

Crisps Midco 2 Limited

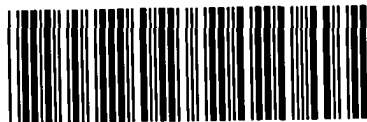
Annual report and financial statements

Registered number 08610008

For the 52 week period ended

30 December 2017

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Strategic report

The directors present their annual report and the audited financial statements of Crisps Midco 2 Limited (the "Company"), company number 08610008, for the 52 week period ended 30 December 2017.

Principal activity

The principal activity of the Company was and continues to be that of an investment holding company.

Business review, results and dividends

The Company's underlying loss before tax for the 52 week period ended 30 December 2017 (calculated by taking loss before tax and adding back the one-off item) was £2,469,000 (39 week period ended 31 December 2016: £3,100,000 loss) and was entirely related to interest and foreign exchange movements relating to inter-company loans with other companies within the group

Due to the acquisition of the Tyrrells Group, management undertook an analysis of its intercompany debtors to determine their recoverability. These debtors are purely intercompany, are unsecured and are repayable on demand. As such it is deemed by management that due to the doubt over their recoverability that it is prudent to provide for the identified intercompany balances at the balance sheet date. There is no cash impact of these actions, and the operating loss of £121,032,000, presented in the financial statements is due to the inclusion of the provision.

It is worth noting that on consolidation of the Tyrrells Group by its ultimate parent company, these intercompany balances are eliminated and the net effect on the consolidated P&L and balance sheet is zero.

The directors have not proposed a dividend in respect of the current financial period (39 week period ended 31 December 2016: £nil).

Principal risks and uncertainties

The directors consider the key risk to the Company to be in respect of the recoverability of its investment in its subsidiaries. The directors monitor this closely and are confident that its investments are recoverable and therefore no impairment is required. In addition, there is counterparty and forex risk, although these are largely mitigated by balances in the opposite direction.

Key performance indicators

The Company's financial and non-financial key performance indicators during the periods were as follows:

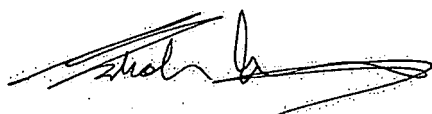
- Fixed asset investments and number of active subsidiaries. The number of active subsidiaries has reduced by one following the sale of Tyrrells Inc, an indirect subsidiary, to Amplify Snack Brands, Inc on 24 February 2017.

	30 December 2017	31 December 2016
Fixed asset investments	£2,916,000	£2,916,000
Number of active subsidiaries	11	12

Future developments

On 31 January 2018, Amplify Snack Brands, Inc. the company's ultimate parent company and all of its subsidiaries were acquired by The Hershey Company. On 5 July 2018 Thunderball Bidco Limited, the parent company for the UK group, for which this company is a subsidiary, was acquired by The Intersnack Group GmbH & Co. KG.

By order of the board



M Burns
Director

31 October 2018

Directors' report

The directors present their annual report and the audited financial statements for the 52 weeks ended 30 December 2017.

Directors

The directors of the Company during the 52 week period ended 30 December 2017 and in the period up to the report were as below unless otherwise stated:

J Jones (Resigned 6 February 2017)

D Milner (Resigned 3 May 2017)

J Bennett (Appointed 6 February 2017)

S Telford (Appointed 6 February 2017, Resigned 3 May 2017)

M Burns (Appointed 24 July 2017)

Insurance in respect of directors and officers was maintained during the period by its ultimate parent, Amplify Snack Brands Inc. From 31 January 2018 it was held by its new ultimate parent, The Hershey Company, and from 5 July 2018 by its new ultimate parent company, The Intersnack Group GmbH & Co. KG. The insurance is subject to the conditions set out in the Companies Act and remains in force at the date of signing the Directors' report.

Strategic report

The following information required in the Directors' report has been included in the Strategic report:

- Results of the business
- Dividends during the period
- Principal risks and uncertainties
- Future developments

Going concern basis

The directors have prepared the financial statements on a going concern basis as they have a reasonable expectation that the Company has adequate resources to continue in operation for the foreseeable future despite having net current liabilities of £5,409,000 and incurring an operating loss of £121,032,000 during the period. The Intersnack Group GmbH & Co. KG, the ultimate parent company at the date of signing these financial statements, has confirmed its intention to provide financial support, if required, to enable the Company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due.

Based on the above, the directors believe that it remains appropriate to prepare the financial statements on a going concern basis.

Events after the reporting period

On 31 January 2018, Amplify Snack Brands, Inc. the company's ultimate parent company and all of its subsidiaries were acquired by The Hershey Company. On 5 July 2018 Thunderball Bidco Limited, the parent company for the UK group, for which this company is a subsidiary, was acquired by The Intersnack Group GmbH & co. KG.

Appointment of auditors

A resolution to appoint an auditor for the Company will be proposed at the forthcoming Annual General Meeting.

Directors' report (continued)

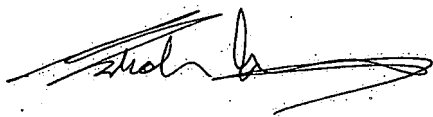
Disclosure of information to auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

By order of the board



M Burns
Director

Tyrrells Court
Stretford Bridge
Leominster
Hereford
HR6 9DQ

31 October 2018

Directors' responsibilities statement

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial period. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's report to the member of Crisps Midco 2 Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Crisps Midco 2 Limited (the 'Company'):

- give a true and fair view of the state of the Company's affairs as at 30 December 2017 and of its loss for the 52 week period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 16.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs(UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Independent auditor's report to the member of Crisps Midco 2 Limited *(continued)*

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Company's member, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's member those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's member for our audit work, for this report, or for the opinions we have formed.

**Independent auditor's report to the member of
Crisps Midco 2 Limited** *(continued)*

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Deloitte LLP

Delyth Jones, Senior Statutory Auditor

for and on behalf of Deloitte LLP

Statutory Auditor

Cardiff, United Kingdom

31st October 2018

Profit and loss account

for the 52 week period ended 30 December 2017

	Note	52 week period ended 30 December 2017 £'000	39 week period ended 31 December 2016 £'000
Net operating costs	2, 3, 5	(121,032)	(1)
Operating loss before one-off items		(1)	(1)
Provision against doubtful recovery of inter-company receivables	5	(121,031)	-
Operating loss		(121,032)	(1)
Interest receivable	6	15,117	8,050
Interest payable and similar charges	7	(12,647)	(11,149)
Net financing income		2,470	(3,099)
Loss before tax		(118,562)	(3,100)
Taxation	8	(1,868)	-
Loss for the period		(120,430)	(3,100)

There were no recognised gains or losses in either the current or preceding period other than those disclosed in the profit and loss account. Accordingly, no statement of other comprehensive income is presented.

The notes on pages 13 to 21 form an integral part of these financial statements.

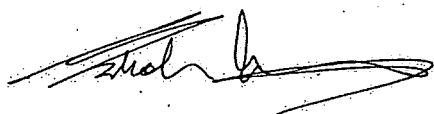
All activities are continuing.

Balance sheet
at 30 December 2017

	<i>Notes</i>	30 December 2017 £'000	31 December 2016 £'000
Fixed assets			
Investments	9	2,916	2,916
Current assets			
Debtors	10	-	105,910
Creditors: Amounts falling due within one year	11	(5,409)	(7,559)
Net current (liabilities)/assets		(5,409)	98,351
Total assets less current liabilities		(2,493)	101,267
Creditors: Amounts falling due after more than one year	12	(118,926)	(102,256)
Net liabilities		(121,419)	(989)
Capital and reserves			
Called up share capital	13	616	616
Share premium	13	2,300	2,300
Profit and loss account		(124,335)	(3,905)
Shareholder's deficit		(121,419)	(989)

The notes on page 13 to 21 form an integral part of these financial statements.

These financial statements were approved by the board of directors and authorised for issue on 31st October 2018 and were signed on its behalf by:



M Burns
Director

Registered number: 08610008

Statement of changes in equity
at 30 December 2017

	Called up share capital £'000	Share premium account £'000	Profit and loss account £'000	Total equity £'000
Balance at 1 April 2016	616	2,300	(805)	2,111
Loss and total comprehensive expense for the period	-	-	(3,100)	(3,100)
Balance at 31 December 2016	616	2,300	(3,905)	(989)
Loss and total comprehensive expense for the year	-	-	(120,430)	(120,430)
Balance at 30 December 2017	616	2,300	(124,335)	(121,419)

The notes on page 13 to 21 form an integral part of these financial statements.

Notes

(forming part of the financial statements)

1 Accounting policies

Crisps Midco 2 Limited (the "Company") is a company limited by shares incorporated and domiciled in the UK.

The comparative period is for 39 weeks ended 31 December 2016. All profit and loss notes are for that period.

The Company's financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds except where otherwise stated.

The Company is exempt by virtue of s401 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

The Company's ultimate parent undertaking during the period, Amplify Snack Brands Inc. includes the Company in its consolidated financial statements. Consolidated financial statements have not been prepared by the Company as permitted by section 401 of the Companies Act 2006. Consolidated financial statements for Amplify Snack Brands, Inc. and its subsidiary undertakings are appended to these financial statements.

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101") and in accordance with applicable accounting standards.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with the Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statement, standards not yet effective, impairment of assets and related party transactions.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next financial statements.

1.1 Measurement convention

The financial statements are prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

1.2 Going concern

The directors have prepared the financial statements on a going concern basis as they have a reasonable expectation that the Company has adequate resources to continue in operation for the foreseeable future despite having net current liabilities of £5,409,000 and incurring an operating loss of £121,032,000 during the period. The Intersnack Group GmbH & Co. KG, the ultimate parent company at the date of signing these financial statements, has confirmed its intention to provide financial support, if required, to enable the Company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due.

Based on the above, the directors believe that it remains appropriate to prepare the financial statements on a going concern basis.

1.3 Foreign currency

Transactions in foreign currencies are translated to the Company's functional currencies at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign exchange differences arising on translation are recognised in the profit and loss account.

Notes (continued)

1 Accounting policies (continued)

1.4 Classification of financial instruments issued by the Company

Following the adoption of IAS 32, financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

- (a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and
- (b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

1.5 Financial assets and liabilities

Financial assets

The Company's financial assets include cash and cash equivalents, trade receivables, other receivables, loans and other investments. The Company determines the classification of its financial assets at initial recognition. Financial assets are recognised initially at fair value, normally being the transaction price plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables are carried at amortised cost using the effective interest method. Trade and other debtors are recognised and carried at the lower of their original invoiced amount and recoverable amount. Provision for impairment is made through the profit and loss account where there is objective evidence that the Company will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

Cash and cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash, are subject to insignificant risk of changes in value and have a maturity of three months or less from the date of acquisition.

Financial liabilities

The Company's financial liabilities include trade and other payables, accruals and interest-bearing loans and borrowings. The Company determines the classification of its financial liabilities at initial recognition.

The measurement of financial liabilities depends on their classification, as follows:

All financial liabilities are initially recognised at fair value. For interest-bearing loans and borrowings this is the fair value of the proceeds received net of directly attributable issue costs.

After initial recognition, interest-bearing loans are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs and any discount or premium on settlement. Gains and losses arising in the repurchase, settlement or cancellation of liabilities are recognised respectively in interest and other income and finance costs.

Notes (continued)

1 Accounting policies (continued)

1.6 Impairment excluding deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1.7 Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

1.8 Interest receivable and interest payable

Interest payable and similar charges include interest payable, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy). Other interest receivable and similar income includes interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the entity's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

1.9 Taxation

Tax on the profit or loss for the period comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable profit or loss for the period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Notes (continued)

1 Accounting policies (continued)

1.9 Taxation (continued)

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

1.10 Critical accounting judgements and key sources of estimation uncertainty

The preparation of the financial statements requires the directors to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The following estimates (apart from those involving judgements) have had the most significant effect on amounts recognised in the financial statements:

Impairment of investments in subsidiaries

Determining whether the Company's investments in subsidiaries have been impaired requires estimations of the investments' values in use. The value in use calculations require the entity to estimate the future cash flows expected to arise from the investments and suitable discount rates in order to calculate present values.

2 Auditor's remuneration

The following auditor's remuneration is not included in profit/(loss) as it is borne by Tyrrells Potato Crisps Limited, a fellow group undertaking.

	52 week period ended 30 December 2017 £'000	39 week period ended 31 December 2016 £'000
Auditor's remuneration		
Audit of these financial statements	5	5

3 Staff numbers and costs

The Company has no employees and, therefore, no staff costs.

4 Directors' remuneration

The directors did not receive remuneration in either period for their services as directors of the Company as they are incidental to their roles elsewhere in the group. It is deemed impractical to identify the proportion of emoluments allocated to the Company.

5 Operating loss

	52 week period ended 30 December 2017 £'000	39 week period ended 31 December 2016 £'000
Provision for doubtful recovery of inter-company receivables	(121,031)	-

Notes (continued)

6 Interest receivable

	52 week period ended 30 December 2017 £'000	39 week period ended 31 December 2016 £'000
Interest receivable on inter-company loan	15,054	7,933
Foreign exchange gain	63	117
	<u>15,117</u>	<u>8,050</u>

7 Interest payable and similar charges

	52 week period ended 30 December 2017 £'000	39 week period ended 31 December 2016 £'000
Interest on unsecured loan notes	12,214	8,741
Amortisation of capitalised deal fees	-	2,400
Inter-company interest payable	433	8
Total interest payable and similar charges	<u>12,647</u>	<u>11,149</u>

8 Taxation

Recognised in the profit and loss account

	52 week period ended 30 December 2017 £'000	39 week period ended 31 December 2016 £'000
Current tax		
UK corporation tax	1,868	-
Total current tax	<u>1,868</u>	<u>-</u>
Deferred tax		
Origination and reversal of temporary differences	-	345
Total deferred tax	<u>-</u>	<u>345</u>
Tax on loss	<u>1,868</u>	<u>345</u>

Notes (continued)

8 Taxation (continued)

Reconciliation of effective tax rate

	52 week period ended 30 December 2017 £'000	39 week period ended 31 December 2016 £'000
Loss for the year	(120,430)	(3,100)
Total tax expense	1,868	-
Loss excluding taxation	(118,562)	(3,100)
	£'000	£'000
Tax using the UK corporation tax rate of 19.25% (39 week period ended 31 December 2016: 20%)	(22,823)	(620)
Non-deductible expenses	24,560	963
Group relief for free	(819)	(343)
Reduction in tax rate	32	-
Adjustment to tax charge in respect of previous period	918	-
Total tax charge	1,868	-

Factors that may affect future charges

The standard blended rate of tax applied to reported profit on ordinary activities is 19.25 per cent (2016: 20 per cent). Deferred taxes are valued at 17%, based on the future tax rates introduced in the Finance Act 2016 (2016: 17%, based on the future tax rates introduced in the Finance Act 2016). There is no expiry date on timing differences, unused tax losses or credits.

9 Fixed asset investments

	Shares in group undertakings £'000
Cost or valuation	
At beginning and end of period	2,916

The Company has the following investments in subsidiaries:

			Ownership	
	Country of incorporation	Class of shares held	30 December 2017	31 December 2016
Tyrrells Potato Crisps Limited+	UK	Ordinary	100%	100%
Glennans Limited+	UK	Ordinary	100%	100%
Tyrrells Group Limited++	UK	Ordinary	100%	100%
Tyrrells Group Holdings Limited++	UK	Ordinary	100%	100%
Crisps Midco 1 Limited* ++	UK	Ordinary	100%	100%
Tyrrells Inc	UK	Ordinary	0%	100%
Crisps Bidco Limited ++	UK	Ordinary	100%	100%
Tyrrells Group Holdings (Germany) GmbH++	Germany	Ordinary	100%	100%
Aroma Snacks GmbH & Co. KG+	Germany	Ordinary	100%	100%
Aroma Verwaltungs GmbH+	Germany	Ordinary	100%	100%

Notes (continued)

9 Fixed asset investments (continued)

	Country of incorporation	Class of shares held	Ownership	
			30 December 2017	31 December 2016
Tyrrells Crisps Holdings (Australia) Pty Limited++	Australia	Ordinary	100%	100%
Yarra Valley Snack Foods Pty Limited+	Australia	Ordinary	100%	100%

* Subsidiaries directly owned by the Company are marked with an asterisk. All other companies are indirectly owned.

+ The principal activity of these companies is the manufacture and distribution of potato crisps, vegetable crisps, popcorn and other snacks.

++ The principal activity of these companies is that of an investment holding company.

The registered address for those companies incorporated in the UK is the same as stated in the Directors' report.

The registered address for Tyrrells Inc is 71 McMurray Rd. Ste. Pittsburg, PA 15241, USA

The registered address for the German Businesses is Geiselharz 23, DE-88279, Amtzell, Germany.

The registered address for the Australian businesses is 45 Industrial Park, Lilydale, Vic, 3140, Australia.

10 Debtors

	30 December 2017 £'000	31 December 2016 £'000
Amounts falling due within one year		
Amounts owed by group undertakings	2,784	2,738
Provision for doubtful recovery inter-company receivables	(2,784)	-
Amounts falling due after more than one year		
Amounts owed by group undertakings	118,247	103,172
Provision for doubtful recovery inter-company receivables	(118,247)	-
Amounts owed by group undertakings	<u>-</u>	<u>105,910</u>

Amounts owed by group undertakings include an inter-company loan accruing interest at 12%, held with Crisps Midco 1 Limited, due to be repaid on 1 August 2023. At the period-end the principal amount is £67,400,000 and the total amount receivable including accrued interest is £113,663,000 (31 December 2016: £98,873,000).

Amounts owed by group undertakings include an inter-company loan accruing interest at 6%, held with Crisps Midco 1 Limited, due to be repaid on 1 August 2064. At the period-end the principal amount is £2,347,418 and the total amount receivable including accrued interest is £2,711,000 (31 December 2016: £2,547,000).

Amounts owed by group undertakings include an inter-company loan accruing interest at 3%, held with Crisps Midco 1 Limited, due to be repaid on 23 March 2065. At the period-end the principal amount is £2,000,000 (£1,775,000) and the total amount receivable including accrued interest is £1,873,000 (31 December 2016: £1,752,000).

A provision against the recoverability of inter-company debtors has been made in these financial statements.

11 Creditors: Amounts falling due within one year

	30 December 2017 £'000	31 December 2016 £'000
Amounts owed to group undertakings	3,541	7,559
Corporation tax	1,868	-
	<u>5,409</u>	<u>7,559</u>

All amounts owed to group undertakings are unsecured, interest-free and repayable on demand.

Notes (continued)

12 Creditors: Amounts falling due after more than one year

	30 December 2017 £'000	31 December 2016 £'000
Unsecured redeemable PIK notes plus accrued interest	114,302	102,088
Amounts owed to group undertakings	4,624	168
	<u>118,926</u>	<u>102,256</u>

Amounts owed to group undertakings include an inter-company loan accruing interest at 6%, held with Crisps Topco Limited, due to be repaid on 1 August 2064. At the period-end the principal amount is £74,026 and the total amount payable including accrued interest is £85,501 (31 December 2016: £80,330).

Amounts owed to group undertakings include an inter-company loan accruing interest at 3% held with Crisps Topco Limited, due to be repaid on 23 March 2065. At the period-end the amount is €100,000 (£88,750) and the total amount payable including accrued interest is £93,625 (31 December 2016: £87,575).

Amounts owed to group undertakings include an inter-company loan accruing interest at 7% with Thunderball Bidco Limited due to be repaid on 2 September 2024. At the period-end the amount is £4,066,180 and the total amount payable including accrued interest is £4,444,390.

12% unsecured redeemable PIK loan notes of £67,350,000 (31 December 2016: £67,350,000) are due to be repaid at the end of the term of the agreement, being 31 December 2023. These loan notes carry an interest rate of 12% which is accrued and added to the loan. Interest is due to be repaid at the end of the term of the agreement.

PIK notes of £28,326,561 have been issued at 30 December 2017 (31 December 2016: £14,009,096). The PIK notes have been issued on exactly the same terms as the 12% loan notes.

Management loan notes of £2,273,000 (31 December 2016: £2,273,000) are due to be repaid at the end of the term of the agreement, being 31 December 2023. These loan notes carry an interest rate of 12% which is accrued and added to the loan. Interest is due to be repaid at the end of the term of the agreement.

The balance of PIK loan notes and management loan notes including accrued interest less capitalised deal fees at 30 December 2017 was £114,302,000 (31 December 2016: £102,088,000).

13 Share capital and reserves

	30 December 2017 £'000	31 December 2016 £'000
<i>Allotted, called up and fully paid</i>		
595,527 Ordinary shares of £1.03 each	616	616

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Share premium represents the amount subscribed for share capital in excess of the nominal value.

Profit and loss account represents all net gains and losses and transactions with owners that are not recognised elsewhere.

14 Related party disclosures

The Company has applied the exemptions available under paragraph 8(k) of FRS 101 not to disclose transactions with fellow wholly-owned subsidiaries.

Notes *(continued)*

15 Ultimate parent company

The immediate parent undertaking of the Company during the period was Crisps Topco Limited, incorporated in the UK. The ultimate parent and controlling party during the period was Amplify Snack Brands, Inc., registered in the United States. The smallest and largest group in which the results of the Company are consolidated is headed by Amplify Snack Brands, Inc. A copy of the consolidated financial statements of Amplify Snack Brands, Inc. for the year ended 30 December 2017 is appended to these financial statements.

The ultimate controlling party at the date of signing these financial statements is The Intersnack Group GmbH & Co. KG, registered in Germany.

16 Post balance sheet event

On 31 January 2018, Amplify Snack Brands, Inc. the company's ultimate parent company and all of its subsidiaries were acquired by The Hershey Company. On 5 July 2018 Thunderball Bidco Limited, the parent company for the UK group, for which this company is a subsidiary, was acquired by The Intersnack Group GmbH & Co. KG.



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INDEPENDENT AUDITORS' REPORT

Management of Amplify Snack Brands, Inc.

We have audited the accompanying consolidated financial statements of Amplify Snack Brands, Inc. and its subsidiaries (the "Company"), which comprise the balance sheet as of December 30, 2017, and the related statements of comprehensive income, stockholders' equity, and cash flows for the 52 weeks then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

The Company has \$178.8 million of goodwill and \$551.8 million of intangible assets on the balance sheet at December 30, 2017. As described in Note 2 to the consolidated financial statements, the Company was acquired by The Hershey Company on January 31, 2018. As the carrying amount of the goodwill and intangible assets will be revalued as of the acquisition date, management of the Company requested we not perform audit procedures on goodwill and intangible assets as of December 30, 2017. Therefore, we were unable to obtain sufficient appropriate audit evidence about the carrying amount of the Company's goodwill and intangible assets as of December 30, 2017 and consequently, we were unable to determine whether any adjustments to these amounts were necessary.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Amplify Snack Brands, Inc. and its subsidiaries as of December 30, 2017, and the results of their operations and their cash flows for the 52 weeks then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in cursive script, reading "Deloitte & Touche LLP", is positioned above the date. The signature is written in dark ink and is slanted slightly to the right.

April 17, 2018

AMPLIFY SNACK BRANDS, INC. AND SUBSIDIARIES
Consolidated Balance Sheet
(in thousands, except share data)

	December 30, 2017
Assets	
Current assets:	
Cash and cash equivalents	\$ 12,298
Accounts receivable, net of allowance of \$12,857	45,113
Inventories	22,523
Other current assets	8,672
Total current assets	88,606
Property and equipment, net	75,725
Other assets:	
Goodwill	178,769
Intangible assets, net	551,769
Other assets	1,075
Total assets	<u>\$ 895,944</u>
Liabilities and shareholders' equity	
Current liabilities:	
Accounts payable	\$ 35,657
Accrued liabilities	13,233
Senior term loan	574,509
Revolving credit facility	10,186
Tax receivable obligation	64,412
Notes payable, net- current portion	4,824
Other current liabilities	1,257
Total current liabilities	704,378
Long-term liabilities:	
Notes payable, net	2,000
Net deferred tax liabilities	60,959
Other liabilities	7,000
Total long-term liabilities	69,959
Commitment and contingencies (Note 10)	
Shareholders' equity:	
Common stock, \$0.0001 par value, 375,000,000 shares authorized at December 30, 2017, and 76,743,743 issued and outstanding at December 30, 2017	8
Additional paid in capital	44,972
Common stock held in treasury at par, 1,271,289 shares at December 30, 2017	—
Retained earnings	71,950
Accumulated other comprehensive income	4,677
Total shareholders' equity	121,607
Total liabilities and shareholders' equity	<u>\$ 895,944</u>

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

AMPLIFY SNACK BRANDS, INC. AND SUBSIDIARIES
Consolidated Statement of Comprehensive Income
(in thousands)

	52 Weeks Ended December 30, 2017
Net Sales	\$ 377,869
Cost of goods sold	232,846
Gross profit	145,023
Sales & marketing expenses	43,596
General & administrative expenses	43,961
Total operating expenses	87,557
Operating income	57,466
Interest expense	44,877
Other income, net	(25,587)
Income before income taxes	38,176
Income tax expense	8,142
Net income	30,034
Other comprehensive income, net of income taxes	36,146
Comprehensive income	\$ 66,180

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

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AMPLIFY SNACK BRANDS, INC. AND SUBSIDIARIES
Consolidated Statement of Shareholders' Equity
(in thousands, except for share data)

	Common Stock		Additional Paid in Capital		Treasury Stock		Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
	Shares	Amount			Shares	Amount			
Balance at December 31, 2016	76,786,000	\$ 8	\$ 41,279		2,948,995	\$ —	\$ 41,916	\$ (31,469)	\$ 51,734
Net income (52 weeks)	—	—	—		—	—	30,034	—	30,034
Vesting of restricted equity awards	81,343	—	—		(1,554,106)	—	—	—	—
Forfeiture of restricted equity awards	(123,600)	—	(447)		(123,600)	—	—	—	(447)
Equity-based incentive compensation	—	—	4,140		—	—	—	—	4,140
Foreign currency translation adjustment	—	—	—		—	—	—	36,146	36,146
Balance at December 30, 2017	76,743,743	\$ 8	\$ 44,972		1,271,289	\$ —	\$ 71,950	\$ 4,677	\$ 121,607

* Amount rounds to zero.

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

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AMPLIFY SNACK BRANDS, INC. AND SUBSIDIARIES
Consolidated Statement of Cash Flows
(in thousands)

	52 Weeks Ended December 30, 2017
Operating activities:	
Net income	\$ 30,034
Adjustments to reconcile net income to net cash (used in) provided by operating activities:	
Depreciation and amortization	14,623
Amortization of deferred financing costs and debt discount	3,428
Deferred income taxes	4,639
Equity-based compensation expense	5,153
Tax receivable agreement non-cash item	(24,606)
Other non-cash items	(1,766)
Changes in operating assets and liabilities, net of effects of acquisitions:	
Change in operating assets	(4,411)
Change in operating liabilities	(979)
Net cash provided by operating activities	26,115
Investing activities:	
Acquisition of property and equipment	(21,100)
Proceeds from sale of property and equipment	98
Net cash used in investing activities	(21,090)
Financing activities:	
Payments on term loans	(6,000)
Draws on revolving credit facilities	12,500
Payments on revolving credit facilities	(8,500)
Payoff of maturing notes payable	(1,000)
Tax withholding paid on behalf of employees for equity-based compensation	(570)
Net cash used in financing activities	(4,570)
Effect of exchange rate changes on cash and cash equivalents	1,520
Increase in cash and cash equivalents	1,975
Cash and cash equivalents—Beginning of period	10,323
Cash and cash equivalents—End of period	\$ 12,298
Supplemental disclosure of cash flow information:	
Income taxes paid	\$ 2,861
Interest paid	\$ 41,067
Non-cash activities during the period:	
Acquisition of property and equipment via financing	\$ 3,187

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

AMPLIFY SNACK BRANDS, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

1. BUSINESS OVERVIEW

Amplify Snack Brands, Inc., a Delaware corporation, and its subsidiaries (collectively, the "Company," and herein referred to as "we", "us", and "our") is a high growth, snack food company focused on developing and marketing products that appeal to consumers' growing preference for better-for-you ("BFY") snacks. Our brands primarily compete in the salty snack segment, which includes products such as potato chips, tortilla chips, popcorn, cheese snacks and pretzels. Our products are comprised of our cornerstone brand, *SkinnyPop* popcorn products, in addition to *Tyrrells* potato and vegetable chips, *Paqui* tortilla chips, *Oatmega* protein bars, *Thomas Chipman* potato chips, the *Wholesome Food Company* tortilla chips and *Lisa's Chips* potato chips. Our products are primarily sold within North America and Europe.

2. SUBSEQUENT EVENTS

On January 31, 2018, all of the outstanding shares and unvested equity awards of the Company were acquired by the Hershey Company ("Hershey"). The purchase consideration for the outstanding shares and unvested equity awards totaled approximately \$942.9 million, or \$12.00 per share. In connection with acquisition, Hershey paid a total amount of approximately \$607.2 million to pay in full all outstanding debt and accrued interest owed by the Company under its existing credit agreement as of January 31, 2018. As part of the transaction, the remaining obligation of the tax receivable agreement became due and payable. The Tax Receivable Agreement ("TRA") liability will be paid by the Hershey Company. The Company has evaluated subsequent events through April 17, 2018, which is the date the financial statements were issued.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") and include the accounts of the Company and its wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates

The consolidated financial statements are prepared in conformity with GAAP. Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of net sales and expenses during the reporting period. The Company routinely evaluates its estimates, including those related to accruals and allowances for customer programs and incentives, bad debts, income taxes, long-lived assets, inventories, equity-based compensation, accrued broker commissions and contingencies. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. Actual results could differ from those estimates.

Significant Risks and Uncertainties

The Company's future results of operations involve a number of risks and uncertainties. Factors that could affect the Company's future operating results and cause actual results to vary materially from expectations include, but are not limited to, fluctuations in commodity prices, specifically popcorn kernels, potatoes, fuel and sunflower oil, continued acceptance of the Company's products, competition from substitute products and larger companies and dependence on strategic relationships. In North America, the Company relies on contract manufacturers to manufacture and third-party logistics to distribute its products. The Company's manufacturers and suppliers may encounter supply interruptions or problems during manufacturing due to a variety of reasons, including failure to comply with applicable regulations, equipment malfunction and weather and environmental factors, any of which could delay or impede the Company's ability to meet demand.

Foreign Currency Transactions and Translation

Exchange adjustments resulting from foreign currency transactions are recognized as a component of other non-operating income in the accompanying consolidated statement of comprehensive income. For the Company's non-U.S. dollar functional currency subsidiaries, assets and liabilities are translated into U.S. dollars by using year-end

AMPLIFY SNACK BRANDS, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

exchange rates. Income and expense items are translated at a weighted-average exchange rate prevailing during the year. Adjustments resulting from translation of financial statements are reflected as a separate component of shareholders' equity.

Fair Value of Financial Instruments

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the reporting date. The accounting guidance establishes a three-tiered hierarchy, which prioritizes the inputs used in the valuation methodologies in measuring fair value:

Level 1—Quoted prices in active markets for identical assets or liabilities.

Level 2—Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3—Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The categorization of a financial instrument within the valuation hierarchy is based on the lowest level of input that is significant to the fair value measurement.

The carrying amounts of the Company's financial instruments, including cash, accounts receivable, accounts payable and accrued liabilities, approximate fair value due to their relatively short maturities. Our term loan and revolving credit facility bear interest at a variable interest rate plus an applicable margin and, therefore, carrying amount approximates fair value. The fair value of our term loan and revolving credit facility are estimated based on Level 2 inputs, which were quoted prices for identical or similar instruments in markets that are not active.

On a recurring basis we remeasure the fair value of acquisition related contingent consideration. As of December 30, 2017, the fair value of contingent consideration was \$2,416, which is reported in Other liabilities in the accompanying Consolidated Balance Sheet.

Contingent Consideration

In connection with the acquisitions of Boundless Nutrition, LLC ("Oatmega") and Paqui, LLC ("Paqui"), collectively referred to as the "Predecessor Owners", the payment of a portion of the respective purchase price is contingent upon the achievement of a defined contribution margin for the year ending December 31, 2018 ("Earn-out Period"). Amounts in excess of the sum of the original principal amount and accrued interest of each respective seller notes issued to the Predecessor Owners will be payable to the Predecessor Owners. See Note 9 for further discussion of the seller notes.

At each reporting period, the Company remeasures the estimated fair value of the contingent consideration. The significant inputs used in the fair value estimates include numerous gross sales scenarios for the Earn-out Periods for which probabilities are assigned to each scenario to arrive at a single estimated outcome (Level 3). The estimated outcome is then discounted based on the individual risk analysis of the liability. The present value of the estimated outcome is used as the underlying price and the sum of the original principal amount and accrued interest of the notes issued to the Predecessor Owners is used as the exercise price in the Black-Scholes option pricing model. Although the Company believes its estimates and assumptions are reasonable, different assumptions, including those regarding the operating results of Paqui and Oatmega, or changes in the future may result in different estimated amounts.

The following table summarizes the Level 3 activity related to the Contingent Consideration (in thousands):

Balance as of December 31, 2016	\$ 2,491
Gain on change in fair value of contingent consideration	(75)
Balance as of December 30, 2017	\$ 2,416

AMPLIFY SNACK BRANDS, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

Cash and Cash Equivalents

Cash and cash equivalents include cash and money market funds with an original maturity of 90 days or less.

Inventories

In our North American operations, inventories are valued at the lower of cost or net realizable value using the weighted-average cost method. The Company generally procures certain raw materials inputs and packaging from suppliers and contracts with third-party firms to assemble and warehouse finished products. The third-party co-manufacturers invoice the Company monthly for labor inputs upon the production or shipment of finished product during the period.

In our international operations, inventories are valued at the lower of cost or net realizable value using the first-in, first-out method. The Company owns the manufacturing facilities used for production. The costs of finished goods inventories include raw materials, direct labor, indirect production, and overhead costs.

Write-downs are provided for finished goods expected to become non-saleable due to age and provisions are specifically made for slow moving or obsolete raw ingredients and packaging. We also adjust the carrying value of our inventories when we believe that the net realizable value is less than the carrying value. These write-downs are measured as the difference between the cost of the inventory, including estimated costs to complete and estimated selling prices. Charges related to slow moving or obsolete items are recorded as a component of cost of goods sold. Charges related to packaging redesigns are recorded as a component of selling and marketing expenses. Once inventory is written down, a new, lower-cost basis is established. These adjustments are estimates that require management judgment. Actual results could vary from our estimates and additional inventory write-downs could be required.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation on machinery and equipment is provided in amounts sufficient to relate the cost of the assets to operations over their estimated useful lives based on a straight-line method. Maintenance and repairs are charged to expense as incurred. Assets not yet placed in service are not depreciated.

The useful lives of the Company's property and equipment are as follows:

Buildings and improvements	Up to 50 years
Machinery and equipment	5 to 15 years
Furniture and fixtures	3 to 7 years
Leasehold improvements	Shorter of lease term or estimated useful life

We continually evaluate whether events and circumstances have occurred that indicate the remaining estimated useful life of long-lived assets may warrant revision, or that the remaining balance of these assets may not be recoverable. When deemed necessary, we complete this evaluation by comparing the carrying amount of the assets against the estimated undiscounted future cash flows associated with them. If such evaluations indicate that the future undiscounted cash flows of amortizable long-lived assets are not sufficient to recover the carrying value of such assets, the assets are adjusted to their estimated fair values.

Deferred Financing Costs

Costs incurred in connection with debt issuances have been deferred and are amortized using the effective interest method over the term of the related debt instrument as interest expense.

Goodwill and Intangible Assets

Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that impairment may have occurred. We have the option to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. Otherwise, the impairment analysis for goodwill includes a comparison of our carrying value (including goodwill) to our estimated fair value. If the fair value does not exceed the carrying value, then an impairment charge for the shortage is recorded. If the excess of the fair

AMPLIFY SNACK BRANDS, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

value of our identifiable assets and liabilities is less than the carrying value of recorded goodwill, an impairment charge is recorded for the difference. The Company performs its required annual assessment of goodwill during the third quarter of its fiscal year.

Other intangible assets are comprised of both finite and indefinite-lived intangible assets. Indefinite-lived intangible assets, including our trade names, are not amortized. The Company has the option to first assess the qualitative factors to determine whether it is more likely than not that the fair value of an indefinite-lived intangible asset is less than its carrying amount. Otherwise, indefinite-lived intangible assets are tested annually for impairment, or more frequently if events or changes in circumstances indicate that the asset might be impaired.

An intangible asset is determined to have an indefinite useful life when there are no legal, regulatory, contractual, competitive, economic or any other factors that may limit the period over which the asset is expected to contribute directly or indirectly to our future cash flows. In each reporting period, we also evaluate the remaining useful life of an intangible asset that is not being amortized to determine whether events and circumstances continue to support an indefinite useful life. If an intangible asset that is not being amortized is determined to have a finite useful life, the asset will be amortized prospectively over the estimated remaining useful life and accounted for in the same manner as intangible assets subject to amortization.

The Company generally expenses legal and related costs incurred in defending or protecting its intellectual property unless it can be established that such costs have added economic value to the business enterprise, in which case it capitalizes the costs incurred as part of intangible assets.

Impairment of Long-lived Assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable and prior to any annual impairment test. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. There was no impairment of long-lived assets during the 52 weeks ended December 30, 2017.

Recognition of Net Sales, Sales Incentives and Trade Accounts Receivable

Net sales are recognized when the earnings process is complete, and the risks and rewards of ownership have transferred to the customer, which occurs upon the receipt and acceptance of product by the customer. The Company's customers are primarily businesses that are stocking its products. The earnings process is complete once the customer order has been placed and approved and the product shipped has been received by the customer or when product is picked up by the Company's customers at the Company's co-manufacturer. Product is sold to customers on credit terms established on a customer-by-customer basis. The credit factors used include historical performance, current economic conditions and the nature and volume of the product.

The Company offers its customers a variety of sales and incentive programs, including price discounts, coupons, slotting fees, in-store displays and trade advertising. The costs of these programs are recognized at the time the related sales are recorded and are classified as a reduction in net sales. These program costs are estimated based on a number of factors including customer participation and performance levels.

The Company extends unsecured credit to its customers in the ordinary course of business but mitigates the associated credit risk by performing credit checks and actively pursuing past due accounts. Accounts are charged to bad debt expense as they are deemed uncollectible based upon a periodic review of aging and collections.

As of December 30, 2017, the Company recorded total allowances against trade accounts receivable of \$12.9 million. Recoveries of receivables previously written off are recorded when received.

AMPLIFY SNACK BRANDS, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

Description	Allowance for doubtful accounts	Allowance for promotional activities	Total Allowance
Balance as of December 31, 2016	\$ —	\$ 9,261	\$ 9,261
Charged to costs and expenses	628	74,529	75,157
Write-offs and adjustments	(293)	(71,268)	(71,561)
Balance as of December 30, 2017	\$ 335	\$ 12,522	\$ 12,857

Cost of Goods Sold

Cost of goods sold consists of the costs of ingredients and packaging utilized in the manufacture of products, contract manufacturing fees, production and supply chain personnel, shipping and handling costs to external customers, equipment repairs, in-bound freight charges, reserves for inventory obsolescence and depreciation of manufacturing equipment.

Employee Benefits

The Company has defined contribution plans covering substantially all domestic and international employees who meet certain service and eligibility requirements. For the 52 weeks ended December 30, 2017, the Company contributed \$1.2 million towards these plans.

Equity-Based Compensation

The Company records equity-based compensation in accordance with the Financial Accounting Standards Board's ("FASB") Accounting Standards Codification ("ASC") Topic 718, "Compensation—Stock Compensation", which requires the measurement and recognition of compensation expense for all equity-based payment awards made to employees and directors including incentive units or employee stock options based on estimated fair values. See Note 12 for a further discussion of the valuation process.

Concentration Risk

Financial instruments which potentially subject us to concentrations of credit risk consist principally of cash, cash equivalents and trade receivables. We maintain the majority of our cash and cash equivalents in the form of demand deposits with financial institutions that management believes are creditworthy.

Customers with 10% or more of the Company's net sales consist of the following:

	Year Ended December 30, 2017
Customer:	
Customer One	15%

As of December 30, 2017, two customers represented 14% and 10%, respectively of our consolidated accounts receivable balance with no other customer representing more than 10% of the balance. The Company outsources a significant percentage of the manufacturing of its products to a single co-manufacturer in the United States. This co-manufacturer represented 25% of accounts payable as of December 30, 2017.

Income Taxes

We base our deferred income taxes, accrued income taxes and provision for income taxes upon income, statutory tax rates, the legal structure of our Company, interpretation of tax laws and tax planning opportunities available to us in the various jurisdictions in which we operate. We file income tax returns in the U.S. federal jurisdiction and various state and foreign jurisdictions.

AMPLIFY SNACK BRANDS, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

We apply a more-likely-than-not threshold to the recognition and derecognition of uncertain tax positions. Accordingly, we recognize the amount of tax benefit that has a greater than 50% likelihood of being ultimately realized upon settlement. Future changes in judgments and estimates related to the expected ultimate resolution of uncertain tax positions will affect income in the quarter of such change. While it is often difficult to predict the final outcome or the timing of resolution of any particular uncertain tax position, we believe that our unrecognized tax benefits reflect the most likely outcome. Accrued interest and penalties related to unrecognized tax benefits are included in income tax expense. We adjust these unrecognized tax benefits, as well as the related interest, in light of changing facts and circumstances. Settlement of any particular position could require the use of cash. Favorable resolution would be recognized as a reduction to our effective income tax rate in the period of resolution. We believe it is more likely than not that the results of future operations will generate sufficient taxable income to realize the deferred tax assets, net of valuation allowances. Our valuation allowances are primarily related to U.K. interest expense limitation carryforwards and various foreign jurisdictions' net operating loss carryforwards for which we do not expect to realize a benefit.

TRA

Immediately prior to the consummation of the IPO in August 2015, the Company entered into a TRA with the predecessor unit holders. In December 2015, all of the former holders of the units collectively assigned their interests to a new counterparty. The Company estimates its obligation based on the full and undiscounted amount of expected future payments under the TRA in consideration of a reduction in the Company's future U.S. federal, state and local taxes resulting from the utilization of certain tax attributes. The Company accounted for the obligation under the TRA as a dividend and elected to reduce additional paid in capital. Subsequent adjustments of the TRA obligation due to certain events, such as potential changes in tax rates or insufficient taxable income, will be recognized in the consolidated statement of comprehensive income. During the 52 weeks ended December 30, 2017, the Company recognized a gain of \$24.6 million due to a reduction of the enacted U.S. federal income tax rate which is recorded within other income on our consolidated statement of comprehensive income. As part of the Hershey acquisition discussed in Note 2 of this report, the remaining obligation of the tax receivable agreement became due and payable. The TRA liability will be paid by the Hershey Company. As of December 30, 2017, our remaining outstanding obligation under the TRA is \$64.4 million and has been classified as a current liability.

Recent Accounting Pronouncements

In response to U.S. tax reform, the Staff of the U.S. Securities and Exchange Commission issued Staff Accounting Bulletin No. 118 ("SAB No. 118") to provide guidance to registrants in applying ASC Topic 740 in connection with U.S. tax reform. SAB No. 118 provides that in the period of enactment, the income tax effects of U.S. tax reform may be reported as a provisional amount based on a reasonable estimate (to the extent a reasonable estimate can be determined), which would be subject to adjustment during a "measurement period." The measurement period begins in the reporting period of U.S. tax reform's enactment and ends when a registrant has obtained, prepared and analyzed the information that was needed in order to complete the accounting requirements under ASC Topic 740. SAB No. 118 also describes supplemental disclosure that should accompany the provisional amounts. We have applied the guidance of SAB 118 in our consolidated financial statements for the 52 weeks ended December 30, 2017.

In May 2017, the FASB issued ASU 2017-09, "Compensation - Stock Compensation (Topic 718): Scope of Modification Accounting", which amends the scope of modification accounting for share-based payment arrangements. The ASU provides guidance on the types of changes to the terms or conditions of share-based payment awards to which an entity would be required to apply modification accounting under ASC 718 *Stock Compensation*. An entity would not apply modification accounting if the fair value, vesting conditions, and classification of the awards are the same immediately before and after the modification. The ASU is effective for annual reporting periods, including interim periods within those annual reporting periods, beginning after December 15, 2017. Early adoption is permitted, including adoption in any interim period. We do not anticipate any significant award modifications, as such do not anticipate the adoption of ASU 2017-09 will have a material impact on our consolidated statement of comprehensive income.

In January 2017, the FASB issued ASU No. 2017-04, "Intangibles-Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment". ASU 2017-04 simplifies the accounting for goodwill impairments by eliminating Step 2 from the goodwill impairment test. Under the previous guidance an impairment of goodwill is when the carrying amount of goodwill exceeds its implied fair value, whereas under the new guidance a goodwill impairment loss would be recognized if the carrying amount of the reporting unit exceeds its fair value, limited to the total amount of goodwill allocated to

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the reporting unit. The Company adopted this standard in January 2017 and it did not have an impact on its results of operations, statement of financial position or statement of cash flows.

In August 2016, the FASB issued ASU No. 2016-15, "Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments". ASU 2016-15 clarifies how certain cash receipts and cash payments are presented and classified in the statement of cash flows under Topic 230. This ASU is effective for interim and annual periods beginning after December 15, 2018. Early application is permitted. The adoption of the standard will impact the classification of our contingent consideration payments on our consolidated statement of cash flows.

In June 2016, the FASB issued ASU No. 2016-13, "Financial Instruments-Credit Losses" (Topic 326), which amends the guidance on the impairment of financial instruments. The standard adds an impairment model, referred to as current expected credit loss, which is based on expected losses rather than incurred losses. The standard applies to most debt instruments, trade receivables, lease receivables, reinsurance receivables, financial guarantees and loan commitments. Under the guidance, companies are required to disclose credit quality indicators disaggregated by year of origination for a five-year period. The new guidance is effective for fiscal years and interim periods within those fiscal years beginning after December 15, 2020. We do not anticipate this standard will have a material impact to our consolidated financial statements.

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers (Topic 606)", which clarifies the principles for recognizing revenue. The guidance is applicable to all contracts with customers regardless of industry-specific or transaction-specific fact patterns. Further, the guidance requires improved disclosures as well as additional disclosures to help users of financial statements better understand the nature, amount, timing and uncertainty of revenue that is recognized. In 2015, the FASB issued a deferral of the effective date of the standard to the first quarter of 2019, with early adoption in fiscal 2017 permitted. In 2016, the FASB issued final amendments clarifying the implementation guidance for principal versus agent considerations, identifying performance obligations and the accounting for intellectual property licenses. Upon becoming effective, the Company will apply the amendments in the updated standard either retrospectively to each prior reporting period presented, or retrospectively with the cumulative effect of initially applying the guidance recognized at the date of initial application. The Company is currently evaluating the provisions of ASU No. 2014-09 and assessing the impact on its financial statements. As part of our assessment work to-date, we have formed an implementation work team, completed training on the new ASU's revenue recognition model and are continuing our contract review and documentation. The Company has elected to apply the modified retrospective transition method.

In February 2016, the FASB issued ASU No. 2016-02, "Leases (Topic 842)", which requires lessees to recognize assets and liabilities related to lease arrangements longer than twelve months on the balance sheet. This standard also requires additional disclosures by lessees and contains targeted changes to accounting by lessors. The updated guidance is effective for interim and annual periods beginning after December 15, 2019, and early adoption is permitted. The Company is in the process of assessing the impact of the adoption of ASU No. 2016-02 on its financial position, results of operations, cash flows and financial statement disclosures but does not believe the adoption will have a material impact. As of December 30, 2017, the Company has \$9.0 million of non-cancellable lease commitments. We anticipate the majority of these leases will be recorded on our consolidated balance sheet upon adoption of this standard.

In July 2015, the FASB issued ASU 2015-11, "Simplifying the Measurement of Inventory", which applies to inventory that is measured using first-in, first-out ("FIFO") or average cost. Under the updated guidance, an entity should measure inventory that is within scope at the lower of cost and net realizable value, which is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. The Company adopted the standard January 1, 2017 and the adoption did not have a material impact on our consolidated financial statements.

4. ACQUISITIONS

Tyrrells Group Acquisition

On September 2, 2016, the Company acquired 100% of the voting interests of Tyrrells Group, an international manufacturer and distributor of better-for-you snacks, for total consideration of approximately \$416.4 million. The Company paid approximately \$381.1 million in cash and issued approximately 2.1 million shares of its common stock

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with an acquisition date fair value of approximately \$35.3 million. The Company financed the cash portion of the transaction with proceeds from term loans totaling \$600 million.

This acquisition has been accounted for under the acquisition method of accounting, whereby the purchase consideration was allocated to tangible and intangible net assets acquired and liabilities assumed at their estimated fair values on the date of acquisition. The excess purchase consideration over fair value of net assets acquired and liabilities assumed was recorded as goodwill.

Due to the nature of the Tyrrells acquisition the company's tax basis in assets carried over from Tyrrells group. Therefore, the company has recorded deferred tax liabilities for the differences in book and tax bases of identifiable intangibles and fixed assets.

In 2017, the Company completed its accounting of the purchase consideration and estimated fair value of assets acquired and liabilities assumed at the date of acquisition, with adjustments to fair value of certain assets and liabilities identified during the measurement period. The adjustments identified during the measurement period were a result of changes to the original fair value estimates of certain items acquired and are the result of additional information obtained since September 2, 2016, that related to facts and circumstances that existed at the acquisition date.

The following table summarizes the final allocation of the purchase consideration for Tyrrells Group to the estimated fair value of assets acquired and liabilities assumed at the date of acquisition (in thousands):

	Provisional Valuation as of December 31, 2016	Measurement Period Adjustments	Final Valuation
Purchase consideration:			
Cash paid as purchase consideration	\$ 381,069	\$ —	\$ 381,069
Fair value of equity issued to Sellers	35,319	—	35,319
Total purchase consideration	416,388	—	416,388
Less: cash and cash equivalents acquired	(15,451)	—	(15,451)
Total purchase price, net of cash and cash equivalents acquired	400,937	—	400,937
Fair value of net assets acquired and liabilities assumed:			
Accounts receivable	21,424	—	21,424
Inventory	8,921	—	8,921
Property, plant and equipment	42,612	9,005	51,617
Other assets	2,845	—	2,845
Indefinite-lived identifiable intangible asset- trade names	261,854	(27,900)	233,954
Definite-lived identifiable intangible assets- customer relationships (15-year useful life)	44,240	532	44,772
Accounts payable	(19,498)	—	(19,498)
Other liabilities	(13,123)	(1,844)	(14,967)
Deferred tax liabilities	(51,810)	2,843	(48,967)
Total fair value of net assets acquired and liabilities assumed	297,465	(17,364)	280,101
Excess purchase consideration over fair value of net assets acquired (goodwill)	\$ 103,472	\$ 17,364	\$ 120,836

Goodwill is calculated as the excess of consideration paid over the net assets acquired and represents synergies, organic growth and other benefits that are expected to arise from integrating Tyrrells Group into our operations. The goodwill associated with the Tyrrells Group acquisition is not deductible for tax purposes.

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5. INVENTORY

Inventories, net of reserves and provisions, consist of the following (in thousands):

	December 30, 2017
Raw materials and packaging	\$ 11,960
Work in process	1,088
Finished goods	9,475
Inventories, net	\$ 22,523

As of December 30, 2017, we had approximately \$0.9 million in reserves for finished goods deemed unsaleable and raw materials and packaging deemed obsolete. If future demand or market conditions are less favorable than those projected by our management, additional inventory write-downs may be required.

6. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recorded at cost. Accumulated depreciation is recognized ratably over the expected useful life of the asset. Property, plant and equipment, net consist of the following (in thousands):

	December 30, 2017
Machinery and equipment	\$ 61,222
Furniture and fixtures	4,312
Building	5,536
Land	1,165
Leasehold improvements	6,649
Construction in progress	7,037
Property, plant and equipment, gross	85,921
Less: accumulated depreciation	(10,196)
Property, plant and equipment, net	\$ 75,725

Depreciation expense was approximately \$7.4 million for the 52 weeks ended December 30, 2017.

7. GOODWILL AND INTANGIBLE ASSETS

Goodwill consists of the following (in thousands):

	Total
Balance as of December 31, 2016	\$ 151,953
Purchase price accounting adjustments ⁽¹⁾	16,123
Foreign currency translation impact	10,693
Balance as of December 30, 2017	\$ 178,769

⁽¹⁾ In 2017, the Company completed its accounting of the purchase consideration and estimated fair value of assets acquired and liabilities assumed at the date of the Tyrrells Group acquisition, with adjustments to the fair value of certain assets and liabilities identified during the measurement period. The adjustments reflected in the table above were a result of changes to the original fair value estimates of certain items acquired and are the result of additional information obtained since December 31, 2016, that related to facts and circumstances that existed at the acquisition date.

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Intangible assets consist of the following (in thousands):

December 30, 2017			
	Gross carrying amount	Accumulated amortization	Net carrying amount
Intangible assets with indefinite lives:			
Trade names	\$ 459,301	\$ —	\$ 459,301
Intangible assets with finite lives:			
Customer relationships	111,285	(18,863)	92,422
Non-competition agreement	90	(44)	46
Trade name	20	(20)	—
Total	\$ 570,696	\$ (18,927)	\$ 551,769

Amortization of finite-lived intangibles was approximately \$7.3 million for the 52 weeks ended December 30, 2017. Amortization of finite-lived intangible assets is included as part of general and administrative expense in the accompanying consolidated statements of comprehensive income. The weighted average remaining amortization period of intangible assets at December 30, 2017 was 12.6 years.

The estimated future amortization expense related to finite-lived intangible assets is as follows as of December 30, 2017 (in thousands):

2018	\$ 7,415
2019	7,415
2020	7,415
2021	7,409
2022	7,486
Thereafter	55,328
Total	\$ 92,468

ASC 350, "Intangibles - Goodwill and Other", requires companies to test goodwill and indefinite-lived intangibles for impairment annually and more frequently if indicators of impairment exist. Accordingly, the Company performed its annual assessment of fair value of trade names and as of July 1, 2017 for its North America operations and as of August 27, 2017 for its International operations and concluded there was no impairment related to goodwill and indefinite-lived intangibles.

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8. ACCRUED LIABILITIES

The following table shows the components of accrued liabilities (in thousands):

	December 30, 2017
Unbilled inventory	\$ 2,841
Accrued personnel costs	1,867
Accrued interest	3,546
Accrued professional fees	2,355
Accrued sales tax and value added tax (VAT) payable	1,184
Other accrued expenses and liabilities	1,440
Total accrued liabilities	\$ 13,233

9. DEBT

Debt consists of the following (in thousands):

	December 30, 2017
Term loans, net of unamortized original issue discount of \$5,516	\$ 586,984
Revolving loans	11,500
Notes payable, net of unamortized discount of \$81	6,824
Deferred financing costs, net of accumulated amortization of \$3,280	(13,489)
Total debt	591,819
Less: Current Portion	589,819
Long term debt	\$ 2,000

Credit Facility

In connection with the acquisition of Tyrrells Group, the Company entered into a Credit Agreement on September 2, 2016 (the "Credit Facility"), which provided for term loans in the aggregate principal amount of \$600 million (the "Term Loans") and revolving loans in the aggregate principal amount of \$50 million (the "Revolving Loans"), of which \$20 million is denominated in pounds sterling. The Company borrowed from the Term Loans in full to finance the acquisition of Tyrrells Group and pay down all outstanding indebtedness under the Credit Agreement entered into on July 17, 2014 (the "Prior Credit Facility"). As of December 30, 2017, the Company had \$38.8 million of available capacity under the Revolving Loans.

In connection with the issuance of the Credit Facility, the Company incurred an original issue discount ("OID") of approximately \$6.6 million and paid lender and legal fees of approximately \$15.4 million, which are capitalized and presented as a direct reduction to the related debt instrument in the consolidated balance sheets. These costs are recognized as additional interest expense over the term of the related debt instrument using the effective interest method.

The Company must repay the Term Loans in installments of \$1.5 million per quarter due on the last day of each quarter beginning with the quarter ending December 31, 2016, with the remaining balance due at maturity in a final installment of \$559.5 million. The Term Loans and Revolving Loans are scheduled to mature on September 2, 2023 and September 2, 2021, respectively. As a result of the Hershey acquisition discussed in Note 2, the outstanding indebtedness of the Term Loans and Revolving Loans and associated accrued interest became due and payable. The Hershey Company paid a total amount of approximately \$607.2 million to settle these outstanding obligation as of January 31, 2018. As

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a result of the Hershey acquisition we reclassified the outstanding balances of the Term Loans and Revolving Loans to a current liability.

In addition to the installment payments described above, the Credit Facility includes an annual mandatory prepayment of the Term Loans from 50% of the Company's excess cash flow as measured on annual basis, with step-downs to 25% and 0% of the Company's excess cash flow if the Company's Total Leverage Ratio (as defined in the Credit Facility), tested as of the last day of the Company's fiscal year, is less than 4.50 to 1.00 but greater than 3.75 to 1.00, and less than or equal to 3.75 to 1.00, respectively. Excess cash flow is generally defined as the Company's Consolidated Net Income (as defined in the Credit Facility) less debt service costs, unfinanced capital expenditures, unfinanced acquisition expenditures, and certain restricted payments, as adjusted for changes in the Company's working capital and less other customary items. The excess cash flow requirement discussed above commenced in the fiscal year ending December 30, 2017 and the Company was not obligated to make an excess cash flow payment.

In addition, the Credit Facility requires mandatory prepayment of the Term Loans from the net cash proceeds of (i) certain debt issuances and (ii) certain asset sales outside the ordinary course of business and from proceeds of property insurance and condemnation events, in each case of this clause (ii) subject to the Company's right in some circumstances to reinvest such proceeds in the Company's business. Any voluntary prepayment as part of a repricing transaction shall be accompanied by a prepayment premium equal to 1.0% of the principal amount of such prepayment, if such prepayment is made on or prior to the date that is twelve months after September 2, 2016.

Interest

The Term Loans bear interest, at the Company's option, at either the Eurodollar rate plus a margin of 5.50% or the prime rate plus a margin of 4.50%, with step-downs to 5.00% and 4.00%, respectively, if the Company's First Lien Leverage Ratio (as defined in the Credit Facility) is less than or equal to 4.50 to 1.00. The Eurodollar rate is subject to no floor with respect to the Revolving Loans and an annual 1.00% floor with respect to the Term Loans and the prime rate is subject to a 1.00% floor with respect to the Revolving Loans and a 2.00% floor with respect to the Term Loans. As of December 30, 2017, the interest rate on the outstanding Term Loans balance was 6.88% per annum and the weighted average rate on the outstanding Revolver Loans balance was 6.94% per annum.

The Company is also required to pay a commitment fee on the unused commitments under the Revolving Loans at a rate equal to 0.50% per annum with a step-down to 0.375% per annum, if the Company's First Lien Leverage Ratio is less than or equal to 3.25 to 1.00.

Guarantees

The Credit Facility is secured by liens on substantially all the Company's assets, including a pledge of 100% of the equity interests in the Company's domestic subsidiaries and a pledge of 65% of the voting equity interests and 100% of the non-voting equity interests in the Company's direct foreign subsidiaries. All obligations under the Credit Facility are unconditionally guaranteed by substantially all of the Company's direct and indirect domestic subsidiaries, with certain exceptions. These guarantees are secured by substantially all of the present and future property and assets of the guarantors, with certain exclusions.

Covenants

As of the last day of any fiscal quarter of the Company, the terms of the Credit Facility require the Company and its subsidiaries (on a consolidated basis and subject to certain customary exceptions) to maintain a maximum First Lien Leverage Ratio of not more than 8.50 to 1.0, initially, and decreasing to 6.25 to 1.0 over the term of the New Credit Facility. As of December 30, 2017, the Company was in compliance with our financial covenant.

The Credit Facility contains customary affirmative covenants for transactions of this type and other affirmative covenants agreed to by the parties, including, among others, the provision of annual and quarterly financial statements and compliance certificates, maintenance of property, insurance, compliance with laws and environmental matters. The Credit Facility contains customary negative covenants, including, among others, restrictions on the incurrence of indebtedness, granting of liens, making investments and acquisitions, paying dividends, repurchases of equity interests in the Company, entering into affiliate transactions and asset sales. The Credit Facility also provides for a number of

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customary events of default, including, among others, payment, bankruptcy, covenant, representation and warranty, change of control and judgment defaults.

Notes Payable

In April 2016, the Company issued \$4.0 million in unsecured notes to the sellers of Boundless Nutrition in connection with its acquisition. The notes bear interest at a rate per annum of 0.67% with principal and interest due at varying future maturity dates between April 29, 2018 and December 31, 2018. The Company paid off \$1.0 million of the outstanding notes payable balance on April 29, 2017. The Company recorded an acquisition-date fair value discount of approximately \$0.2 million based on market rates for debt instruments with similar terms (Level 3), which is amortized to interest expense over the term of the notes using the effective-interest method.

In April 2015, the Company issued \$3.9 million in unsecured notes to the sellers of Paqui in connection with its acquisition. The notes bear interest at a rate per annum of 1.5% with principal and interest due at maturity on March 31, 2018. We recorded an acquisition-date fair value discount of approximately \$0.2 million based on market rates for debt instruments with similar terms (Level 3), which is amortized to interest expense over the term of the notes using the effective-interest method.

Annual maturities of debt (excluding the fair value discount of approximately \$0.1 million, deferred financing costs, net of approximately \$13.5 million and OID of approximately \$5.5 million) as of December 30, 2017, are as follows (in thousands):

2018	\$	12,905
2019		6,000
2020		6,000
2021		17,500
2022		6,000
Thereafter		562,500
Total	\$	610,905

10. COMMITMENTS AND CONTINGENCIES

Purchase Commitments

The Company entered into certain supply contracts for ingredients such as popcorn kernels, oils, potatoes, root vegetables and natural ingredients used in Oatmega protein bars. Certain contracts also stipulate that if the Company fails to purchase the stated quantities within the time period specified, the Company has the option to purchase all remaining quantities under the contract, or the seller has the right to assess liquidated damages, including payment of the excess of the contract price over the market price for all remaining contracted quantities not purchased.

As of December 30, 2017, the Company's purchase commitments remaining under these contracts were as follows

	Ingredient Commitments
2018	\$ 40,666
2019	3,976
Total	\$ 44,642

Lease Commitments

The Company leases various property and equipment under operating leases. Rent expense from operating leases totaled approximately \$1.6 million for the 52 weeks ended December 30, 2017. As of December 30, 2017, minimum rental commitments under non-cancellable operating leases were as follows (in thousands):

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2018	\$ 1,707
2019	1,458
2020	1,388
2021	1,353
2022	1,237
Thereafter	1,882
Total	\$ 9,025

In January 2017, the Company exited its Boundless Nutrition lease and entered into a sublease agreement for the remainder of the lease term. In connection with the lease abandonment, the Company incurred a loss on exit activity of approximately \$0.2 million. Future sublease cash receipts is as follows:

2018	\$ 138
2019	142
2020	145
2021	124
Total	\$ 549

Legal Matters

From time to time, the Company is subject to claims and assessments in the ordinary course of business. The Company is not currently a party to any litigation matter that, individually or in the aggregate, is expected to have a material adverse effect on the Company's business, financial condition, results from operations or cash flow.

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11. INCOME TAXES

U.S. and foreign components of income before income taxes were as follows (in thousands):

	Year Ended December 30, 2017
U.S.	\$ 61,964
Foreign	(23,788)
Income before income taxes	\$ 38,176

The components of the provision for income taxes attributable to continuing operations were as follows (in thousands):

	Year Ended December 30, 2017
Income tax provision (benefit):	
Current:	
Federal	\$ 1,271
State	844
International	1,388
Total current	3,503
Deferred:	
Federal	3,792
State	2,302
International	(1,455)
Total deferred	4,639
Total provision	\$ 8,142

U.S. TAX CUTS AND JOBS ACT OF 2017

The U.S. Tax Cuts and Jobs Act, enacted in December 2017, ("U.S. tax reform") significantly changes U.S. corporate income tax laws by, among other things, reducing the U.S. corporate income tax rate to 21% starting in 2018 and creating a territorial tax system with a one-time mandatory tax on previously deferred foreign earnings of U.S. subsidiaries. Under GAAP (specifically, ASC Topic 740), the effects of changes in tax rates and laws on deferred tax balances are recognized in the period in which the new legislation is enacted.

In response to U.S. tax reform, the Staff of the U.S. Securities and Exchange Commission issued Staff Accounting Bulletin No. 118 ("SAB No. 118") to provide guidance to registrants in applying ASC Topic 740 in connection with U.S. tax reform. FASB Staff Q&A Topic 740 No. 1 states that entities that are not SEC registrants may apply SAB 118 to financial statements. SAB No. 118 provides that in the period of enactment, the income tax effects of U.S. tax reform may be reported as a provisional amount based on a reasonable estimate (to the extent a reasonable estimate can be determined), which would be subject to adjustment during a "measurement period." The measurement period begins in the reporting period of U.S. tax reform's enactment and ends when a registrant has obtained, prepared and analyzed the information that was needed in order to complete the accounting requirements under ASC Topic 740. SAB No. 118 also describes supplemental disclosure that should accompany the provisional amounts.

U.S. tax reform represents the first significant change in U.S. tax law in over 30 years. As permitted by SAB No. 118, some elements of the tax expense recorded in the fourth quarter of 2017 due to the enactment of U.S. tax reform are considered "provisional," based on reasonable estimates. The Company is continuing to collect and analyze detailed information about deferred income taxes, the earnings and profits of its non-U.S. subsidiaries, the related taxes paid,

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the amounts which could be repatriated, the foreign taxes which may be incurred on repatriation and the associated impact of these items under U.S. tax reform. The Company may record adjustments to refine those estimates during the measurement period, as additional analysis is completed.

As a result, we recorded a net benefit of \$6.2 million during the fourth quarter of 2017. This amount, which is reflected within the provision for income taxes in the Consolidated Statement of Comprehensive Income, includes the estimated impact of the benefit from revaluation of net deferred tax liabilities based on the new lower corporate income tax rate. The impact of the U.S. tax reform may differ from this estimate, possibly materially, due to, among other things, changes in interpretations and assumptions made, additional guidance that may be issued and actions taken as a result of the U.S. tax reform.

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

	December 30, 2017
Deferred tax assets:	
Allowance for promotional activity	\$ 1,638
Accrued expenses and other	493
Inventories	572
Interest carryforward	986
Deferred financing costs	118
Contingent compensation	250
Net operating losses	3,921
Stock compensation	819
Total deferred tax assets	8,797
Valuation allowance	(1,546)
Deferred tax liabilities:	
Unrealized gains	(500)
Fixed Assets	(2,911)
Intangible Assets	(64,799)
Total deferred tax liabilities	(68,210)
Net deferred tax (liabilities)	\$ (60,959)

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The Company's provision for income taxes attributable to continuing operations differs from the expected tax benefit amount computed by applying the statutory federal income tax rate of 35% to income before taxes for the periods presented below primarily as a result of the following:

	Year Ended December 30, 2017
Income tax at U.S. statutory rate	35.00 %
Effect of:	
State taxes, net of federal benefit	5.04 %
Stock compensation expense	2.94 %
Transaction-related expenses	2.22 %
Remeasurement (gain) loss	6.08 %
Other permanent items	3.19 %
Change in valuation allowance	2.90 %
Effect of foreign operations	8.83 %
Section 199 deduction	(6.01) %
Change in tax rate	(16.11) %
TRA revaluation	(21.91) %
Interest adjustments	(0.84) %
Income tax provision effective rate	21.33 %

At December 30, 2017, we had U.S. federal and state net operating losses of \$0.1 million from the acquisition of the Tyrrells Group's U.S. subsidiary, which are limited due to IRC Section 382 limitations. These losses are available to offset future U.S. federal and state taxable income and to expire at various times from 2021 to 2035.

At December 30, 2017, we had foreign net operating loss carryforwards of \$12.5 million, which are available to offset future foreign taxable income, and do not expire.

In the U.S., tax returns for 2014 through 2016 remain open and subject to examination. In the U.K., tax years ending in 2016 and later remain open and subject to examination. In Australia, tax years ending in 2014 and later remain open and subject to examination. In Germany, tax years ending in 2014 and later remain open and subject to examination.

It is the Company's intention to indefinitely reinvest all foreign earnings outside the United States, therefore no provision for U.S. federal or state income taxes on those earnings has been recorded. The amount of unrecognized deferred tax liability related to the unremitted earnings is not material.

Our valuation allowances are primarily related to U.K. interest expense limitation carryforwards and various foreign jurisdictions' net operating loss carryforwards for which we do not expect to realize a benefit.

As of December 30, 2017, we have established a long-term liability for an uncertain tax position in the amount of approximately \$1.2 million related to pre-acquisition activity by Tyrrells Group. The Company's policy is to accrue interest and penalties related to uncertain tax positions as a component of income tax expense. As of December 30, 2017, the interest associated with the Company's position is not material.

12. EQUITY-BASED COMPENSATION

In July 2015, the Amplify Snack Brands, Inc. 2015 Stock Option and Incentive Plan (the "2015 Plan") was adopted by our board of directors, approved by our stockholders and became effective immediately prior to the consummation of our IPO in August 2015. The 2015 Plan provides for the grant of various equity-based incentive awards to officers, employees, non-employee directors and consultants of the Company and its subsidiaries. The types of awards that

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may be granted under the 2015 Plan include incentive stock options, non-qualified stock options, restricted stock awards ("RSAs"), restricted stock units ("RSUs"), stock appreciation rights ("SARs") and other equity-based awards. The Company initially reserved 13,050,000 shares of our common stock for issuance under the 2015 Plan, which is subject to certain adjustments for changes in the Company's capital structure, as defined in the 2015 Plan.

The equity-based compensation expense, net of forfeitures, is recognized using a straight-line basis over the requisite service period of the awards, which corresponds to the vesting periods of the awards. Equity-based compensation expense totaled approximately \$5.2 million for the 52 weeks ended December 30, 2017. It is the Company's policy to recognize forfeitures as they occur. For the 52 weeks ended December 30, 2017, the Company recognized \$0.3 million of income tax expense for an excess tax deficiency related to vested equity awards. Equity-based compensation expense is included as part of general and administrative expense in the accompanying consolidated statement of comprehensive income.

Stock Options

The fair value of stock option awards is estimated on the grant date using the Black-Scholes valuation model with the following assumptions:

	Low	High
Expected volatility ⁽¹⁾	27.6%	27.9%
Expected dividend yield ⁽²⁾	—	—
Expected option term ⁽³⁾	6 years	
Risk-free interest rate ⁽⁴⁾	1.87%	2.21%

⁽¹⁾ The expected volatility assumption was calculated based on a peer group analysis of stock price volatility with a six-year look back period ending on the grant date.

⁽²⁾ We have not paid and do not anticipate paying a cash dividend on our common stock.

⁽³⁾ We utilized the simplified method to determine the expected term of the stock options since we do not have sufficient historical exercise data to provide a reasonable basis upon which to estimate expected term.

⁽⁴⁾ The risk-free interest rate was based on the U.S. Treasury yield curve in effect at the time of grant, which corresponds to the expected term of the stock options.

The following table summarizes the Company's stock option activity for the 52 weeks ended December 30, 2017:

	Number of Options	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price	Weighted Average Grant Date Fair Value
Outstanding as of December 31, 2016	342,667	9.36	\$ 12.64	\$ 4.30
Granted	2,123,682 ⁽¹⁾	9.73	\$ 6.87	\$ 2.13
Exercised	—	—	\$ —	\$ —
Forfeited	—	—	\$ —	\$ —
Outstanding as of December 30, 2017	2,466,349	9.54	\$ 7.67	\$ 2.37
Exercisable as of December 30, 2017	202,586	8.31	\$ 12.42	\$ 4.12

⁽¹⁾ In September 2017, a stock option award to purchase 1,166,173 shares of the Company's common stock was granted to an employee in connection with his appointment as an officer of the Company. This award was granted outside of the 2015 Plan.

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As of December 30, 2017, the total compensation cost related to nonvested stock options not yet recognized was approximately \$5.4 million with a weighted average remaining period of 2.69 years over which it is expected to be recognized. As of December 30, 2017, the weighted average remaining contractual life of nonvested stock option awards is 9.65 years.

The intrinsic value of outstanding stock options as of December 30, 2017 was \$10.7 million based on the closing stock price on the last trading day of the year.

Restricted Stock Units ("RSUs")

The following table summarizes the activity of the Company's unvested RSUs for the 52 weeks ended December 30, 2017.

	Number of RSUs	Weighted Average Grant Date Fair Value
Unvested as of December 31, 2016	1,640,301	\$ 15.31
Issued	922,580	\$ 7.75
Forfeited ⁽¹⁾	(1,326,171)	\$ 16.01
Vested	(81,343)	\$ 13.47
Unvested as of December 30, 2017	1,155,367	\$ 8.44

⁽¹⁾ Includes shares withheld to satisfy tax obligations upon vesting.

Based on our closing stock price at December 30, 2017, the aggregate intrinsic value of the unvested RSUs was approximately \$13.9 million. Total unrecognized expense related to unvested RSUs was approximately \$8.1 million as of December 30, 2017. We anticipate this expense will be recognized over a weighted average remaining period of approximately 2.49 years. Restricted stock units fair value is determined by the market value of our common stock on the date of the grant.

Restricted Stock Awards ("RSAs")

In connection with the Corporate Reorganization in August 2015, all of the outstanding equity awards (which were comprised of Class C-1 and C-2 units of Topco) that were granted under the TA Topco 1, LLC 2014 Equity Incentive Plan, were converted into shares of the common stock and restricted stock of the Company. The portion of outstanding Class C units that had vested as of the consummation of the Corporate Reorganization were converted into shares of the Company's common stock and the remaining portion of unvested outstanding Class C units were converted into shares of the Company's restricted stock, which were granted under the 2015 Plan.

The following table summarizes the activity of the Company's unvested RSAs for the 52 weeks ended December 30, 2017.

	Number of RSAs	Weighted Average Grant Date Fair Value
Unvested as December 31, 2016	2,948,995	\$ 1.43
Issued	—	\$ —
Forfeited	(123,600)	\$ 1.74
Vested	(1,554,106)	\$ 1.34
Unvested as December 30, 2017	1,271,289	\$ 1.51

Based on our closing stock price at December 30, 2017, the aggregate intrinsic value of the unvested RSAs was approximately \$15.3 million. Total unrecognized expense related to unvested RSAs was approximately \$1.6 million as of December 30, 2017. We anticipate this expense will be recognized over a weighted average remaining period of

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0.97 years. Included in our unamortized expense are RSAs issued to a non-employee which are remeasured at fair value at each reporting date until the awards vest.

13. OTHER INCOME, NET

For 52 weeks ended December 30, 2017 other income, net consisted of the following:

Gain on revaluation of TRA obligation ⁽¹⁾	\$ (24,606)
Gain on foreign currency transaction	(1,031)
Sublease income ⁽²⁾	(159)
Loss on exit activity ⁽²⁾	190
Other expense	19
Total other income, net	\$ (25,587)

⁽¹⁾ During the 52 weeks ended December 30, 2017 the enacted U.S. federal income tax rate was reduced from 35% to 21%, as a result the Company recorded a gain of \$24.6 million as the future amounts owed under the TRA obligation were reduced.

⁽²⁾ During the 52 weeks ended December 30, 2017, the Company entered into a sublease for one of its properties for the remaining lease term. At the time of the sublease the Company recognized a loss on exit activity of \$0.2 million. During the 52 weeks ended December 30, 2017, the Company recognized \$0.2 million of sublease income.