēz International, Inc.

(Exact name of registrant as specified in its charter)

Virginia	**52-2284372**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
Three Parkway North, Deerfield, Illinois	**60015**
(Address of principal executive offices)	(Zip Code)

(Registrant s telephone number, including area code) **(847) 943-4000**

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

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 x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, 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 x No ¨

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.

Large accelerated filer x	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 Exchange Act). Yes ¨ No x

At April 24, 2015, there were 1,626,622,679 shares of the registrant s Class A common stock outstanding.

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Mondelēz International, Inc.

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In this report, for all periods presented, we, us, our, the Company and Mondelēz International refer to Mondelēz International, Inc. and subsidiaries. References to Common Stock refer to our Class A common stock.

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PART I FINANCIAL INFORMATION

Item 1. Financial Statements.

Mondelēz International, Inc. and Subsidiaries

Condensed Consolidated Statements of Earnings

(in millions of U.S. dollars, except per share data)

(Unaudited)

	For the Three Months Ended March 31,	
	2015	2014
Net revenues	$ 7,762	$ 8,641
Cost of sales	4,821	5,437
Gross profit	2,941	3,204
Selling, general and administrative expenses	1,924	2,265
Asset impairment and exit costs	160	42
Amortization of intangibles	46	54
Operating income	811	843
Interest and other expense, net	386	720
Earnings before income taxes	425	123
Provision / (benefit) for income taxes	113	(27)
Net earnings	312	150
Noncontrolling interest	(12)	(13)
Net earnings attributable to Mondelēz International	$ 324	$ 163
Per share data:		
Basic earnings per share attributable to Mondelēz International	$ 0.20	$ 0.10
Diluted earnings per share attributable to Mondelēz International	$ 0.19	$ 0.09
Dividends declared	$ 0.15	$ 0.14

See accompanying notes to the condensed consolidated financial statements.

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Mondelēz International, Inc. and Subsidiaries

Condensed Consolidated Statements of Comprehensive Earnings

(in millions of U.S. dollars)

(Unaudited)

	For the Three Months Ended March 31, 2015	For the Three Months Ended March 31, 2014
Net earnings	$ 312	$ 150
Other comprehensive earnings / (losses):		
Currency translation adjustment:		
Translation adjustment	(1,721)	(233)
Tax (expense) / benefit	(192)	6
Pension and other benefits:		
Net actuarial gain / (loss) arising during period		6
Reclassification of (gains) / losses into net earnings:		
Amortization of experience losses and prior service costs	52	34
Settlement losses	3	7
Tax (expense) / benefit	(13)	(13)
Derivatives accounted for as hedges:		
Net derivative gains / (losses)	(56)	(56)
Reclassification of (gains) / losses into net earnings	(4)	(2)
Tax (expense) / benefit	16	23
Total other comprehensive earnings / (losses)	(1,915)	(228)
Comprehensive earnings / (losses)	(1,603)	(78)
less: Comprehensive earnings / (losses) attributable to noncontrolling interests	(37)	(14)
Comprehensive earnings / (losses) attributable to Mondelēz International	$ (1,566)	$ (64)

See accompanying notes to the condensed consolidated financial statements.

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Mondelēz International, Inc. and Subsidiaries

Condensed Consolidated Balance Sheets

(in millions of U.S. dollars, except share data)

(Unaudited)

	March 31, 2015	December 31, 2014
ASSETS		
Cash and cash equivalents	$ 1,835	$ 1,631
Trade receivables (net of allowances of $63 at March 31, 2015 and $66 at December 31, 2014)	4,061	3,802
Other receivables (net of allowances of $93 at March 31, 2015 and $91 at December 31, 2014)	852	949
Inventories, net	3,421	3,480
Deferred income taxes	557	480
Other current assets	1,138	1,408
Total current assets	11,864	11,750
Property, plant and equipment, net	9,261	9,827
Goodwill	22,356	23,389
Intangible assets, net	19,434	20,335
Prepaid pension assets	51	53
Other assets	1,240	1,461
TOTAL ASSETS	$ 64,206	$ 66,815
LIABILITIES		
Short-term borrowings	$ 3,688	$ 1,305
Current portion of long-term debt	2,195	1,530
Accounts payable	5,199	5,299
Accrued marketing	1,872	2,047
Accrued employment costs	803	946
Other current liabilities	2,709	2,880
Total current liabilities	16,466	14,007
Long-term debt	12,822	13,865
Deferred income taxes	5,373	5,512
Accrued pension costs	2,406	2,912
Accrued postretirement health care costs	524	526
Other liabilities	2,003	2,140

TOTAL LIABILITIES		39,594		38,962
Commitments and Contingencies (Note 11)				
EQUITY				
Common Stock, no par value (5,000,000,000 shares authorized and 1,996,537,778 shares issued at March 31, 2015 and December 31, 2014)				
Additional paid-in capital		31,645		31,651
Retained earnings		14,582		14,529
Accumulated other comprehensive losses		(9,208)		(7,318)
Treasury stock, at cost (370,308,929 shares at March 31, 2015 and 332,896,779 shares at December 31, 2014)		(12,473)		(11,112)
Total Mondelēz International Shareholders Equity		24,546		27,750
Noncontrolling interest		66		103
TOTAL EQUITY		24,612		27,853
TOTAL LIABILITIES AND EQUITY	$	64,206	$	66,815

See accompanying notes to the condensed consolidated financial statements.

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Mondelēz International, Inc. and Subsidiaries

Condensed Consolidated Statements of Equity

(in millions of U.S. dollars, except per share data)

(Unaudited)

	Mondelēz International Shareholders Equity						
	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Earnings / (Losses)	Treasury Stock	Noncontrolling Interest*	Total Equity
Balances at January 1, 2014	$	$ 31,396	$ 13,419	$ (2,889)	$ (9,553)	$ 159	$ 32,532
Comprehensive earnings / (losses):							
Net earnings			2,184			17	2,201
Other comprehensive losses, net of income taxes				(4,429)		(33)	(4,462)
Exercise of stock options and issuance of other stock awards		271	(98)		332		505
Common Stock repurchased					(1,891)		(1,891)
Cash dividends declared ($0.58 per share)			(976)				(976)
Dividends paid on noncontrolling interest and other activities		(16)				(40)	(56)
Balances at December 31, 2014	$	$ 31,651	$ 14,529	$ (7,318)	$ (11,112)	$ 103	$ 27,853
Comprehensive earnings / (losses):							
Net earnings			324			(12)	312
Other comprehensive losses, net of income taxes				(1,890)		(25)	(1,915)
Exercise of stock options and issuance of other stock awards		(6)	(27)		139		106
Common Stock repurchased					(1,500)		(1,500)
Cash dividends declared ($0.15 per share)			(244)				(244)
Balances at March 31, 2015	$	$ 31,645	$ 14,582	$ (9,208)	$ (12,473)	$ 66	$ 24,612

* Noncontrolling interest as of March 31, 2014 was $127 million, as compared to $159 million as of January 1, 2014. The change of $(32) million during the three months ended March 31, 2014 was due to

$(18) million of dividends paid, $(13) million of net earnings and $(1) million of other comprehensive losses, net of taxes.

See accompanying notes to the condensed consolidated financial statements.

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Mondelēz International, Inc. and Subsidiaries

Condensed Consolidated Statements of Cash Flows

(in millions of U.S. dollars)

(Unaudited)

	For the Three Months Ended March 31, 2015	2014
CASH PROVIDED BY / (USED IN) OPERATING ACTIVITIES		
Net earnings	$ 312	$ 150
Adjustments to reconcile net earnings to operating cash flows:		
Depreciation and amortization	232	262
Stock-based compensation expense	36	35
Deferred income tax provision / (benefit)	25	(98)
Asset impairments	78	12
Loss on early extinguishment of debt	708	492
Unrealized gain on planned coffee business divestiture currency hedges	(240)	
Gain on monetization of planned coffee business divestiture currency hedges	(311)	
Other non-cash items, net	67	48
Change in assets and liabilities, net of acquisition and divestitures:		
Receivables, net	(558)	(305)
Inventories, net	(178)	(299)
Accounts payable	317	67
Other current assets	(50)	(59)
Other current liabilities	(481)	(815)
Change in pension and postretirement assets and liabilities, net	(239)	(67)
Net cash used in operating activities	(282)	(577)
CASH PROVIDED BY / (USED IN) INVESTING ACTIVITIES		
Capital expenditures	(439)	(326)
Proceeds from planned coffee business divestiture currency hedge settlements	939	
Acquisition, net of cash received	(81)	
Proceeds from sale of property, plant and equipment and other	(2)	9
Net cash provided by / (used in) investing activities	417	(317)
CASH PROVIDED BY / (USED IN) FINANCING ACTIVITIES		
Issuances of commercial paper, maturities greater than 90 days	333	1,607
Repayments of commercial paper, maturities greater than 90 days	(96)	(723)
Net issuances / (repayments) of other short-term borrowings	2,154	(68)

Long-term debt proceeds		3,601		2,994
Long-term debt repaid		(4,085)		(2,514)
Repurchase of Common Stock		(1,500)		(468)
Dividends paid		(249)		(238)
Other		27		40
Net cash provided by financing activities		185		630
Effect of exchange rate changes on cash and cash equivalents		(116)		(27)
Cash and cash equivalents:				
Increase / (decrease)		204		(291)
Balance at beginning of period		1,631		2,622
Balance at end of period	$	1,835	$	2,331

See accompanying notes to the condensed consolidated financial statements.

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Mondelēz International, Inc. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

(Unaudited)

Note 1. Basis of Presentation

The condensed consolidated financial statements include Mondelēz International, Inc. as well as our wholly owned and majority owned subsidiaries.

Our interim condensed consolidated financial statements are unaudited. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) have been omitted. It is management s opinion that these financial statements include all normal and recurring adjustments necessary for a fair presentation of our financial position and operating results. Net revenues and net earnings for any interim period are not necessarily indicative of future or annual results.

We derived the condensed consolidated balance sheet data as of December 31, 2014 from audited financial statements, but do not include all disclosures required by U.S. GAAP. You should read these statements in conjunction with our consolidated financial statements and related notes in our Annual Report on Form 10-K for the year ended December 31, 2014.

Accounting Calendar Change:

In connection with moving toward a common consolidation date across the Company, in the first quarter of 2015, we changed the consolidation date for our North America segment from the last Saturday of each period to the last calendar day of each period. The change had a favorable impact of $39 million on net revenues and $19 million on operating income in the three months ended March 31, 2015.

As a result of this change, each of our operating subsidiaries now reports results as of the last calendar day of the period. We believe the change will improve business planning and financial reporting by better matching the close dates of the operating subsidiaries and bringing the reporting dates to the period-end date. As the effect to prior-period results was not material, we have not revised prior-period results.

Currency Translation and Highly Inflationary Accounting:

We translate the results of operations of our subsidiaries from multiple currencies using average exchange rates during each period and translate balance sheet accounts using exchange rates at the end of each period. We record currency translation adjustments as a component of equity (except for highly inflationary currencies such as in Venezuela) and realized exchange gains and losses on transactions in earnings.

Venezuela. As prescribed by U.S. GAAP for highly inflationary economies, we have been accounting for the results of our Venezuelan subsidiaries using the U.S. dollar as the functional currency since January 1, 2010.

On February 8, 2013, the Venezuelan government announced the devaluation of the official Venezuelan bolivar exchange rate from 4.30 bolivars to 6.30 bolivars to the U.S. dollar. The official rate of 6.30 is the rate applied to import food and other essential items, and we purchase a material portion of our imported raw materials using U.S. dollars secured at this rate.

On January 24, 2014, the Venezuelan government announced the expansion of a new auction-based currency transaction program which became known as SICAD I and new profit margin controls. The application of the SICAD I rate was extended to include foreign investments and significant operating activities, including contracts for leasing and services, use and exploitation of patents and trademarks, payments of royalties and contracts for technology import and technical assistance. On March 24, 2014, the Venezuelan government launched a new market-based currency exchange market, SICAD II, and at that time indicated that it may be used voluntarily to exchange bolivars into U.S. dollars.

As of March 31, 2014, we began to apply the SICAD I exchange rate to remeasure our bolivar-denominated net monetary assets, and we began translating our Venezuelan operating results at the SICAD I rate in the second quarter of 2014. On March 31, 2014, we recognized a $142 million currency remeasurement loss within selling, general and administrative expenses of our Latin America segment as a result of revaluing our bolivar-denominated net monetary assets from the official exchange rate of 6.30 bolivars to the U.S. dollar to the then-prevailing SICAD I exchange rate of 10.70 bolivars to the U.S. dollar.

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On February 10, 2015, the Venezuelan government combined the SICAD I and SICAD II (SICAD) exchange rate mechanisms and in addition created a new market-based SIMADI rate, while retaining the 6.30 official rate for food and other essentials. The Venezuelan government also announced an opening SICAD auction rate of 12.00 bolivars to the U.S. dollar, which as of March 31, 2015 is the prevailing SICAD rate until our specific industry group auctions make U.S. dollars available at another offered SICAD rate. We continue to expect to secure U.S. dollars at the SICAD rate in addition to the official rate. The SIMADI rate was designed as a free market exchange rate that makes U.S. dollars available for any transactions based on the available supply of U.S. dollars at the offered rate. As of March 31, 2015, the SIMADI exchange rate was 193.05 bolivars to the U.S. dollar and availability of U.S. dollars at the SIMADI rate was limited. At this time, we do not anticipate using the SIMADI rate frequently in managing our local operations.

Our Venezuelan operations produce a range of biscuit, cheese & grocery, confectionery and beverage products. Based on the currency exchange developments this year, we reviewed our domestic and international sourcing of goods and services and the exchange rates we believe will be applicable. We evaluated the level of primarily raw material imports that we believe would continue to be sourced in exchange for U.S. dollars converted at the official 6.30 exchange rate. Our remaining imported goods and services would primarily be valued at the SICAD exchange rate. Imports that do not currently qualify for either the official rate or SICAD rate could be sourced at the SIMADI rate.

We believe the SICAD rate continues to be the most economically representative rate for us to use to value our net monetary assets and translate our operating results in Venezuela. While some of our net monetary assets or liabilities qualify for settlement at the official exchange rate, other operations do not, and we have utilized the SICAD auction process and expect to use the new SIMADI auctions on an as needed basis.

In the first quarter of 2015, we recognized an $11 million remeasurement loss, reflecting an increase in the SICAD exchange rate from 11.50 to 12.00 bolivars to the U.S. dollar.

The following table sets forth net revenues for our Venezuelan operations for the three months ended March 31, 2015 (measured at the SICAD rate), and cash, net monetary assets and net assets of our Venezuelan subsidiaries as of March 31, 2015 (translated at a SICAD rate of 12.00 bolivars to the U.S. dollar):

Venezuela operations	**Three Months Ended March 31, 2015**
Net revenues	$218 million or 2.8% of consolidated net revenues
	As of March 31, 2015
Cash	$313 million
Net monetary assets	$234 million
Net assets	$522 million

Unlike the official rate that is fixed at 6.30 bolivars to the U.S. dollar, the SICAD rate can vary over time. If any of the three-tier currency exchange rates, or the application of the rates to our business, were to change, we would recognize additional currency losses, or gains, which could be significant.

In light of the ongoing difficult macroeconomic environment in Venezuela, we continue to monitor and actively manage our investment and exposures in Venezuela. We plan to continue to do business in the country as long as we can successfully operate our business there. We strive to locally source and produce a significant amount of the products we sell in Venezuela. We have taken other protective measures against currency devaluation, such as converting monetary assets into non-monetary assets that we can use in our business. However, suitable protective measures have become less available and more expensive and may not offset further currency devaluation that could occur.

Argentina. On January 23, 2014, the Central Bank of Argentina adjusted its currency policy, removed its currency stabilization measures and allowed the Argentine peso exchange rate to float relative to the U.S. dollar. On that day, the value of the Argentine peso relative to the U.S. dollar fell by 15%. In July 2014, Argentina had a technical default on its debt as the government was blocked from making payments on its restructured debt by certain creditors who did not participate in a debt restructuring in 2001. Further volatility in the exchange rate is expected. Since December 31, 2014 and through March 31, 2015, the value of the peso declined 4%. While the business operating environment remains challenging, we continue to monitor and actively manage our investment and exposures in Argentina. We continue refining our product portfolio to improve our product offerings, mix and profitability. We also continue to implement additional cost initiatives to protect the business. Further currency declines, economic controls or other business restrictions could have an adverse impact on our ongoing results of operations. Our Argentinian operations contributed approximately $175 million, or 2.3% of consolidated net revenues for the three months ended March 31, 2015. As of March 31, 2015, the net monetary liabilities of our Argentina operations were not material. Argentina is not designated as a highly-inflationary economy for accounting purposes and so we continue to record currency translation adjustments within equity and realized exchange gains and losses on transactions in earnings.

Russia. During the fourth quarter of 2014, the value of the Russian ruble relative to the U.S. dollar declined 50%. In the first quarter of 2015, the value of the ruble relative to the U.S. dollar fluctuated significantly, declining 18% in January then increasing 17% across February and March. Due to the significant currency movements, we continue to take actions to protect our near-term operating results, financial condition and cash flow. Our operations in Russia contributed approximately $170 million, or 2.2% of consolidated net revenues for the three months ended March 31, 2015. As of March 31, 2015, the net monetary assets of our Russia operations were not material. Russia is not designated as a highly-inflationary economy for accounting purposes and so we continue to record currency translation adjustments within equity and realized exchange gains and losses on transactions in earnings.

Ukraine. On February 5, 2015, the National Bank of Ukraine changed its currency policy by eliminating daily auctions, which effectively supported the exchange rate, and allowed the Ukrainian hryvnya exchange rate to float relative to the U.S. dollar. During the quarter, the International Monetary Fund also extended $18 billion of financing to Ukraine to support it meeting short- and near-term commitments. The value of the Ukrainian hryvnya relative to the U.S. dollar declined 49% from December 31, 2014 through March 31, 2015, and further volatility in the currency is expected. We continue to take actions to protect our near-term operating results, cash flow and financial condition. Our Ukrainian operations contributed approximately $45 million, or 0.6% of consolidated net revenues for the three months ended March 31, 2015. As of March 31, 2015, the net monetary assets of our Ukrainian operations were not material. Ukraine is not designated as a highly-inflationary economy for accounting purposes and so we continue to record currency translation adjustments within equity and realized exchange gains and losses on transactions in earnings.

New Accounting Pronouncements:

In April 2015, the Financial Accounting Standards Board (FASB) issued an accounting standards update (ASU) that provides guidance on evaluating whether a cloud computing arrangement includes a software license. If there is a software license component, software licensing accounting should be applied; otherwise, service contract accounting should be applied. The ASU is effective for fiscal years beginning after December 31, 2015, with early adoption permitted. We are currently assessing the impact on our consolidated financial statements.

In April 2015, the FASB issued an ASU that provides a practical expedient for reporting entities with a fiscal year end that does not coincide with a month end when measuring the fair value of plan assets of a defined benefit pension or other postretirement benefit plan. It allows the measurement of plan assets and obligations using the month end that is closest to the entity s fiscal year end. The ASU requires prospective application and is effective for fiscal years beginning after December 31, 2015, with early adoption permitted. As our current fiscal year end coincides with a calendar month end, we do not expect the standard to have an impact on our consolidated financial statements.

In April 2015, the FASB issued an ASU that simplifies the presentation of debt issuance costs. The standard requires debt issuance costs related to a recognized debt obligation to be presented in the balance sheet as a direct deduction from the carrying amount of the related debt instead of being presented as an asset, similar to the presentation of debt discounts. The ASU requires retrospective application and represents a change in accounting principle. The update is effective for fiscal years beginning after December 15, 2015, with early adoption permitted. We plan to adopt the new standard on or by the January 1, 2016 effective date and are currently assessing the impact on our consolidated financial statements.

In February 2015, the FASB issued an ASU that amends current consolidation guidance related to the evaluation of whether certain legal entities should be consolidated. The standard modifies both the variable interest entity (VIE) model and the voting interest model, including analyses of whether limited partnerships are VIEs and the impact of service fees and related party interests in determining if an entity is a VIE to the reporting entity. The guidance is effective for fiscal years beginning after December 15, 2015, with early adoption permitted. We plan to adopt the new standard on the January 1, 2016 effective date and are currently assessing the impact on our consolidated financial statements.

In January 2015, the FASB issued an ASU to simplify income statement classification by removing the concept of extraordinary items from U.S. GAAP. As a result, items that are both unusual and infrequent will no longer be separately reported net of tax after continuing operations. The guidance is effective for fiscal years beginning after December 15, 2015, with early adoption permitted. The standard is not expected to have a material impact on our consolidated financial statements.

In May 2014, the FASB issued an ASU on revenue recognition from contracts with customers. The new ASU outlines a new, single comprehensive model for companies to use in accounting for revenue. The core principle is that an entity should recognize revenue to depict the transfer of promised goods or services to a customer in an amount that reflects the consideration the entity expects to be entitled to receive in exchange for the goods or services. The ASU also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows from customer contracts, including significant judgments made in recognizing revenue. The guidance is effective for annual reporting periods beginning after December 15, 2016, with early adoption prohibited. In April 2015, the FASB proposed to defer the effective date by one year and allow early adoption as of the original effective date; the deferral has not yet been approved by the board but approval is expected. The ASU may be applied retrospectively to historical periods presented or as a cumulative-effect adjustment as of the date of adoption. We plan to adopt the new standard on the January 1, 2017 effective date and are currently assessing the impact of the new standard on our consolidated financial statements.

Note 2. Divestitures and Acquisitions

Planned Coffee Business Transactions:

On May 7, 2014, we announced that we entered into an agreement to combine our wholly owned coffee portfolio (outside of France) with D.E Master Blenders 1753 B.V. (DEMB). In conjunction with this transaction, Acorn Holdings B.V. (AHBV), owner of DEMB, also made a binding offer to receive our coffee business in France. The parties also invited our partners in certain joint ventures to join the new company.

During the first quarter of 2015, we entered into an agreement to sell our interest in a Japanese coffee joint venture to our joint venture partner so they may operate the business independently. In lieu of contributing our interest in the joint venture, we will instead contribute the net cash proceeds from the sale of the interest. Please see discussion of the pending divestiture of the Japanese coffee joint venture below under *Other Divestiture and Acquisitions*.

Upon completion of all proposed transactions, we expect to receive cash of approximately 4 billion and an equity interest of approximately 49 percent in the new company, to be called Jacobs Douwe Egberts (JDE). AHBV will hold a majority share in the proposed combined company and will have a majority of the seats on the board, which will be chaired by current DEMB Chairman Bart Becht. We will have certain minority rights. AHBV is owned by an investor group led by JAB Holding Company s.à r.l.

Once we have contributed our coffee businesses to the new company, we expect to record our interest in JDE as an equity method investment on our consolidated balance sheet and to include our share of its earnings prospectively within our continuing results of operations. We also anticipate recording a gain on the divested assets of our coffee business portfolio.

The transactions remain subject to regulatory approvals and the completion of employee information and consultation requirements. We continue to expect the transactions to be completed in the third quarter of 2015, subject to closing conditions, including regulatory approvals. In December 2014, the European Commission announced its intention to further evaluate the proposed transaction against EU antitrust regulations and in order to make a final determination on merger clearance, which we currently expect in the second quarter of 2015. We and DEMB also continue to undertake consultations with Works Councils and employee representatives as required in connection with the transactions.

In connection with the expected receipt of approximately 4 billion upon closing, we entered into currency exchange forward contracts in the second quarter of 2014 to lock in an expected U.S. dollar value of approximately $5 billion.

On February 11, 2015, we monetized these forward contracts and realized total pre-tax gains of $939 million, of which $311 million was recognized in the first quarter of 2015. We also entered into new currency exchange forward contracts to lock in an expected euro/U.S. dollar exchange rate on the expected 4 billion cash receipt that generated a $240 million unrealized gain in the first quarter of 2015. The unrealized gain was recorded within interest and other expense, net and the asset derivative is recorded within other current assets. On April 17, 2015, we monetized the new forward contracts for a realized gain of $296 million and executed new currency exchange forward contracts to continue to lock in an expected U.S. dollar value on the receipt of the 4 billion at closing. Based on changes in the euro/U.S. dollar exchange rate, the actual closing date of the planned coffee business transactions and the settlement dates of the hedges or other hedges we may put into place, the actual amount of U.S. dollars we receive could change.

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We have incurred incremental expenses related to readying our coffee businesses for the planned transactions that totaled $28 million in the three months ended March 31, 2015 and were recorded within selling, general and administrative expenses of primarily our Europe and Eastern Europe, Middle East and Africa segments and within our general corporate expenses.

Other Divestiture and Acquisitions:

On February 27, 2015, we announced our agreement to sell our 50 percent interest in a Japanese coffee joint venture to our joint venture partner. During the first quarter of 2015, we reclassified our $96 million held for sale investment from long-term other assets to other current assets, and we recognized $32 million of tax charges related to the pending sale. We also will divest $42 million of cumulative translation losses in connection with the sale. On April 23, 2015, we closed on the transaction and received cash proceeds of 27 billion Japanese yen ($225 million U.S. dollars as of April 23, 2015).

On February 16, 2015, we acquired a U.S. snacking company, Enjoy Life Foods (Enjoy Life) within our North America segment. We paid cash and settled debt totaling $81 million in connection with the acquisition. As of March 31, 2015, we recorded a preliminary $81 million purchase price allocation of $58 million in estimated identifiable intangible assets, $19 million of estimated goodwill and $4 million of other net assets. We currently expect to finalize the valuation in the second quarter of 2015. The acquisition-related costs and operating results of the acquisition were not material to our condensed consolidated financial statements as of and for the three months ended March 31, 2015.

On November 11, 2014, we announced the pending acquisition of a biscuit operation in Vietnam. The biscuit operation will become a subsidiary within our Asia Pacific segment. The total consideration to be paid is expected to be up to 12,656 billion Vietnamese dong ($596 million U.S. dollars as of March 31, 2015). We expect to close the initial phase of the transaction in mid 2015 after regulatory and other matters are resolved. We deposited $46 million in escrow upon signing the purchase agreement on November 10, 2014. We expect to pay approximately 9,935 billion Vietnamese dong ($468 million U.S. dollars as of March 31, 2015) and deposit an additional 991 billion Vietnamese dong ($47 million U.S. dollars as of March 31, 2015) in escrow upon completing the initial phase of the transaction in mid 2015, which we expect to fund from current borrowing capacity. The balance will be paid upon the satisfaction of final conditions, including the resolution of warranty or other claims and purchase price adjustments.

Note 3. Inventories

Inventories consisted of the following:

	As of March 31, 2015	As of December 31, 2014
	(in millions)	
Raw materials	$ 1,210	$ 1,122
Finished product	2,211	2,358
Inventories, net	$ 3,421	$ 3,480

Note 4. Property, Plant and Equipment

Property, plant and equipment consisted of the following:

	As of March 31, 2015	As of December 31, 2014
	(in millions)	
Land and land improvements	$ 540	$ 574
Buildings and building improvements	2,946	3,117
Machinery and equipment	11,107	11,737
Construction in progress	1,490	1,484
	16,083	16,912
Accumulated depreciation	(6,822)	(7,085)
Property, plant and equipment, net	$ 9,261	$ 9,827

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In connection with our 2012-2014 Restructuring Program and 2014-2018 Restructuring Program (see Note 6, *Restructuring Programs*), we recorded non-cash asset write-downs (including accelerated depreciation and asset impairments) of $78 million in the three months ended March 31, 2015 and $12 million in the three months ended March 31, 2014. These charges were recorded in the consolidated statements of earnings within asset impairment and exit costs as follows:

	For the Three Months Ended March 31,			
	2015		2014	
	(in millions)			
Latin America	$	13	$	
Asia Pacific		19		
EEMEA				
Europe		25		1
North America		21		11
Total non-cash asset write-downs	$	78	$	12

Note 5. Goodwill and Intangible Assets

Goodwill by reportable segment was:

	As of March 31, 2015		As of December 31, 2014	
	(in millions)			
Latin America	$	1,004	$	1,127
Asia Pacific		2,314		2,395
EEMEA		1,775		1,942
Europe		8,338		8,952
North America		8,925		8,973
Goodwill	$	22,356	$	23,389

Intangible assets consisted of the following:

	As of March 31, 2015	As of December 31, 2014
	(in millions)	

Non-amortizable intangible assets	$	18,017	$	18,810
Amortizable intangible assets		2,407		2,525
		20,424		21,335
Accumulated amortization		(990)		(1,000)
Intangible assets, net	$	19,434	$	20,335

Non-amortizable intangible assets consist principally of brand names purchased through our acquisitions of Nabisco Holdings Corp., the Spanish and Portuguese operations of United Biscuits, the global *LU* biscuit business of Groupe Danone S.A. and Cadbury Limited. Amortizable intangible assets consist primarily of trademarks, customer-related intangibles, process technology, licenses and non-compete agreements. At March 31, 2015, the weighted-average life of our amortizable intangible assets was 13.3 years.

Amortization expense for intangible assets was $46 million in the three months ended March 31, 2015 and $54 million in the three months ended March 31, 2014. We currently estimate annual amortization expense for each of the next five years to be approximately $190 million, estimated using March 31, 2015 exchange rates.

During our 2014 review of non-amortizable intangible assets, we recorded an impairment charge of $57 million within asset impairment and exit costs for the impairment of intangible assets in Asia Pacific and Europe. We also noted three brands with $341 million of aggregate book value as of December 31, 2014 that each had a fair value in excess of book value of 10% or less. While these intangible assets passed our annual impairment testing and we believe our current plans for each of these brands will allow them to continue to not be impaired, if expectations are not met or specific valuation factors outside of our control, such as discount rates, change significantly, then a brand or brands could become impaired in the future.

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Changes in goodwill and intangible assets consisted of:

	Goodwill	Intangible Assets, at Cost
	(in millions)	
Balance at January 1, 2015	$ 23,389	$ 21,335
Changes due to:		
Currency	(1,052)	(969)
Acquisition	19	58
Balance at March 31, 2015	$ 22,356	$ 20,424

Refer to Note 2, *Divestitures and Acquisitions*, for additional information related to the Enjoy Life acquisition completed in the first quarter.

Note 6. Restructuring Programs

2014-2018 Restructuring Program

On May 6, 2014, our Board of Directors approved a $3.5 billion restructuring program, comprised of approximately $2.5 billion in cash costs and $1 billion in non-cash costs (the 2014-2018 Restructuring Program), and up to $2.2 billion of capital expenditures. The primary objective of the 2014-2018 Restructuring Program is to reduce our operating cost structure in both our supply chain and overhead costs. The program is intended primarily to cover severance as well as asset disposals and other manufacturing-related one-time costs. We expect to incur the majority of the program s charges in 2015 and 2016 and to complete the program by year-end 2018. Since inception, we have incurred total restructuring and related implementation charges of $605 million related to the 2014-2018 Restructuring Program.

Restructuring Costs:

We recorded restructuring charges of $163 million in the three months ended March 31, 2015 within asset impairment and exit costs. The activity for the 2014-2018 Restructuring Program liability for the three months ended March 31, 2015 was:

	Severance and related costs	Asset Write-downs	Total
		(in millions)	
Liability balance, January 1, 2015	$ 224	$	$ 224
Charges	85	78	163
Cash spent	(39)		(39)

Non-cash settlements / adjustments		(78)	(78)
Currency	(14)		(14)
Liability balance, March, 31, 2015	$ 256	$	$ 256

We spent $39 million in the three months ended March 31, 2015 in cash severance and related costs. We also recognized non-cash asset write-downs (including accelerated depreciation and asset impairments) and other non-cash adjustments totaling $78 million in the three months ended March 31, 2015. At March 31, 2015, $248 million of our net restructuring liability was recorded within other current liabilities and $8 million was recorded within other long-term liabilities.

Implementation Costs:

Implementation costs are directly attributable to restructuring activities; however, they do not qualify for special accounting treatment as exit or disposal activities. We believe the disclosure of implementation costs provides readers of our financial statements with more information on the total costs of our 2014-2018 Restructuring Program. Implementation costs primarily relate to reorganizing our operations and facilities in connection with our supply chain reinvention program and other identified productivity and cost saving initiatives. The costs include incremental expenses related to the closure of facilities, costs to terminate certain contracts and the simplification of our information systems. Within our continuing results of operations, we recorded implementation costs of $61 million in the three months ended March 31, 2015. We recorded these costs within cost of sales and general corporate expense within selling, general and administrative expenses.

Restructuring and Implementation Costs in Operating Income:

During 2015 and 2014, we recorded restructuring and implementation costs related to the 2014-2018 Restructuring Program within operating income as follows:

	Latin America	Asia Pacific	EEMEA	Europe (in millions)	North America	Corporate [(1)]	Total
For the Three Months Ended March 31, 2015							
Restructuring Costs	$ 15	$ 25	$ 2	$ 109	$ 11	$ 1	$ 163
Implementation Costs	9	4	4	20	9	15	61
Total	$ 24	$ 29	$ 6	$ 129	$ 20	$ 16	$ 224
Total Project 2014-2015 [(2)]							
Restructuring Costs	$ 96	$ 41	$ 21	$ 200	$ 68	$ 11	$ 437
Implementation Costs	25	13	8	57	14	51	168
Total	$ 121	$ 54	$ 29	$ 257	$ 82	$ 62	$ 605

(1) Includes adjustment for rounding.

(2) Includes all charges recorded since program inception on May 6, 2014 through March 31, 2015.

2012-2014 Restructuring Program

On October 1, 2012, we completed the Spin-Off of our North American grocery business, Kraft Foods Group, Inc. (Kraft Foods Group), to our shareholders (the Spin-Off). Prior to this transaction, in 2012, our Board of Directors approved $1.5 billion of related restructuring and implementation costs (the 2012-2014 Restructuring Program) reflecting primarily severance, asset disposals and other manufacturing-related one-time costs. The primary objective of the 2012-2014 Restructuring Program was to ensure that Mondelēz International and Kraft Foods Group were each set up to operate efficiently and execute on our respective business strategies upon separation and in the future.

Of the $1.5 billion of 2012-2014 Restructuring Program costs, we retained approximately $925 million and Kraft Foods Group retained the balance of the program. Through the end of 2014, we incurred total restructuring and related implementation charges of $899 million, and completed incurring planned charges on the 2012-2014 Restructuring Program.

Restructuring Costs:

We recorded reversals to the restructuring charges of $2 million in the three months ended March 31, 2015 related to accruals no longer required. We recorded restructuring charges of $42 million in the three months ended March 31, 2014 within asset impairment and exit costs. The activity for the 2012-2014 Restructuring Program liability for the three months ended March 31, 2015 was:

	Severance and related costs		Asset Write-downs (in millions)		Total	
Liability balance, January 1, 2015	$	128	$		$	128
Charges		(2)				(2)
Cash spent		(19)				(19)
Non-cash settlements						
Currency		(5)				(5)
Liability balance, March 31, 2015	$	102	$		$	102

We spent $19 million in the three months ended March 31, 2015 and $28 million in the three months ended March 31, 2014 in cash severance and related costs. We also recognized non-cash pension plan settlement losses (See Note 9, *Benefit Plans*), non-cash asset write-downs (including accelerated depreciation and asset impairments) and other non-cash adjustments totaling $13 million in the three months ended March 31, 2014. At March 31, 2015, $74 million of our net restructuring liability was recorded within other current liabilities and $28 million was recorded within other long-term liabilities.

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Implementation Costs:

Implementation costs related to our 2012-2014 Restructuring Program primarily relate to activities in connection with the Spin-Off such as reorganizing our operations and facilities, the discontinuance of certain product lines and incremental expenses related to the closure of facilities, replicating our information systems infrastructure and reorganizing our sales function. Within our continuing results of operations, we recorded implementation costs of $24 million in the three months ended March 31, 2014. We recorded these costs within cost of sales and selling, general and administrative expenses.

Restructuring and Implementation Costs in Operating Income:

During the three months ended March 31, 2014 and since inception of the 2012-2014 Restructuring Program, we recorded restructuring and implementation costs within operating income as follows:

	Latin America	Asia Pacific	EEMEA	Europe (in millions)	North America	Corporate [1]	Total
For the Three Months Ended March 31, 2014							
Restructuring Costs	$ 1	$	$ 4	$ 17	$ 20	$	$ 42
Implementation Costs			1	15	7	1	24
Total	$ 1	$	$ 5	$ 32	$ 27	$ 1	$ 66
Total Project 2012-2014 [2]							
Restructuring Costs	$ 36	$ 36	$ 69	$ 249	$ 337	$ 2	$ 729
Implementation Costs	3	6	4	88	65	4	170
Total	$ 39	$ 42	$ 73	$ 337	$ 402	$ 6	$ 899

(1) Includes adjustment for rounding.
(2) Includes all charges recorded since program inception in 2012 through conclusion on December 31, 2014.

Note 7. Debt

Short-Term Borrowings:

Our short-term borrowings and related weighted-average interest rates consisted of:

	As of March 31, 2015	As of December 31, 2014

	Amount Outstanding (in millions)	Weighted-Average Rate	Amount Outstanding (in millions)	Weighted-Average Rate
Commercial paper	$ 3,465	0.5%	$ 1,101	0.4%
Bank loans	223	12.1%	204	8.8%
Total short-term borrowings	$ 3,688		$ 1,305	

As of March 31, 2015, the commercial paper issued and outstanding had between 1 and 92 days remaining to maturity. Bank loans include borrowings on primarily uncommitted credit lines maintained by some of our international subsidiaries to meet short-term working capital needs.

Borrowing Arrangements:

We maintain a revolving credit facility for general corporate purposes, including for working capital purposes and to support our commercial paper program. Our $4.5 billion multi-year senior unsecured revolving credit facility expires on October 11, 2018. The revolving credit agreement includes a covenant that we maintain a minimum shareholders equity of at least $24.6 billion, excluding accumulated other comprehensive earnings / (losses) and the cumulative effects of any changes in accounting principles. At March 31, 2015, we complied with the covenant as our shareholders equity as defined by the covenant was $33.8 billion. The revolving credit facility agreement also contains customary representations, covenants and events of default. There are no credit rating triggers, provisions or other financial covenants that could require us to post collateral as security. As of March 31, 2015, no amounts were drawn on the facility.

Some of our international subsidiaries maintain primarily uncommitted credit lines to meet short-term working capital needs. Collectively, these credit lines amounted to $2.0 billion at March 31, 2015 and $2.1 billion at December 31, 2014. Borrowings on these lines amounted to $223 million at March 31, 2015 and $204 million at December 31, 2014.

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Long-Term Debt:

On March 30, 2015, we issued *fr.*675 million of Swiss franc-denominated notes, or approximately $694 million in U.S. dollars as of March 31, 2015, consisting of:

*fr.*175 million (or $180 million) of 0.000% fixed rate notes that mature on March 30, 2017
*fr.*300 million (or $308 million) of 0.625% fixed rate notes that mature on December 30, 2021
*fr.*200 million (or $206 million) of 1.125% fixed rate notes that mature on December 30, 2025

We received net proceeds of $675 million that were used for general corporate purposes. We recorded approximately $2 million of premiums and deferred financing costs, which will be amortized into interest expense over the life of the notes.

On March 20, 2015, 850 million of our 6.250% euro-denominated notes matured. The notes and accrued interest to date were paid with the issuance of commercial paper and cash on hand.

On March 20, 2015, we completed a cash tender offer and retired $2.5 billion of our long-term U.S. dollar debt consisting of:

$102 million of our 6.500% Notes due in August 2017
$115 million of our 6.125% Notes due in February 2018
$80 million of our 6.125% Notes due in August 2018
$691 million of our 5.375% Notes due in February 2020
$201 million of our 6.500% Notes due in November 2031
$26 million of our 7.000% Notes due in August 2037
$71 million of our 6.875% Notes due in February 2038
$69 million of our 6.875% Notes due in January 2039
$1,143 million of our 6.500% Notes due in February 2040

We financed the repurchase of these notes, including the payment of accrued interest and other costs incurred, from net proceeds received from the $2.8 billion notes issuance on March 6, 2015 described below and the issuance of commercial paper. In connection with retiring this debt, during the first three months of 2015, we recorded a $708 million loss on extinguishment of debt within interest expense related to the amount we paid to retire the debt in excess of its carrying value and from recognizing unamortized discounts and deferred financing costs in earnings at the time of the debt extinguishment. The loss on extinguishment is included in long-term debt repayments in the condensed consolidated statement of cash flows for the three months ended March 31, 2015. We also recognized $5 million of charges within interest expense from hedging instruments related to the retired debt. Upon extinguishing the debt, the deferred cash flow hedge amounts were recorded in earnings.

On March 6, 2015, we issued 2.0 billion of euro-denominated notes and £450 million of British pound sterling-denominated notes, or approximately $2.8 billion in U.S. dollars as of March 31, 2015, consisting of:

500 million (or $537 million) of 1.000% fixed rate notes that mature on March 7, 2022
750 million (or $805 million) of 1.625% fixed rate notes that mature on March 8, 2027
750 million (or $805 million) of 2.375% fixed rate notes that mature on March 6, 2035
£450 million (or $667 million) of 3.875% fixed rate notes that mature on March 6, 2045

We received net proceeds of $2,890 million that were used to fund the March 2015 tender offer and for other general corporate purposes. We recorded approximately $29 million of discounts and deferred financing costs, which will be amortized into interest expense over the life of the notes.

Our weighted-average interest rate on our total debt was 3.1% as of March 31, 2015, following the completion of our tender offer and debt issuances in the first quarter. Our weighted-average interest rate on our total debt as of December 31, 2014 was 4.3%, down from 4.8% as of December 31, 2013.

Fair Value of Our Debt:

The fair value of our short-term borrowings at March 31, 2015 and December 31, 2014 reflects current market interest rates and approximates the amounts we have recorded on our consolidated balance sheet. The fair value of our long-term debt was determined using quoted prices in active markets (Level 1 valuation data) for the publicly traded debt obligations. At March 31, 2015, the aggregate fair value of our total debt was $19,986 million and its carrying value was $18,705 million. At December 31, 2014, the aggregate fair value of our total debt was $18,463 million and its carrying value was $16,700 million.

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Interest and Other Expense, Net:

Interest and other expense, net within our results of continuing operations consisted of:

	For the Three Months Ended March 31, 2015	2014
	(in millions)	
Interest expense, debt	$ 175	$ 202
Loss on debt extinguishment and related expenses	713	494
Realized gain on planned coffee business divestiture currency hedges	(311)	
Unrealized gain on planned coffee business divestiture currency hedges	(240)	
Loss related to interest rate swaps	34	
Other expense, net	15	24
Total interest and other expense, net	$ 386	$ 720

See Note 2, *Divestitures and Acquisitions,* and Note 8, *Financial Instruments,* for information on the currency exchange forward contracts associated with the planned coffee business transactions. Also see Note 8, *Financial Instruments*, for information on the loss related to U.S. dollar interest rate swaps no longer designated as accounting cash flow hedges during the quarter.

Note 8. Financial Instruments

Fair Value of Derivative Instruments:

Derivative instruments were recorded at fair value in the consolidated balance sheets as follows:

	As of March 31, 2015 Asset Derivatives	Liability Derivatives	As of December 31, 2014 Asset Derivatives	Liability Derivatives
	(in millions)			
Derivatives designated as accounting hedges:				
Currency exchange contracts	$ 90	$ 33	$ 69	$ 17
Commodity contracts	1	57	12	33
Interest rate contracts	17	73	13	42
	$ 108	$ 163	$ 94	$ 92

Derivatives not designated as accounting hedges:				
Currency exchange contracts	$ 284	$ 77	$ 735	$ 24
Commodity contracts	107	156	90	194
Interest rate contracts	50	33	59	39
	$ 441	$ 266	$ 884	$ 257
Total fair value	$ 549	$ 429	$ 978	$ 349

We record derivative assets and liabilities on a gross basis in our condensed consolidated balance sheet. The fair value of our asset derivatives is recorded within other current assets and the fair value of our liability derivatives is recorded within other current liabilities. See our consolidated financial statements and related notes in our Annual Report on Form 10-K for the year ended December 31, 2014 for additional information on our risk management strategies and use of derivatives and related accounting.

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The fair values (asset / (liability)) of our derivative instruments were determined using:

	As of March 31, 2015			
	Total Fair Value of Net Asset / (Liability)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(in millions)			
Currency exchange contracts	$ 264	$	$ 264	$
Commodity contracts	(105)	(105)		
Interest rate contracts	(39)		(39)	
Total derivatives	$ 120	$ (105)	$ 225	$

	As of December 31, 2014			
	Total Fair Value of Net Asset / (Liability)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(in millions)			
Currency exchange contracts	$ 763	$	$ 763	$
Commodity contracts	(125)	(49)	(76)	
Interest rate contracts	(9)		(9)	
Total derivatives	$ 629	$ (49)	$ 678	$

Level 1 financial assets and liabilities consist of exchange-traded commodity futures and listed options. The fair value of these instruments is determined based on quoted market prices on commodity exchanges. Our exchange-traded derivatives are generally subject to master netting arrangements that permit net settlement of transactions with the same counterparty when certain criteria are met, such as in the event of default. We also are required to maintain cash margin accounts in connection with funding the settlement of our open positions, and the margin requirements generally fluctuate daily based on market conditions. We have recorded margin deposits related to our exchange-traded derivatives of $146 million as of March 31, 2015 and $84 million as of December 31, 2014 within other current assets. Based on our net asset or liability positions with individual counterparties, in the event of default and immediate net settlement of all of our open positions, for derivatives we have in a net liability position, we would owe $1 million as of March 31, 2015 and $3 million as of December 31, 2014, and for derivatives we have in a net asset position, our counterparties would owe us a total of $42 million as of March 31, 2015 and $38 million as of December 31, 2014.

Level 2 financial assets and liabilities consist primarily of over-the-counter (OTC) currency exchange forwards, options and swaps; commodity forwards and options; and interest rate swaps. Our currency exchange contracts are valued using an income approach based on observable market forward rates less the contract rate multiplied by the notional amount. Commodity derivatives are valued using an income approach based on the observable market commodity index prices less the contract rate multiplied by the notional amount or based on pricing models that rely on market observable inputs such as commodity prices. Our calculation of the fair value of interest rate swaps is derived from a discounted cash flow analysis based on the terms of the contract and the observable market interest rate curve. Our calculation of the fair value of financial instruments takes into consideration the risk of nonperformance, including counterparty credit risk. Our OTC derivative transactions are governed by International Swap Dealers Association agreements and other standard industry contracts. Under these agreements, we do not post nor require collateral from our counterparties. The majority of our commodity and currency exchange OTC derivatives do not have a legal right of set-off. In connection with our OTC derivatives that could be net-settled in the event of default, assuming all parties were to fail to comply with the terms of the agreements, for derivatives we have in a net liability position, we would owe $159 million as of March 31, 2015 and $156 million as of December 31, 2014, and for derivatives we have in a net asset position, our counterparties would owe us a total of $67 million as of March 31, 2015 and $72 million as of December 31, 2014. We manage the credit risk in connection with these and all our derivatives by entering into transactions with counterparties with investment grade credit ratings, limiting the amount of exposure with each counterparty and monitoring the financial condition of our counterparties.

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Derivative Volume:

The net notional values of our derivative instruments were:

	Notional Amount As of March 31, 2015	Notional Amount As of December 31, 2014
	(in millions)	
Currency exchange contracts:		
Intercompany loans and forecasted interest payments	$ 3,639	$ 3,640
Forecasted transactions	6,670	6,681
Commodity contracts	1,196	1,569
Interest rate contracts	3,037	3,970
Net investment hedge euro notes	4,722	3,932
Net investment hedge pound sterling notes	1,185	545
Net investment hedge Swiss franc notes	694	

Cash Flow Hedges:

Cash flow hedge activity, net of taxes, within accumulated other comprehensive earnings / (losses) included:

	For the Three Months Ended March 31, 2015	For the Three Months Ended March 31, 2014
	(in millions)	
Accumulated gain / (loss) at beginning of period	$ (2)	$ 117
Transfer of realized losses / (gains) in fair value to earnings	(18)	(1)
Unrealized gain / (loss) in fair value	(26)	(34)
Accumulated gain / (loss) at end of period	$ (46)	$ 82

After-tax gains / (losses) reclassified from accumulated other comprehensive earnings / (losses) into net earnings were:

	For the Three Months Ended March 31, 2015	For the Three Months Ended March 31, 2014
	(in millions)	

Currency exchange contracts forecasted transactions	$	46	$	(2)
Commodity contracts		(2)		5
Interest rate contracts		(26)		(2)
Total	$	18	$	1

After-tax gains / (losses) recognized in other comprehensive earnings / (losses) were:

	For the Three Months Ended March 31,			
	2015		2014	
	(in millions)			
Currency exchange contracts -forecasted transactions	$	49	$	2
Commodity contracts		(38)		11
Interest rate contracts		(37)		(47)
Total	$	(26)	$	(34)

Cash flow hedge ineffectiveness was not material for all periods presented.

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Pre-tax gains / (losses) on amounts excluded from effectiveness testing recognized in net earnings from continuing operations included a pre-tax loss of $34 million recognized in the three months ended March 31, 2015 within interest and other expense, net related to certain U.S. dollar interest rate swaps that we no longer designate as accounting cash flow hedges due to a change in financing and hedging plans. In the first quarter, our plans to issue U.S. dollar debt changed and we issued euro, British pound sterling and Swiss franc-denominated notes due to lower overall cost and our decision to hedge a greater portion of our net investments in operations that use these currencies as their functional currencies. In the prior-year period, amounts excluded from effectiveness testing were not material.

We record pre-tax and after-tax (i) gains or losses reclassified from accumulated other comprehensive earnings / (losses) into earnings, (ii) gains or losses on ineffectiveness and (iii) gains or losses on amounts excluded from effectiveness testing in:

- cost of sales for commodity contracts;
- cost of sales for currency exchange contracts related to forecasted transactions; and
- interest and other expense, net for interest rate contracts and currency exchange contracts related to intercompany loans.

Based on current market conditions, we would expect to transfer unrealized losses of $55 million (net of taxes) for commodity cash flow hedges, unrealized gains of $55 million (net of taxes) for currency cash flow hedges and unrealized losses of $1 million (net of taxes) for interest rate cash flow hedges to earnings during the next 12 months.

Hedge Coverage:

As of March 31, 2015, we hedged transactions forecasted to impact cash flows over the following periods:

- commodity transactions for periods not exceeding the next 16 months;
- interest rate transactions for periods not exceeding the next 30 years and 11 months; and
- currency exchange transactions for periods not exceeding the next 11 months.

Fair Value Hedges:

Pre-tax gains / (losses) due to changes in fair value of our interest rate swaps and related hedged long-term debt were recorded in interest and other expense, net:

	For the Three Months Ended March 31,	
	2015	**2014**
	(in millions)	
Derivatives	$ 4	$
Borrowings	(4)	

Fair value hedge ineffectiveness and amounts excluded from effectiveness testing were not material for all periods presented.

Economic Hedges:

Pre-tax gains / (losses) recorded in net earnings for economic hedges were:

	For the Three Months Ended March 31, 2015	2014	Location of Gain / (Loss) Recognized in Earnings
	(in millions)		
Currency exchange contracts:			
Intercompany loans and forecasted interest payments	$ 7	$ (2)	Interest and other expense, net
Forecasted transactions	(3)	(10)	Cost of sales
Forecasted transactions	553	(5)	Interest and other expense, net
Forecasted transactions	(11)	(1)	Selling, general and administrative expenses
Interest rate contracts	1		Interest and other expense, net
Commodity contracts	(41)	38	Cost of sales
Total	$ 506	$ 20	

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In connection with the planned coffee business transactions, we entered into euro to U.S. dollar currency exchange forward contracts to hedge an expected cash receipt of 4 billion upon closing. As the forward contracts relate to a pending business divestiture, unrealized gains and losses on the derivative are recorded in earnings. We recorded a $311 million realized gain and a $240 million unrealized gain for the three months ended March 31, 2015 within interest and other expense, net in connection with the forward contracts as the U.S. dollar strengthened relative to the euro. See Note 2, *Divestitures and Acquisitions Planned Coffee Business Transactions*, for additional information on our currency exchange forward contracts transactions in the first quarter of 2015.

Hedges of Net Investments in International Operations:

After-tax gains / (losses) related to hedges of net investments in international operations in the form of euro, pound sterling and Swiss franc-denominated debt were:

	For the Three Months Ended March 31, 2015	2014	Location of Gain / (Loss) Recognized in AOCI
	(in millions)		
Euro notes	$ 314	$ (5)	Currency
Pound sterling notes	32	(4)	Translation
Swiss franc notes	(13)		Adjustment

Note 9. Benefit Plans

Pension Plans

Components of Net Periodic Pension Cost:

Net periodic pension cost consisted of the following:

	U.S. Plans For the Three Months Ended March 31,		Non-U.S. Plans For the Three Months Ended March 31,	
	2015	2014	2015	2014
	(in millions)			
Service cost	$ 17	$ 15	$ 50	$ 44
Interest cost	17	17	77	97
Expected return on plan assets	(23)	(20)	(119)	(123)
Amortization:				
Net loss from experience differences	12	8	39	27
Settlement losses	3	2		5
Net periodic pension cost	$ 26	$ 22	$ 47	$ 50

Employer Contributions:

We make contributions to our U.S. and non-U.S. pension plans primarily to the extent that they are tax deductible and do not generate an excise tax liability. During the three months ended March 31, 2015, we contributed $202 million to our U.S. plans and $116 million to our non-U.S. plans. Based on current tax law, we plan to make further contributions of approximately $8 million to our U.S. plans and approximately $203 million to our non-U.S. plans during the remainder of 2015. However, our actual contributions may differ due to many factors, including changes in tax and other benefit laws or significant differences between expected and actual pension asset performance or interest rates.

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Postretirement Benefit Plans

Net postretirement health care costs consisted of the following:

	For the Three Months Ended March 31,	
	2015	2014
	(in millions)	
Service cost	$ 4	$ 3
Interest cost	6	5
Amortization:		
Net loss from experience differences	3	2
Prior service credit	(2)	(3)
Net postretirement health care costs	$ 11	$ 7

Postemployment Benefit Plans

Net postemployment costs consisted of the following:

	For the Three Months Ended March 31,	
	2015	2014
	(in millions)	
Service cost	$ 2	$ 2
Interest cost	1	2
Net postemployment costs	$ 3	$ 4

Note 10. Stock Plans

Stock Options:

Stock option activity consisted of the following:

	Shares Subject to Option	Weighted-Average Exercise or Grant Price	Aggregate Intrinsic Value

		Per Share	
Balance at January 1, 2015	56,431,551	$ 24.19	$ 685 million
Annual grant to eligible employees	8,899,530	36.94	
Additional options issued	808,460	35.48	
Total options granted	9,707,990	36.82	
Options exercised	(2,598,094)	23.16	$ 35 million
Options cancelled	(632,703)	31.37	
Balance at March 31, 2015	62,908,744	26.11	$ 635 million

Restricted and Deferred Stock:

Restricted and deferred stock activity consisted of the following:

	Number of Shares	Grant Date	Weighted-Average Fair Value Per Share	Weighted-Average Aggregate Fair Value
Balance at January 1, 2015	10,582,640		$ 28.56	
Performance share units granted	1,598,290	Feb. 18, 2015	36.94	
Annual grant to eligible employees	1,253,550	Feb. 18, 2015	36.94	
Additional shares issued	643,413	Various	36.71	
Total shares granted	3,495,253		36.90	$ 129 million
Vested	(3,234,075)		36.95	$ 119 million
Forfeited	(267,181)		32.49	
Balance at March 31, 2015	10,576,637		28.65	

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Share Repurchase Program:

During 2013, our Board of Directors authorized the repurchase of $7.7 billion of our Common Stock through December 31, 2016. Repurchases under the program are determined by management and are wholly discretionary. During the three months ended March 31, 2015, we repurchased 41.7 million shares of Common Stock at an average cost of $35.98 per share, or an aggregate cost of $1.5 billion, which was paid during the quarter. All share repurchases were funded through available cash and commercial paper issuances. As of March 31, 2015, we have $1.6 billion in remaining share repurchase capacity.

Note 11. Commitments and Contingencies

Legal Proceedings:

We routinely are involved in legal proceedings, claims and governmental inspections or investigations (Legal Matters) arising in the ordinary course of our business.

A compliant and ethical corporate culture, which includes adhering to laws and industry regulations in all jurisdictions in which we do business, is integral to our success. Accordingly, after we acquired Cadbury in February 2010, we began reviewing and adjusting, as needed, Cadbury s operations in light of applicable standards as well as our policies and practices. We initially focused on such high priority areas as food safety, the Foreign Corrupt Practices Act (FCPA) and antitrust. Based upon Cadbury s pre-acquisition policies and compliance programs and our post-acquisition reviews, our preliminary findings indicated that Cadbury s overall state of compliance was sound. Nonetheless, through our reviews, we determined that in certain jurisdictions, including India, there appeared to be facts and circumstances warranting further investigation. We are continuing our investigations in certain jurisdictions, including in India, and we continue to cooperate with governmental authorities.

As we previously disclosed, on February 1, 2011, we received a subpoena from the SEC in connection with an investigation under the FCPA, primarily related to a facility in India that we acquired in the Cadbury acquisition. The subpoena primarily requests information regarding dealings with Indian governmental agencies and officials to obtain approvals related to the operation of that facility. We are continuing to cooperate with the U.S. and Indian governments in their investigations of these matters, including through ongoing meetings with the U.S. government to discuss potential conclusion of the U.S. government investigation.

In February 2013 and March 2014, Cadbury India Limited (now known as Mondelez India Foods Private Limited), a subsidiary of Mondelēz International, and other parties received show cause notices from the Indian Central Excise Authority (the Excise Authority) calling upon the parties to demonstrate why the Excise Authority should not collect a total of 3.7 billion Indian rupees (approximately $60 million U.S. dollars as of March 31, 2015) of unpaid excise tax and an equivalent amount of penalties, as well as interest, related to production at the same Indian facility. We contested these demands for unpaid excise taxes, penalties and interest. On March 27, 2015, after several hearings, the Commissioner of the Excise Authority issued an order denying the excise exemption that we claimed for the Indian facility and confirming the Excise Authority s demands for total taxes and penalties in the amount of 5.8 billion Indian rupees (approximately $94 million U.S. dollars as of March 31, 2015). We plan to appeal this order. In addition, the Excise Authority issued another show cause notice, dated February 6, 2015, on the same issue but covering the period January to October 2014, thereby adding 1.0 billion Indian rupees (approximately $17 million U.S. dollars as of March 31, 2015) of unpaid excise taxes as well as 1.0 billion Indian rupees (approximately $17 million U.S. dollars as of March 31, 2015) of penalties, as well as interest, to the amount claimed by the Excise Authority. We believe that the decision to claim the excise tax benefit is valid and we are continuing to contest the show cause notices through the administrative and judicial process.

In April 2013, the staff of the U.S. Commodity Futures Trading Commission (CFTC) advised us and Kraft Foods Group that it was investigating activities related to the trading of December 2011 wheat futures contracts that occurred prior to the Spin-Off of Kraft Foods Group. We cooperated with the staff in its investigation. On April 1, 2015, the CFTC filed a complaint against Kraft Foods Group and Mondelēz Global LLC in the U.S. District Court for the Northern District of Illinois, Eastern Division (the CFTC action). The complaint alleges that Kraft Foods Group and we (1) manipulated or attempted to manipulate the wheat markets during the fall of 2011; (2) violated position limit levels for wheat futures and (3) engaged in non-competitive trades by trading both sides of exchange-for-physical Chicago Board of Trade wheat contracts. The CFTC seeks civil monetary penalties of either triple the monetary gain for each violation of the Commodity Exchange Act (the Act) or $1 million for each violation of Section 6(c)(1), 6(c)(3) or 9(a)(2) of the Act and $140,000 for each additional violation of the Act, plus post-judgment interest; an order of permanent injunction prohibiting Kraft Foods Group and us from violating specified provisions of the Act; disgorgement of profits; and costs and fees. In addition, class action complaints were filed against Kraft Foods Group and us in the U.S. District Court for the Northern District of Illinois. These were filed on April 2, 2015 by Harry Ploss, as trustee for the Harry Ploss Trust dated 8/16/1993, on April 9, 2015 by Richard Dennis, on April 16,

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2015 by Henrik Christensen, on April 22, 2015 by White Oak Fund, LP and on April 24, 2015 by Budicak Inc., in each case on behalf of themselves and others similarly situated. The complaints make the same allegations as those made in the CFTC action and seek class action certification; an unspecified amount for damages, interest and unjust enrichment; and costs and fees. It is not possible to predict the outcome of these matters; however, based on our Separation and Distribution Agreement with Kraft Foods Group dated as of September 27, 2012, we expect to predominantly bear any monetary penalties or other payments in connection with the CFTC action.

While we cannot predict with certainty the results of any Legal Matters in which we are currently involved, we do not expect that the ultimate costs to resolve any of these Legal Matters, individually or in the aggregate, will have a material effect on our financial results.

Third-Party Guarantees:

We enter into third-party guarantees primarily to cover the long-term obligations of our vendors. As part of these transactions, we guarantee that third parties will make contractual payments or achieve performance measures. At March 31, 2015, we had no material third-party guarantees recorded on our consolidated balance sheet.

Note 12. Reclassifications from Accumulated Other Comprehensive Income

The components of accumulated other comprehensive earnings / (losses) attributable to Mondelēz International were:

	Mondelēz International Shareholders Equity			
	Currency Translation Adjustments	Pension and Other Benefits	Derivatives Accounted for as Hedges	Total
	(in millions)			
Balances at January 1, 2014	$ (1,414)	$ (1,592)	$ 117	$ (2,889)
Other comprehensive earnings / (losses), before reclassifications:				
Currency translation adjustment [(1)]	(225)	8		(217)
Pension and other benefits		6		6
Derivatives accounted for as hedges	(15)		(56)	(71)
Losses / (gains) reclassified into net earnings		41	(2)	39
Tax (expense) / benefit	6	(13)	23	16
Total other comprehensive earnings / (losses)				(227)
Balances at March 31, 2014	$ (1,648)	$ (1,550)	$ 82	$ (3,116)
Balances at January 1, 2015	$ (5,042)	$ (2,274)	$ (2)	$ (7,318)

Other comprehensive earnings / (losses), before reclassifications:				
Currency translation adjustment(1)	(2,352)	131		(2,221)
Pension and other benefits				
Derivatives accounted for as hedges	525		(56)	469
Losses / (gains) reclassified into net earnings		55	(4)	51
Tax (expense) / benefit	(192)	(13)	16	(189)
Total other comprehensive earnings / (losses)				(1,890)
Balances at March 31, 2015	$ (7,061)	$ (2,101)	$ (46)	$ (9,208)

(1) The condensed consolidated statement of other comprehensive earnings includes currency translation adjustment attributable to noncontrolling interests of $(25) million for the three months ended March 31, 2015 and $(1) million for the three months ended March 31, 2014.

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Amounts reclassified from accumulated other comprehensive earnings / (losses) and their locations in the condensed consolidated financial statements were as follows:

	For the Three Months Ended March 31, 2015	2014	Location of Gain / (Loss) Recognized in Net Earnings
	(in millions)		
Pension and other benefits:			
Reclassification of losses / (gains) into net earnings:			
Amortization of experience losses and prior service costs (1)	$ 52	$ 34	
Settlement losses (1)	3	7	
Tax impact	(13)	(13)	Provision for income taxes
Derivatives accounted for as hedges:			
Reclassification of losses / (gains) into net earnings:			
Currency exchange contracts forecasted transactions	(50)	2	Cost of sales
Commodity contracts	5	(7)	Cost of sales
Interest rate contracts	41	3	Interest and other expense, net
Tax impact	(14)		Provision for income taxes
Total reclassifications into net earnings, net of tax	24	26	

(1) These items are included in the components of net periodic benefit costs disclosed in Note 9, *Benefit Plans*.

Note 13. Income Taxes

During 2015, as part of our ongoing remediation efforts related to the material weakness in internal controls over the accounting for income taxes, we recorded out-of-period adjustments that had an immaterial impact on the provision for income taxes of $7 million for the three months ended March 31, 2015. The out-of-period adjustments were not material to the consolidated financial statements for any prior period.

Based on current tax laws, our estimated annual effective tax rate for 2015 is 20.5%, reflecting favorable impacts from the mix of pre-tax income in various non-U.S. tax jurisdictions. Our 2015 first quarter effective tax rate of 26.6% was unfavorably impacted by net tax expense from $25 million of discrete one-time events. The discrete net tax expense primarily consisted of a $32 million tax charge related to the sale of our interest in a Japanese coffee joint venture that subsequently closed on April 23, 2015. The investment s change to held-for-sale status in the first quarter of 2015 resulted in the recognition of the tax charge since we are no longer indefinitely reinvested in this joint venture.

As of the first quarter of 2014, our estimated annual effective tax rate for 2014 was 20.1%, reflecting favorable impacts from the mix of pre-tax income in various non-U.S. tax jurisdictions, partially offset by the remeasurement of our Venezuelan net monetary assets. Our 2014 first quarter effective tax rate of (22.0)% was due to net tax benefits from discrete one-time events and lower pre-tax income due to the tender-related loss on debt extinguishment and the remeasurement of the Venezuela net monetary assets. Of the discrete net tax benefits of $52 million in the quarter, $51 million related to favorable tax audit settlements and expirations of statutes of limitations in several jurisdictions.

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Note 14. Earnings Per Share

Basic and diluted earnings per share (EPS) were calculated using the following:

	For the Three Months Ended March 31,			
	2015		2014	
	(in millions, except per share data)			
Net earnings	$	312	$	150
Noncontrolling interest		(12)		(13)
Net earnings attributable to Mondelēz International	$	324	$	163
Weighted-average shares for basic EPS		1,648		1,704
Plus incremental shares from assumed conversions of stock options and long-term incentive plan shares		17		18
Weighted-average shares for diluted EPS		1,665		1,722
Basic earnings per share attributable to Mondelēz International	$	0.20	$	0.10
Diluted earnings per share attributable to Mondelēz International	$	0.19	$	0.09

We exclude antidilutive Mondelēz International stock options from our calculation of weighted-average shares for diluted EPS. We excluded 10.9 million antidilutive stock options for the three months ended March 31, 2015 and 4.7 million antidilutive stock options for the three months ended March 31, 2014.

Note 15. Segment Reporting

We manufacture and market primarily snack food and beverage products, including biscuits (cookies, crackers and salted snacks), chocolate, gum & candy, coffee & powdered beverages and various cheese & grocery products. We manage our global business and report operating results through geographic units.

Our operations and management structure are organized into five reportable operating segments:

- Latin America
- Asia Pacific
- Eastern Europe, Middle East and Africa (EEMEA)
- Europe
- North America

We manage our operations by region to leverage regional operating scale, manage different and changing business environments more effectively and pursue growth opportunities as they arise in our key markets. Beginning in 2015, within each region, we also manage by product category. The change did not affect our operating or reportable segments. In 2014, we managed our operations within Latin America, Asia Pacific and EEMEA by location and within Europe and North America by product category. Also, in 2015, we began to report stock-based compensation for our corporate employees, which was previously reported within our North America region, within general corporate expenses. During the first quarter of 2015, we reclassified $11 million of corporate stock-based compensation expense out of the North America segment.

We use segment operating income to evaluate segment performance and allocate resources. We believe it is appropriate to disclose this measure to help investors analyze segment performance and trends. Segment operating income excludes unrealized gains and losses on hedging activities (which are a component of cost of sales), general corporate expenses (which are a component of selling, general and administrative expenses), amortization of intangibles, gains and losses on divestitures or acquisitions and acquisition-related costs (which are a component of selling, general and administrative expenses) in all periods presented. We exclude these items from segment operating income in order to provide better transparency of our segment operating results. Furthermore, we centrally manage interest and other expense, net. Accordingly, we do not present these items by segment because they are excluded from the segment profitability measure that management reviews.

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Our segment net revenues and earnings were:

	For the Three Months Ended March 31, 2015		For the Three Months Ended March 31, 2014	
	(in millions)			
Net revenues:				
Latin America	$	1,257	$	1,356
Asia Pacific		1,153		1,223
EEMEA		695		838
Europe		2,975		3,557
North America		1,682		1,667
Net revenues	$	7,762	$	8,641

	For the Three Months Ended March 31, 2015		For the Three Months Ended March 31, 2014	
	(in millions)			
Earnings before income taxes:				
Operating income:				
Latin America	$	154	$	44
Asia Pacific		146		188
EEMEA		32		64
Europe		326		463
North America		281		203
Unrealized gains / (losses) on hedging activities		(7)		7
General corporate expenses		(74)		(72)
Amortization of intangibles		(46)		(54)
Acquisition-related costs		(1)		
Operating income		811		843
Interest and other expense, net		(386)		(720)
Earnings before income taxes	$	425	$	123

Items impacting our segment operating results are discussed in Note 1, *Basis of Presentation,* including the Venezuelan currency devaluation, Note 2, *Divestitures and Acquisitions* and Note 6, *Restructuring Programs*. Also see Note 7, *Debt*, and Note 8, *Financial Instruments,* for more information on our interest and other expense, net for each period.

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Net revenues by product category were:

	For the Three Months Ended March 31, 2015					
	Latin America	Asia Pacific	EEMEA	Europe	North America	Total
			(in millions)			
Biscuits	$ 309	$ 316	$ 124	$ 594	$ 1,358	$ 2,701
Chocolate	294	402	199	1,228	56	2,179
Gum & Candy	295	191	118	183	268	1,055
Beverages	214	115	185	674		1,188
Cheese & Grocery	145	129	69	296		639
Total net revenues	$ 1,257	$ 1,153	$ 695	$ 2,975	$ 1,682	$ 7,762

	For the Three Months Ended March 31, 2014 (1)					
	Latin America	Asia Pacific	EEMEA	Europe	North America	Total
			(in millions)			
Biscuits	$ 327	$ 331	$ 147	$ 722	$ 1,341	$ 2,868
Chocolate	324	418	243	1,476	63	2,524
Gum & Candy	286	206	147	223	263	1,125
Beverages	255	122	228	777		1,382
Cheese & Grocery	164	146	73	359		742
Total net revenues	$ 1,356	$ 1,223	$ 838	$ 3,557	$ 1,667	$ 8,641

(1) During 2014, we realigned some of our products across product categories and as such, we reclassified the product category net revenues on a basis consistent with the 2015 presentation.

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Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations.

Description of the Company

We manufacture and market primarily snack food and beverage products, including biscuits (cookies, crackers and salted snacks), chocolate, gum & candy, coffee & powdered beverages and various cheese & grocery products. We have operations in more than 80 countries and sell our products in approximately 165 countries.

Over the last several years, we have been expanding geographically and building our presence in the snacking category. At the same time, we continued to invest in product quality, marketing and innovation behind our iconic brands, while implementing a series of cost saving initiatives. Our goals are to achieve industry-leading revenue growth over time along with the higher expected growth rates of advantaged snack categories; leverage our cost structure through supply chain reinvention, productivity programs, overhead streamlining, volume growth and improved product mix to drive margin gains; and grow earnings per share in the top-tier of our peer group.

Planned Coffee Business Transactions

On May 7, 2014, we announced that we entered into an agreement to combine our wholly owned coffee portfolio (outside of France) with D.E Master Blenders 1753 B.V. (DEMB). In conjunction with this transaction, Acorn Holdings B.V. (AHBV), owner of DEMB, also made a binding offer to receive our coffee business in France. The parties also invited our partners in certain joint ventures to join the new company.

During the first quarter of 2015, we entered into an agreement to sell our interest in a Japanese coffee joint venture to our joint venture partner so they may operate the business independently. In lieu of contributing our interest in the joint venture, we will instead contribute the net cash proceeds from the sale of the interest. Please see discussion of the pending divestiture of the Japanese coffee joint venture in Note 2, *Divestitures and Acquisitions*.

Upon completion of all proposed transactions, we expect to receive cash of approximately 4 billion and an equity interest of approximately 49 percent in the new company, to be called Jacobs Douwe Egberts (JDE). AHBV will hold a majority share in the proposed combined company and will have a majority of the seats on the board, which will be chaired by current DEMB Chairman Bart Becht. We will have certain minority rights. AHBV is owned by an investor group led by JAB Holding Company s.à r.l.

The transactions remain subject to regulatory approvals and the completion of employee information and consultation requirements. We continue to expect the transactions to be completed in the third quarter of 2015, subject to closing conditions, including regulatory approvals. In December 2014, the European Commission announced its intention to further evaluate the proposed transaction against EU antitrust regulations in order to make a final determination on merger clearance, which we currently expect in the second quarter of 2015. We and DEMB also continue to undertake consultations with Works Councils and employee representatives as required in connection with the transactions.

In connection with the expected receipt of approximately 4 billion upon closing, we entered into currency exchange forward contracts in the second quarter of 2014 to lock in an expected U.S. dollar value of approximately $5 billion. On February 11, 2015, we monetized these forward contracts and realized total pre-tax gains of $939 million, of which $311 million was recognized in the first quarter of 2015. We also entered into new currency exchange forward contracts to lock in an expected euro/U.S. dollar exchange rate on the expected 4 billion cash receipt that generated a $240 million unrealized gain in the first quarter of 2015. The unrealized gain was recorded within interest and other expense, net and the asset derivative is recorded within other current assets. On April 17, 2015, we monetized the new forward contracts for a realized gain of $296 million and executed new currency exchange forward contracts to continue to lock in an expected U.S. dollar value on the receipt of the 4 billion at closing. Based on changes in the euro/U.S. dollar exchange rate, the actual closing date of the planned coffee business transactions and the settlement dates of the hedges or other hedges we may put into place, the actual amount of U.S. dollars we receive could change.

We have incurred incremental expenses related to readying our coffee businesses for the planned transactions which totaled $28 million in the three months ended March 31, 2015 and were recorded within selling, general and administrative expenses of primarily our Europe and EEMEA segments and within our general corporate expenses. For additional information on the JDE coffee transactions, see Note 2, *Divestitures and Acquisitions Planned Coffee Business Transactions*.

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Debt Issuances and Tender Offer

On March 30, 2015, we issued $694 million of Swiss franc-denominated notes that generated approximately $675 million of net cash proceeds, which were used for general corporate purposes. In March 2015, we also recorded approximately $2 million of premiums and deferred financing costs, which will be amortized into interest expense over the life of the notes.

On March 20, 2015, we completed a cash tender offer and retired $2.5 billion of our outstanding higher coupon U.S. dollar debt. In the first three months of 2015, we recorded a $713 million loss on debt extinguishment and related expenses related to the amount we paid to retire the debt in excess of its carrying value and from recognizing unamortized discounts and deferred financing costs in earnings at the time of the debt extinguishment.

On March 6, 2015, we issued $2.8 billion aggregate amount of euro and British pound sterling-denominated notes that generated approximately $2.9 billion of net cash proceeds, which were used to fund the March 2015 tender offer and for other general corporate purposes. In March 2015, we also recorded approximately $29 million of discounts and deferred financing costs, which will be amortized into interest expense over the life of the notes.

Our weighted-average interest rate on our total debt was 3.1% as of March 31, 2015, following the completion of our tender offer and debt issuances in the first quarter. Our weighted-average interest rate on our total debt as of December 31, 2014 was 4.3%, down from 4.8% as of December 31, 2013. See Note 7, *Debt*, for additional information on these transactions.

Summary of Results

- Net revenues of $7.8 billion decreased 10.2% in the first quarter of 2015 as compared to the first quarter of 2014. Net revenues in 2015 were significantly affected by unfavorable currency translation as the U.S dollar strengthened against most currencies in which we operate.

- Organic Net Revenue of $9.0 billion increased 3.8% in the first quarter of 2015 as compared to the first quarter of 2014. Organic Net Revenue is a non-GAAP financial measure we use to evaluate our underlying results (see the definition of Organic Net Revenue and our reconciliation with net revenues within *Non-GAAP Financial Measures* appearing later in this section).

- Diluted EPS attributable to Mondelēz International of $0.19 increased 111.1% in the first quarter of 2015 as compared to the first quarter of 2014. A number of significant items also affected the comparability of our reported results, as further described in the *Discussion and Analysis of Historical Results* appearing later in this section and in the notes to the condensed consolidated financial statements.

- Adjusted EPS of $0.41 increased 5.1% in the first quarter of 2015 as compared to the first quarter of 2014. On a constant currency basis, Adjusted EPS of $0.49 increased 25.6% in the first quarter of 2015. Adjusted EPS is a non-GAAP financial measure we use to evaluate our underlying results (see the definition of Adjusted EPS and our reconciliation with diluted EPS within *Non-GAAP Financial Measures* appearing later in this section).

Financial Performance Measures

We seek to achieve top-tier financial performance. We manage our business to achieve this goal using our key operating metrics: Organic Net Revenue, Adjusted Operating Income and Adjusted EPS. As we evaluate our revenue growth, in addition to evaluating underlying revenue drivers such as pricing and volume/mix, we also evaluate revenue growth from emerging markets and our Power Brands. Refer to *Non-GAAP Financial Measures* appearing later in this section for more information on these measures.

We also monitor a number of factors and trends that we expect may affect our revenues and profitability. During the first quarter of 2015, we continued to note similar trends as we highlighted in our most recently filed Annual Report on Form 10-K for the year ended December 31, 2014. In particular, volatility in the global commodity and currency markets continued. Refer to *Commodity Trends* appearing later in this section and Note 1, *Basis of Presentation Currency Translation and Highly Inflationary Accounting*, for additional information on our commodity costs and specific currency risks we are monitoring.

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Discussion and Analysis of Historical Results

Items Affecting Comparability of Financial Results

The following table includes significant income or (expense) items that affected the comparability of our pre-tax results of operations and our effective tax rates. Please refer to the notes to the condensed consolidated financial statements indicated below for more information. Refer also to the *Consolidated Results of Operations Net Earnings and Earnings per Share Attributable to Mondelēz International* table for the per share impacts of these items.

	See Note	For the Three Months Ended March 31, 2015	2014
		(in millions of U.S. dollars)	
Planned coffee business transactions:	Note 2		
Incremental costs for readying the businesses		$ (28)	$
Unrealized gain on currency hedges		240	
Realized gain on currency hedges (1)		311	
2014-2018 Restructuring Program:	Note 6		
Restructuring charges		(163)	
Implementation charges		(61)	
2012-2014 Restructuring Program:	Note 6		
Restructuring charges		2	(42)
Implementation charges			(24)
Remeasurement of Venezuelan net monetary assets:	Note 1		
Q1 2014: 6.30 to 10.70 bolivars to U.S. dollar			(142)
Q1 2015: 11.50 to 12.00 bolivars to U.S. dollar		(11)	
Loss on debt extinguishment and related expenses	Note 7	(713)	(494)
Effective tax rate	Note 13	26.6%	(22.0)%

(1) On February 11, 2015, we monetized certain currency hedges related to the anticipated cash receipt of 4 billion from the planned coffee business transactions, and we realized total pre-tax gains of $939 million, of which $311 million was recognized in the first quarter of 2015. Refer to Note 2, *Divestitures and Acquisitions Planned Coffee Business Transactions*, for more information.

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Consolidated Results of Operations

The following discussion compares our consolidated results of operations for the three months ended March 31, 2015 and 2014.

Three Months Ended March 31:

	For the Three Months Ended March 31, 2015	For the Three Months Ended March 31, 2014	$ change	% change
	(in millions, except per share data)			
Net revenues	$ 7,762	$ 8,641	$ (879)	(10.2)%
Operating income	811	843	(32)	(3.8)%
Net earnings attributable to Mondelēz International	324	163	161	98.8%
Diluted earnings per share attributable to Mondelēz International	0.19	0.09	0.10	111.1%

Net Revenues Net revenues decreased $879 million (10.2%) to $7,762 million in the first quarter of 2015, and Organic Net Revenue [(1)] increased $328 million (3.8%) to $8,969 million. Organic Net Revenue growth was driven primarily by our Power Brands, which grew 5.9%. In addition, emerging markets grew 10.8% and accounted for the entire increase in our Organic Net Revenue. The underlying changes in net revenues and Organic Net Revenue are detailed below:

	2015
Change in net revenues (by percentage point)	
Higher net pricing	6.5pp
Unfavorable volume/mix	(2.7)pp
Total change in Organic Net Revenue [(1)]	**3.8%**
Unfavorable currency	(14.5)pp
Impact of accounting calendar change	0.4pp
Impact of acquisition	0.1pp
Total change in net revenues	**(10.2)%**

(1) Please see the *Non-GAAP Financial Measures* section at the end of this item.

Organic Net Revenue growth was driven by higher net pricing, partially offset by unfavorable volume/mix. Net pricing was up, which includes the carryover benefit of pricing actions taken in 2014 as well as the effects of input cost-driven pricing actions taken during the quarter. Higher net pricing was reflected across all segments, primarily Latin America, Europe and EEMEA. Unfavorable volume/mix was largely due to price elasticity as well as strategic decisions to exit certain low-margin product lines, partially offset by the shift of Easter-related shipments into the first quarter. Unfavorable volume/mix was reflected primarily in Europe, Latin America and Asia Pacific. Unfavorable currency impacts decreased net revenues by $1,251 million, due primarily to the strength of the U.S. dollar relative to several currencies, including the euro, Venezuelan bolivar, Russian ruble, Brazilian real, British pound sterling and Ukrainian hryvnya. The North America segment accounting calendar change resulted in a year-over-year increase in net revenues of $39 million. The February 16, 2015 acquisition of the Enjoy Life Foods snacking business in North America added $5 million in incremental net revenues for the quarter.

Operating Income Operating income decreased $32 million (3.8%) to $811 million in the first quarter of 2015, Adjusted Operating Income [1] increased $19 million (1.8%) to $1,072 million and Adjusted Operating Income on a constant currency basis [1] increased $201 million (19.1%) to $1,254 million due to the following:

	Operating Income (in millions)	Change (percentage point)
Operating Income for the Three Months Ended March 31, 2014	**$ 843**	
Spin-Off Costs [2]	3	0.3pp
2012-2014 Restructuring Program costs [3]	66	6.8pp
Integration Program and other acquisition integration costs [4]	(1)	(0.1)pp
Remeasurement of net monetary assets in Venezuela [5]	142	18.2pp
Operating income from divestitures [6][7]		
Adjusted Operating Income [1] for the Three Months Ended March 31, 2014	**$ 1,053**	
Higher net pricing	558	53.0pp
Higher input costs	(312)	(29.7)pp
Unfavorable volume/mix	(74)	(7.0)pp
Lower selling, general and administrative expenses	28	2.6pp
Change in unrealized gains/losses on hedging activities	(14)	(1.3)pp
Gain on sale of property in 2014	(7)	(0.6)pp
Impact of accounting calendar change [5]	19	1.8pp
Other, net	3	0.3pp
Total change in Adjusted Operating Income (constant currency) [1]	**201**	**19.1%**
Unfavorable currency translation	(182)	(17.3)pp
Total change in Adjusted Operating Income [1]	**19**	**1.8%**
Adjusted Operating Income [1] for the Three Months Ended March 31, 2015	**$ 1,072**	
2012-2014 Restructuring Program costs [3]	2	0.2pp
2014-2018 Restructuring Program costs [3]	(224)	(26.6)pp
Remeasurement of net monetary assets in Venezuela [5]	(11)	(1.1)pp
Costs associated with the planned coffee business transactions [6]	(28)	(3.3)pp
Operating income from divestitures [6][7]		
Acquisition-related costs [6]	(1)	(0.1)pp
Rounding	1	0.1pp
Operating Income for the Three Months Ended March 31, 2015	**$ 811**	**(3.8)%**

(1) Please see the *Non-GAAP Financial Measures* section at the end of this item.
(2) Refer to Note 2 to the consolidated financial statements in our Form 10-K for the year ended December 31, 2014 for more information on Spin-Off Costs incurred following the Kraft Foods Group, Inc. divestiture.
(3) Refer to Note 6, *Restructuring Programs,* for more information on our 2014-2018 Restructuring Program and our 2012-2014 Restructuring Program.
(4) Refer to Note 7 to the consolidated financial statements in our Form 10-K for the year ended December 31, 2014 for more information on our Cadbury Integration Program and other acquisition integration costs.
(5) Refer to Note 1, *Basis of Presentation*, for more information on the remeasurements of net monetary assets in Venezuela in the current and prior-year periods and the accounting calendar change in the current year.
(6) Refer to Note 2, *Divestitures and Acquisitions*, for more information on the planned coffee business transactions, the Enjoy Life Foods acquisition in our North America segment and a pending divestiture in our Asia Pacific segment.
(7) Includes divestitures and businesses for which we have entered into a sales agreement and cleared significant sale-related conditions such that the pending sale is probable as of the end of the reporting period.

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During the quarter, higher net pricing outpaced increased input costs. Higher net pricing, including the carryover impact of pricing actions taken in 2014, was reflected across all segments. The increase in input costs was driven by higher raw material costs, in part due to higher currency exchange transaction costs on imported materials, partially offset by lower manufacturing costs. Unfavorable volume/mix was driven by Europe, Latin America, North America and Asia Pacific, partially offset by a gain in EEMEA.

Total selling, general and administrative expenses decreased $341 million from the first quarter of 2014, due to a number of factors noted in the table above, including in part, a favorable currency impact, lower devaluation charges related to our net monetary assets in Venezuela and the absence of 2012-2014 Restructuring Program costs. Items that increased selling, general and administrative expenses included costs incurred for the 2014-2018 Restructuring Program, costs incurred related to the planned coffee business transactions and a gain on a sale of property in 2014.

Excluding the factors noted above, selling, general and administrative expenses decreased $28 million from the first quarter of 2014. The decrease was driven primarily by lower overhead costs due to continued cost reduction efforts, while we maintained advertising and consumer promotions support, particularly behind our Power Brands.

The change in unrealized gains / (losses) decreased operating income by $14 million in the first quarter of 2015. In the first quarter of 2015, the net unrealized losses on primarily commodity hedging activity were $7 million, as compared to net unrealized gains of $7 million in the first quarter of 2014 related to currency and commodity hedging activity.

Unfavorable currency impacts decreased operating income by $182 million, due primarily to the strength of the U.S. dollar relative to several currencies, including the euro, Venezuelan bolivar, Brazilian real, British pound sterling and Russian ruble.

Operating income margin increased from 9.8% in the first quarter of 2014 to 10.4% in the first quarter of 2015. The increase in operating income margin was driven primarily by an increase in our Adjusted Operating Income margin, lower devaluation charges related to our net monetary assets in Venezuela and the absence of 2012-2014 Restructuring Program costs. Items that decreased our Operating Income margin were costs incurred for the 2014-2018 Restructuring Program and costs incurred related to the planned coffee business transactions. Adjusted Operating Income margin increased from 12.2% in the first quarter of 2014 to 13.8% in the first quarter of 2015. The increase in Adjusted Operating Income margin was driven primarily by lower overhead costs from continued cost reduction programs and improved gross margin driven by productivity efforts, partially offset by the year-over-year unfavorable impact of unrealized gains / (losses) on currency and commodity hedging activities.

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Net Earnings and Earnings per Share Attributable to Mondelēz International Net earnings attributable to Mondelēz International of $324 million increased by $161 million (98.8%) in the first quarter of 2015. Diluted EPS attributable to Mondelēz International was $0.19 in the first quarter of 2015, up $0.10 (111.1%) from the first quarter of 2014. Adjusted EPS (1) was $0.41 in the first quarter of 2015, up $0.02 (5.1%) from the first quarter of 2014. Adjusted EPS on a constant currency basis (1) was $0.49 in the first quarter of 2015, up $0.10 (25.6%) from the first quarter of 2014.

		Diluted EPS
Diluted EPS Attributable to Mondelēz International for the Three Months Ended March 31, 2014	**$**	**0.09**
Spin-Off Costs (2)		
2012-2014 Restructuring Program costs (3)		0.03
Integration Program and other acquisition integration costs (4)		
Remeasurement of net monetary assets in Venezuela (5)		0.09
Net earnings from divestitures (6)(7)		
Loss on debt extinguishment and related expenses (8)		0.18
Adjusted EPS (1) for the Three Months Ended March 31, 2014	**$**	**0.39**
Increase in operations		0.09
Change in unrealized gains / (losses) on hedging activities		(0.01)
Impact of accounting calendar change (5)		0.01
Gain on sale of property in 2014		
Lower interest and other expense, net (9)		0.01
Changes in shares outstanding (10)		0.02
Changes in income taxes (11)		(0.02)
Adjusted EPS (constant currency) (1) for the Three Months Ended March 31, 2015	**$**	**0.49**
Unfavorable currency translation		(0.08)
Adjusted EPS (1) for the Three Months Ended March 31, 2015	**$**	**0.41**
2012-2014 Restructuring Program costs (3)		
2014-2018 Restructuring Program costs (3)		(0.11)
Remeasurement of net monetary assets in Venezuela (5)		(0.01)
Income / (costs) associated with the planned coffee business transactions (6)		0.20
Loss related to interest rate swaps (12)		(0.01)
Net earnings from divestitures (6)(7)		(0.02)
Acquisition-related costs (6)		
Loss on debt extinguishment and related expenses (8)		(0.27)
Diluted EPS Attributable to Mondelēz International for the Three Months Ended March 31, 2015	**$**	**0.19**

(1) Please see the *Non-GAAP Financial Measures* section at the end of this item.
(2) Refer to Note 2 to the consolidated financial statements in our Form 10-K for the year ended December 31, 2014 for more information on Spin-Off Costs incurred following the Kraft Foods Group, Inc. divestiture.
(3) Refer to Note 6, *Restructuring Programs*, for more information on our 2014-2018 Restructuring Program and our 2012-2014 Restructuring Program.
(4) Refer to Note 7 to the consolidated financial statements in our Form 10-K for the year ended December 31, 2014 for more information on our Cadbury Integration Program and other acquisition integration costs.
(5) Refer to Note 1, *Basis of Presentation*, for more information on the remeasurements of net monetary assets in Venezuela in the current and prior-year periods and the accounting calendar change in the current year.
(6) Refer to Note 2, *Divestitures and Acquisitions*, for more information on the planned coffee business transactions, the Enjoy Life Foods acquisition in our North America segment and a pending divestiture in our Asia Pacific segment. Note the $311 million realized gain and $240 million unrealized gain on the currency hedges related to the planned coffee business transactions were recorded in interest and other expense, net and are included in the income / (costs) associated with the planned coffee business transactions of $0.20 above.
(7) Includes divestitures and businesses for which we have entered into a sales agreement and cleared significant sale-related conditions such that the pending sale is probable as of the end of the reporting period.
(8) Refer to Note 7, *Debt*, for more information on our loss on debt extinguishment and related expenses in connection with our debt tender offer in March 2015.
(9) Excludes the favorable currency impact on interest expense related to our non-U.S. dollar-denominated debt.
(10) Refer to Note 10, *Stock Plans*, for more information on our equity compensation programs and share repurchase program and Note 14, *Earnings Per Share*, for earnings per share weighted-average share information.
(11) Refer to Note 13, *Income Taxes*, for more information on the change in our income taxes and effective tax rate.
(12) Refer to Note 8, *Financial Instruments*, for more information on our interest rate swaps which we no longer designate as cash flow hedges during the three months ended March 31, 2015 due to a change in financing and hedging plans.

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Results of Operations by Reportable Segment

Our operations and management structure are organized into five reportable operating segments:

- Latin America
- Asia Pacific
- EEMEA
- Europe
- North America

We manage our operations by region to leverage regional operating scale, manage different and changing business environments more effectively and pursue growth opportunities as they arise in our key markets. Beginning in 2015, within each region, we also manage by product category. In 2014, we managed our operations within Latin America, Asia Pacific and EEMEA by location and within Europe and North America by product category. Also, in 2015, we began to report stock-based compensation for our corporate employees, which was previously reported within our North America region, within general corporate expenses. During the first quarter of 2015, we reclassified $11 million of corporate stock-based compensation expense out of the North America segment.

We use segment operating income to evaluate segment performance and allocate resources. We believe it is appropriate to disclose this measure to help investors analyze segment performance and trends. See Note 15, *Segment Reporting,* for additional information on our segments and *Items Affecting Comparability of Financial Results* earlier in this section for items affecting our segment operating results.

Our segment net revenues and earnings were:

	For the Three Months Ended March 31, 2015		For the Three Months Ended March 31, 2014	
	(in millions)			
Net revenues:				
Latin America	$	1,257	$	1,356
Asia Pacific		1,153		1,223
EEMEA		695		838
Europe		2,975		3,557
North America		1,682		1,667
Net revenues	$	7,762	$	8,641

	For the Three Months Ended March 31, 2015	2014
	(in millions)	

Earnings before income taxes:				
Operating income:				
Latin America	$	154	$	44
Asia Pacific		146		188
EEMEA		32		64
Europe		326		463
North America		281		203
Unrealized gains / (losses) on hedging activities		(7)		7
General corporate expenses		(74)		(72)
Amortization of intangibles		(46)		(54)
Acquisition-related costs		(1)		
Operating income		811		843
Interest and other expense, net		(386)		(720)
Earnings before income taxes	$	425	$	123

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Latin America

	For the Three Months Ended March 31,			
	2015	2014 (in millions)	$ change	% change
Net revenues				