Table of Contents

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended August 25, 2019
OR

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

For the transition period from to
Commission File Number: 1-37830

LAMB WESTON HOLDINGS, INC.
(Exact name of registrant as specified in its charter)

Delaware	**61-1797411**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
599 S. Rivershore Lane **Eagle, Idaho**	**83616**
(Address of principal executive offices)	(Zip Code)

(208) 938-1047
(Registrant's telephone number, including area code)

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

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $1.00 par value	LW	New York Stock Exchange

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.:

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
Emerging growth company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

As of September 27, 2019, the Registrant had 146,062,722 shares of common stock, par value $1.00 per share, outstanding.

Table of Contents

Part I. FINANCIAL INFORMATION		
Item 1	Financial Statements	
	Unaudited Consolidated Statements of Earnings for the Thirteen Weeks ended August 25, 2019 and August 26, 2018	3
	Unaudited Consolidated Statements of Comprehensive Income (Loss) for the Thirteen Weeks ended August 25, 2019 and August 26, 2018	4
	Unaudited Consolidated Balance Sheets as of August 25, 2019 and May 26, 2019	5
	Unaudited Consolidated Statements of Changes in Stockholders' Equity for the Thirteen Weeks Ended August 25, 2019 and August 26, 2018	6
	Unaudited Consolidated Statements of Cash Flows for the Thirteen Weeks ended August 25, 2019 and August 26, 2018	7
	Condensed Notes to Consolidated Financial Statements	8
Item 2	Management's Discussion and Analysis of Financial Condition and Results of Operations	22
Item 3	Quantitative and Qualitative Disclosures About Market Risk	29
Item 4	Controls and Procedures	30
Part II. OTHER INFORMATION		30
Item 1	Legal Proceedings	30
Item 1A	Risk Factors	30
Item 2	Unregistered Sales of Equity Securities and Use of Proceeds	31
Item 3	Defaults Upon Senior Securities	31
Item 4	Mine Safety Disclosures	31
Item 5	Other Information	31
Item 6	Exhibits	32

All reports we file with the U.S. Securities and Exchange Commission ("SEC") are available free of charge via the Electronic Data Gathering Analysis and Retrieval ("EDGAR") System on the SEC's website at www.sec.gov. We also provide copies of our SEC filings at no charge upon request and make electronic copies of our reports available through our website at www.lambweston.com as soon as reasonably practicable after filing such material with the SEC.

PART I — FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

Lamb Weston Holdings, Inc.
Consolidated Statements of Earnings
(unaudited, dollars in millions, except per share amounts)

	Thirteen Weeks Ended	
	August 25, 2019	August 26, 2018
Net sales	$ 989.0	$ 914.9
Cost of sales	740.4	684.3
Gross profit	248.6	230.6
Selling, general and administrative expenses	78.6	78.0
Income from operations	170.0	152.6
Interest expense, net	28.2	26.8
Income before income taxes and equity method earnings	141.8	125.8
Income tax expense	36.7	34.3
Equity method investment earnings	10.6	19.9
Net income	115.7	111.4
Less: Income attributable to noncontrolling interests	—	3.6
Net income attributable to Lamb Weston Holdings, Inc.	$ 115.7	$ 107.8
Earnings per share		
Basic	$ 0.79	$ 0.73
Diluted	$ 0.79	$ 0.73

See Condensed Notes to Consolidated Financial Statements.

Lamb Weston Holdings, Inc.
Consolidated Statements of Comprehensive Income (Loss)
(unaudited, dollars in millions)

	Thirteen Weeks Ended August 25, 2019			Thirteen Weeks Ended August 26, 2018		
	Pre-Tax Amount	Tax (Expense) Benefit	After-Tax Amount	Pre-Tax Amount	Tax (Expense) Benefit	After-Tax Amount
Net income	$ 152.4	$ (36.7)	$ 115.7	$ 145.7	$ (34.3)	$ 111.4
Other comprehensive income (loss):						
Reclassification of post-retirement benefits out of accumulated other comprehensive income (loss)	0.2	—	0.2	0.2	(0.1)	0.1
Unrealized currency translation losses	(9.1)	—	(9.1)	(4.3)	—	(4.3)
Comprehensive income (loss)	143.5	(36.7)	106.8	141.6	(34.4)	107.2
Less: Comprehensive income attributable to noncontrolling interests	—	—	—	3.6	—	3.6
Comprehensive income (loss) attributable to Lamb Weston Holdings, Inc.	$ 143.5	$ (36.7)	$ 106.8	$ 138.0	$ (34.4)	$ 103.6

See Condensed Notes to Consolidated Financial Statements.

Lamb Weston Holdings, Inc.
Consolidated Balance Sheets
(unaudited, dollars in millions, except share data)

	August 25, 2019	May 26, 2019
ASSETS		
Current assets:		
Cash and cash equivalents	$ 19.0	$ 12.2
Receivables, less allowance for doubtful accounts of $1.3 and $1.3	371.1	340.1
Inventories	466.5	498.3
Prepaid expenses and other current assets	49.6	110.9
Total current assets	906.2	961.5
Property, plant and equipment, net	1,555.1	1,597.8
Operating lease assets	160.3	—
Goodwill	306.4	205.9
Intangible assets, net	40.4	37.6
Equity method investments	225.5	224.6
Other assets	28.7	20.7
Total assets	$ 3,222.6	$ 3,048.1
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Short-term borrowings	$ —	$ 8.4
Current portion of long-term debt and financing obligations	36.5	38.0
Accounts payable	284.9	289.2
Accrued liabilities	218.7	217.2
Total current liabilities	540.1	552.8
Long-term liabilities:		
Long-term debt and financing obligations, excluding current portion	2,210.1	2,280.2
Deferred income taxes	143.5	125.7
Other noncurrent liabilities	236.6	94.0
Total long-term liabilities	2,590.2	2,499.9
Commitments and contingencies		
Stockholders' equity:		
Common stock of $1.00 par value, 600,000,000 shares authorized; 146,760,237 and 146,654,827 shares issued	146.8	146.7
Additional distributed capital	(884.7)	(890.3)
Retained earnings	911.1	803.6
Accumulated other comprehensive loss	(34.2)	(25.3)
Treasury stock, at cost, 697,515 and 585,794 common shares	(46.7)	(39.3)
Total stockholders' equity (deficit)	92.3	(4.6)
Total liabilities and stockholders’ equity	$ 3,222.6	$ 3,048.1

See Condensed Notes to Consolidated Financial Statements.

Lamb Weston Holdings, Inc.
Consolidated Statements of Changes in Stockholders' Equity
For the Thirteen Weeks Ended August 25, 2019 and August 26, 2018
(unaudited, dollars in millions, except shares and per share data)

	Common Stock, net of Treasury Shares	Common Stock Amount	Treasury Stock Amount	Additional Paid-in (Distributed) Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Equity
Balance at May 26, 2019	146,069,033	$ 146.7	$ (39.3)	$ (890.3)	$ 803.6	$ (25.3)	$ (4.6)
Adoption of ASC 842 leases	—	—	—	—	20.5	—	20.5
Common stock dividends declared, $0.20000 per share	—	—	—	—	(29.2)	—	(29.2)
Common stock issued	105,410	0.1	—	(0.1)	—	—	—
Stock-settled, stock-based compensation expense	—	—	—	5.4	—	—	5.4
Repurchase of common stock and common stock withheld to cover taxes	(111,721)	—	(7.4)	—	—	—	(7.4)
Other	—	—	—	0.3	0.5	—	0.8
Comprehensive income (loss)	—	—	—	—	115.7	(8.9)	106.8
Balance at August 25, 2019	146,062,722	$ 146.8	$ (46.7)	$ (884.7)	$ 911.1	$ (34.2)	$ 92.3
Balance at May 27, 2018	146,332,332	$ 146.4	$ (2.9)	$ (900.4)	$ 426.4	$ (4.3)	$ (334.8)
Adoption of ASC 606 revenue from contracts with customers	—	—	—	—	13.7	—	13.7
Increase in redemption value of noncontrolling interests in excess of earnings allocated	—	—	—	(0.9)	—	—	(0.9)
Common stock dividends declared, $0.19125 per share	—	—	—	—	(28.0)	—	(28.0)
Common stock issued	169,467	0.2	—	0.6	—	—	0.8
Stock-settled, stock-based compensation expense	—	—	—	4.2	—	—	4.2
Common stock withheld to cover taxes	(54,043)	—	(3.9)	—	—	—	(3.9)
Other	—	—	—	0.1	(0.2)	—	(0.1)
Comprehensive income (loss)	—	—	—	—	107.8	(4.2)	103.6
Balance at August 26, 2018	146,447,756	$ 146.6	$ (6.8)	$ (896.4)	$ 519.7	$ (8.5)	$ (245.4)

See Condensed Notes to Consolidated Financial Statements

Lamb Weston Holdings, Inc.
Consolidated Statements of Cash Flows
(unaudited, dollars in millions)

	Thirteen Weeks Ended	
	August 25, 2019	August 26, 2018
Cash flows from operating activities		
Net income	$ 115.7	$ 111.4
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization of intangibles and debt issuance costs	46.0	38.6
Stock-settled, stock-based compensation expense	5.4	4.2
Earnings of joint ventures in excess of distributions	(0.5)	(3.2)
Deferred income taxes	10.3	13.9
Other	5.6	3.1
Changes in operating assets and liabilities, net of acquisition:		
Receivables	(27.0)	(18.6)
Inventories	35.6	33.2
Income taxes payable/receivable, net	24.8	9.5
Prepaid expenses and other current assets	43.3	41.1
Accounts payable	7.7	17.1
Accrued liabilities	(28.4)	(22.4)
Net cash provided by operating activities	$ 238.5	$ 227.9
Cash flows from investing activities		
Additions to property, plant and equipment	(50.3)	(87.0)
Acquisition of business, net of cash acquired	(116.9)	—
Other	(9.5)	0.2
Net cash used for investing activities	$ (176.7)	$ (86.8)
Cash flows from financing activities		
Proceeds from issuance of debt	299.3	—
Debt repayments	(309.0)	(10.9)
Dividends paid	(29.2)	(28.0)
Payments of short-term borrowings	(8.3)	(1.0)
Repurchase of common stock and common stock withheld to cover taxes	(7.4)	(3.9)
Cash distributions paid to noncontrolling interest	—	(2.9)
Other	(0.3)	0.8
Net cash used for financing activities	$ (54.9)	$ (45.9)
Effect of exchange rate changes on cash and cash equivalents	(0.1)	(0.3)
Net increase in cash and cash equivalents	6.8	94.9
Cash and cash equivalents, beginning of the period	12.2	55.6
Cash and cash equivalents, end of period	$ 19.0	$ 150.5

See Condensed Notes to Consolidated Financial Statements.

Condensed Notes to Consolidated Financial Statements

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Lamb Weston Holdings, Inc. ("we," "us," "our," the "Company," or "Lamb Weston"), along with its joint venture partners, is a leading global producer, distributor, and marketer of value-added frozen potato products and is headquartered in Eagle, Idaho. We have four reportable segments: Global, Foodservice, Retail, and Other. See Note 15, Segments, for additional information on our reportable segments.

Basis of Presentation

The unaudited quarterly Consolidated Financial Statements present the financial results of Lamb Weston for the thirteen weeks ended August 25, 2019 and August 26, 2018, and have been prepared in accordance with generally accepted accounting principles ("GAAP") in the United States of America. The financial statements are unaudited but include all adjustments (consisting only of normal recurring adjustments) that management considers necessary for a fair presentation of such financial statements. The preparation of financial statements involves the use of estimates and accruals. Actual results may vary from those estimates. Results for interim periods should not be considered indicative of results for our full fiscal year, which ends the last Sunday in May. These quarterly financial statements and condensed notes should be read together with the combined and consolidated financial statements and notes in our Annual Report on Form 10-K for the fiscal year ended May 26, 2019 (the "Form 10-K"), which we filed with the Securities and Exchange Commission on July 25, 2019.

Certain amounts in the prior period consolidated financial statements have been reclassified to conform with the current period presentation.

Revenue from Contracts with Customers

Generally, we recognize revenue on a point in time basis when the customer takes title to the goods and assumes the risks, rewards, or control of the goods. For customized products, we recognize revenue as the products are produced and we have a purchase order providing a legally enforceable right to payment for the goods.

New and Recently Issued Accounting Standards

Accounting Standards Adopted

Effective May 27, 2019, we adopted Accounting Standards Update ("ASU") 2016-02, *Leases*, and its related amendments, collectively known as Accounting Standards Codification ("ASC") Topic 842, Leases, ("ASC 842") using the modified retrospective transition method, which among other things, allows us to elect an optional transition method to apply the new lease standard through a cumulative effect adjustment in the period of adoption. The new guidance requires both classifications of leases, operating and finance, to be recognized on the balance sheet. The new guidance also results in a change in the naming convention for leases historically classified as capital leases. Under the new guidance, these leases are now referred to as finance leases.

We adopted the guidance by recognizing and measuring leases at the adoption date with a cumulative effect of initially applying the guidance recognized at the date of initial application and as a result did not recast prior periods presented in the Consolidated Financial Statements. We elected to adopt certain of the optional practical expedients, including electing to not reassess lease classification, initial direct costs of existing leases, or whether existing contracts contain a lease. In addition, we elected to account for each contract's lease and non-lease components as a single lease component.

The adoption of the new standard resulted in the recognition of operating lease assets of $154.1 million and operating lease liabilities of $155.5 million. Included in the measurement of the new operating lease assets is the reclassification of certain balances, including those historically recorded as deferred rent. The adoption also resulted in a cumulative effect transitional adjustment of $26.6 million ($20.5 million, net of tax) to increase retained earnings, as a

result of the elimination of a deferred gain related to a sale leaseback and the elimination of $38.7 million of property, plant and equipment and $65.3 million of lease financing obligations also related to a sale leaseback. The adoption did not have a material impact on our results of operations or cash flows. See Note 6, Leases, for more information.

Accounting Standards Not Yet Adopted

In August 2018, the Financial Accounting Standards Board ("FASB") issued ASU 2018-14, *Compensation – Retirement Benefits – Defined Benefit Plans – General (Subtopic 715-20): Disclosure Framework – Changes to the Disclosure Requirements for Defined Benefit Plans*. This update amends ASC 715 to remove disclosures that are no longer considered cost beneficial, clarifies the specific requirements of disclosures, and adds disclosure requirements identified as relevant to defined benefit pension and other postretirement plans. The ASU's changes related to disclosures are part of the FASB's disclosure framework project. This guidance is effective for our fiscal 2022 (beginning May 31, 2021) with early adoption permitted. The adoption of this standard is not expected to have a significant impact on our financial statements.

There were no other accounting standards recently issued that had or are expected to have a material impact on our financial statements.

2. EARNINGS PER SHARE

The following table sets forth the computation of basic and diluted earnings per common share for the periods presented (dollars and shares in millions, except per share amounts):

	Thirteen Weeks Ended	
	August 25, 2019	August 26, 2018
Numerator:		
Net income attributable to Lamb Weston Holdings, Inc.	$ 115.7	$ 107.8
Less: Increase in redemption value of noncontrolling interests in excess of earnings allocated, net of tax benefits (a)	—	0.9
Net income available to Lamb Weston common stockholders	$ 115.7	$ 106.9
Denominator:		
Basic weighted average common shares outstanding	146.2	146.5
Add: Dilutive effect of employee incentive plans (b)	0.8	0.7
Diluted weighted average common shares outstanding	147.0	147.2
Earnings per share (a)		
Basic	$ 0.79	$ 0.73
Diluted	$ 0.79	$ 0.73

(a) On November 2, 2018, we entered into an agreement to acquire the remaining 50.01% interest in Lamb Weston BSW, LLC ("Lamb Weston BSW"). Our Consolidated Statement of Earnings includes 100% of Lamb Weston BSW's earnings beginning November 2, 2018.

(b) Potentially dilutive shares of common stock from employee incentive plans are determined by applying the treasury stock method to the assumed exercise of outstanding stock options and the assumed vesting of outstanding restricted stock units and performance awards. As of August 25, 2019, an insignificant number of stock-based awards were excluded from the computation of diluted earnings per share because they would be antidilutive. As of August 26, 2018, we did not have any stock-based awards that were antidilutive.

3. INCOME TAXES

Income tax expense for the thirteen weeks ended August 25, 2019 and August 26, 2018, was $36.7 million and $34.3 million, respectively. The effective income tax rate (calculated as the ratio of income tax expense to pre-tax income, inclusive of equity method investment earnings) was approximately 24.1% and 23.5% for the thirteen weeks ended August 25, 2019 and August 26, 2018, respectively, in our Consolidated Statements of Earnings. The effective tax rate varies from the U.S. statutory tax rate of 21% principally due to the impact of U.S. state taxes, foreign taxes, permanent differences, and discrete items.

Income Taxes Paid

Income taxes paid, net of refunds, were $1.5 million and $10.5 million during the thirteen weeks ended August 25, 2019 and August 26, 2018, respectively.

Unrecognized Tax Benefits

There have been no material changes to the unrecognized tax benefits disclosed in Note 5, Income Taxes, of the Notes to Combined and Consolidated Financial Statements in "Part II, Item 8. Financial Statements and Supplementary Data" of the Form 10-K, and we do not expect any significant changes to unrecognized tax benefits in the next 12 months.

4. INVENTORIES

Inventories are valued at the lower of cost (determined using the first-in, first-out method) or net realizable value and include all costs directly associated with manufacturing products: materials, labor, and manufacturing overhead. The components of inventories were as follows (dollars in millions):

	August 25, 2019	May 26, 2019
Raw materials and packaging	$ 59.6	$ 93.1
Finished goods	372.7	371.4
Supplies and other	34.2	33.8
Inventories	$ 466.5	$ 498.3

5. PROPERTY, PLANT AND EQUIPMENT

The components of property, plant and equipment were as follows (dollars in millions):

	August 25, 2019	May 26, 2019
Land and land improvements (a)	$ 106.8	$ 142.2
Buildings, machinery, and equipment	2,563.1	2,542.3
Furniture, fixtures, office equipment, and other	106.6	105.2
Construction in progress	89.7	84.8
Property, plant and equipment, at cost	2,866.2	2,874.5
Less accumulated depreciation	(1,311.1)	(1,276.7)
Property, plant and equipment, net	$ 1,555.1	$ 1,597.8

(a) On May 27, 2019, we adopted ASC 842 and we eliminated $38.7 million of land, related to a sale leaseback, as part of the cumulative effect transition adjustment. See Note 1, Nature of Operations and Summary of Significant Accounting Policies, for more information.

Depreciation expense was $42.6 million and $36.8 million for the thirteen weeks ended August 25, 2019 and August 26, 2018, respectively. At August 25, 2019 and May 26, 2019, purchases of property, plant and equipment included in accounts payable were $12.9 million and $27.1 million, respectively.

The amounts of interest capitalized in construction in progress for the thirteen weeks ended August 25, 2019 and August 26, 2018, were $0.5 million and $1.4 million, respectively.

6. LEASES

We lease various real estate, including certain operating facilities, warehouses, office space, and land. We also lease material handling equipment, vehicles, and certain other equipment. Our leases have remaining lease terms of one to 21 years. Leases having a lease term of twelve months or less are not recorded on the balance sheet and the related lease expense is recognized as costs are incurred.

Lease assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from these leases. Effective May 27, 2019, operating lease assets and liabilities are recognized at the commencement date of the lease based on the present value of the lease payments over the lease term. Our leases may include options to extend or terminate these leases. These options to extend are included in the lease term when it is reasonably certain that we will exercise that option. Some leases have variable payments, however, because they are not based on an index or rate, they are not included in lease assets and liabilities. Variable payments for real estate leases primarily relate to common area maintenance, insurance, taxes and utilities. Variable payments for equipment, vehicles, and leases within supply agreements primarily relate to usage, repairs, and maintenance.

The components of total lease costs, net of an insignificant amount of sublease income, consisted of the following (dollars in millions):

	Thirteen Weeks Ended August 25, 2019 (a)		
	Operating Leases	Finance Leases	Total
Operating lease costs	$ 4.8	$ —	$ 4.8
Short-term, variable, and other lease costs, net	2.0	—	2.0
Amortization of lease assets	—	0.7	0.7
Interest on lease liabilities	—	0.2	0.2
Total lease costs, net	$ 6.8	$ 0.9	$ 7.7

(a) Supply-chain-related lease costs are included in “Cost of sales” and the remainder is recorded in “Selling, general, and administrative expenses.” Interest on lease liabilities is recorded in “Interest expense, net,” in our Consolidated Statement of Earnings.

The following table summarizes the amounts related to operating and finance leases, with terms greater than one year, recorded on the Consolidated Balance Sheet (dollars in millions):

	As of August 25, 2019		
	Operating Leases	Finance Leases	Total
Assets:			
Operating lease assets	$ 160.3	$ —	$ 160.3
Property, plant and equipment, net (a)	—	12.3	12.3
Total leased assets	$ 160.3	$ 12.3	$ 172.6
Liabilities:			
Lease liabilities due within one year:			
Accrued liabilities	$ 24.3	$ —	$ 24.3
Current portion of long-term debt and financing obligations	—	2.8	2.8
Long-term lease liabilities:			
Other noncurrent liabilities	139.1	—	139.1
Long-term debt and financing obligations, excluding current portion	—	11.2	11.2
Total lease liabilities	$ 163.4	$ 14.0	$ 177.4

(a) Finance leases are net of accumulated amortization of $10.7 million.

The maturities of our lease liabilities for operating and finance leases at August 25, 2019, were as follows (dollars in millions):

	Operating Leases	Finance Leases	Total
2020 (remainder of year)	$ 24.8	$ 2.5	$ 27.3
2021	23.4	2.9	26.3
2022	25.1	2.5	27.6
2023	17.8	1.6	19.4
2024	17.6	1.0	18.6
2025	15.9	0.9	16.8
Thereafter	73.6	5.6	79.2
Total lease payments	198.2	17.0	215.2
Less: Interest (a)	(34.8)	(3.0)	(37.8)
Present value of lease liabilities	$ 163.4	$ 14.0	$ 177.4
Weighted-average remaining lease term (years):	8.5	8.7	
Weighted-average discount rate:	3.9%	3.9%	

(a) Since the implicit rate is not readily determinable for most of our leases, we use an incremental borrowing rate to determine the initial present value of lease payments. We use a collateralized rate and apply the rate based on the currency of the lease, which is updated quarterly for the measurement of new lease liabilities.

At May 26, 2019, minimum lease payments under non-cancellable leases with lease terms in excess of one year, and accounted for under the previous lease accounting standard, were as follows (dollars in millions):

	Operating Leases	Capital Leases (a)	Total
2020	$ 18.6	$ 7.5	$ 26.1
2021	16.5	7.2	23.7
2022	15.7	7.2	22.9
2023	10.5	6.4	16.9
2024	8.6	5.9	14.5
Thereafter	26.6	73.5	100.1
Total lease payments	$ 96.5	$ 107.7	$ 204.2
Discount to present value		(28.8)	(28.8)
Total lease liability		$ 78.9	$ 175.4
Current portion of financing obligations		(4.3)	(4.3)
Long-term financing obligations, excluding current portion		$ 74.6	$ 171.1

(a) Includes unamortized portion of a deferred gain related to a sale leaseback that was eliminated from the Consolidated Balance Sheet as part of the cumulative effect transition adjustment at adoption of ASC 842. See Note 1, Nature of Operations and Summary of Significant Accounting Policies, for more information.

Supplemental cash flow information related to leases was as follows (dollars in millions):

	Thirteen Weeks Ended August 25, 2019		
	Operating Leases	Finance Leases	Total
Cash paid for amounts included in the measurement of lease liabilities:			
Cash used for operating activities	$ 3.1	$ —	$ 3.1
Cash used for financing activities	—	0.4	0.4
Noncash investing and financing activities:			
Asset obtained in exchange for new operating lease obligations	11.0	—	11.0
Assets obtained in exchange for new finance lease obligations	—	0.8	0.8

7. ACQUISITIONS

On July 2, 2019, we acquired 100% of the outstanding shares of a frozen potato processor in Australia for $116.9 million, plus or minus final working capital adjustments. This added approximately 70 million pounds of production capacity to our manufacturing network. Net sales, income from operations, and total assets of the acquired company are not material to our overall net sales, income from operations, and total assets. Beginning in July 2019, operating results of the acquired company are included in our Global segment.

We allocated the purchase price to the assets acquired and liabilities assumed based on estimates of the fair value at the date of the acquisition, of which $106.3 million was allocated to goodwill (which is not deductible for tax purposes) and $3.7 million was allocated to intangible assets (to be amortized on a straight-line basis over a weighted average life of 10 years), primarily a brand name, all of which are included in the Global segment. The purchase price allocation continues to be preliminary, subject to finalizing working capital adjustments.

On December 21, 2018, we acquired 100% of the outstanding shares of another frozen potato processor in Australia for $88.6 million, net of cash acquired. This acquisition added approximately 50 million pounds of production capacity to our manufacturing network and expanded our geographic reach. Net sales, income from operations, and total assets of the acquired company are not material to our overall net sales, income from operations, and total assets. Operating results of the acquired company subsequent to December 21, 2018 have been included in our Global segment.

8. GOODWILL AND OTHER IDENTIFIABLE INTANGIBLE ASSETS

The following table presents changes in goodwill balances, by segment, during the quarter (dollars in millions):

	Global	Foodservice	Retail	Other	Total
Balance at May 26, 2019	$ 147.7	$ 42.8	$ 10.9	$ 4.5	$ 205.9
Acquisition (a)	106.3	—	—	—	106.3
Foreign currency translation adjustment	(5.8)	—	—	—	(5.8)
Balance at August 25, 2019	$ 248.2	$ 42.8	$ 10.9	$ 4.5	$ 306.4

(a) In July 2019, we acquired a frozen potato processor in Australia and recorded $106.3 million of goodwill in our Global Segment. See Note 7, Acquisitions, for more information.

Other identifiable intangible assets were as follows (dollars in millions):

	August 25, 2019			May 26, 2019		
	Weighted Average Useful Life (in years)	Gross Carrying Amount	Accumulated Amortization	Weighted Average Useful Life (in years)	Gross Carrying Amount	Accumulated Amortization
Non-amortizing intangible assets (a)	n/a	$ 18.0	$ —	n/a	$ 18.0	$ —
Amortizing intangible assets (b)	12	42.5	20.1	14	39.1	19.5
		$ 60.5	$ 20.1		$ 57.1	$ 19.5

(a) Non-amortizing intangible assets are comprised of brands and trademarks.

(b) Amortizing intangible assets are principally composed of licensing agreements, brands, and customer relationships. During the thirteen weeks ended August 25, 2019 and August 26, 2018, amortization expense was $0.5 million and $0.6 million, respectively. Foreign intangible assets are affected by foreign currency translation.

9. INVESTMENTS IN JOINT VENTURES

Variable Interest Entity - Consolidated

On November 2, 2018, we entered into an agreement to acquire the remaining 50.01% interest in Lamb Weston BSW. Our Consolidated Statement of Earnings includes 100% of Lamb Weston BSW's earnings beginning November 2, 2018. Prior to entering into the agreement, Lamb Weston BSW was considered a variable interest entity, and we determined that we were the primary beneficiary of the entity. Accordingly, we consolidated the financial statements of Lamb Weston BSW and deducted 50.01% of the operating results of the noncontrolling interests to arrive at "Net income attributable to Lamb Weston Holdings, Inc." on our Consolidated Statements of Earnings.

Prior to November 2, 2018, Lamb Weston and Lamb Weston BSW purchased potatoes and utilized storage facilities and water treatment services from a shareholder of Ochoa. While we continue to purchase such goods and services, subsequent to November 2, 2018, the shareholder of Ochoa is no longer considered a related party. The aggregate amounts of potato purchases was $17.5 million for the thirteen weeks ended August 26, 2018. The aggregate amount of storage facilities and water treatment service costs were $1.2 million for the thirteen weeks ended August 26, 2018.

Other Investments and Variable Interest Entity - Not Consolidated

We hold a 50% ownership interest in Lamb-Weston/Meijer v.o.f. ("Lamb-Weston/Meijer"), a joint venture with Meijer Frozen Foods B.V., which is headquartered in the Netherlands and manufactures and sells frozen potato products principally in Europe. We also hold a 50% interest in Lamb-Weston/RDO Frozen ("Lamb Weston RDO"), a potato processing venture based in the United States. We account for these investments using equity method accounting.

The carrying value of our equity method investments, which include Lamb-Weston/Meijer and Lamb Weston RDO, at August 25, 2019 and May 26, 2019, was $225.5 million and $224.6 million, respectively. These amounts are included in "Equity method investments" on our Consolidated Balance Sheets. For the thirteen weeks ended August 25, 2019 and August 26, 2018, we had sales to our equity method investments of $7.3 million and $6.5 million, respectively, and payments to our equity method investments of $3.2 million and $2.7 million, respectively. Total dividends from our equity method investments were $10.2 million and $16.6 million for the thirteen weeks ended August 25, 2019 and August 26, 2018, respectively.

10. ACCRUED LIABILITIES

The components of accrued liabilities were as follows (dollars in millions):

	August 25, 2019	May 26, 2019
Accrued trade promotions	$ 50.0	$ 48.6
Compensation and benefits	47.0	92.4
Dividends payable	29.2	29.2
Accrued interest	28.2	7.6
Current portion of operating lease liabilities (a)	24.3	—
Franchise, property, and sales and use taxes	11.0	8.6
Income taxes payable	8.1	0.5
Other	20.9	30.3
Accrued liabilities	$ 218.7	$ 217.2

(a) On May 27, 2019, we adopted ASC 842, using the modified retrospective transition method. As a result, we did not recast prior period financial statements. See Note 1, Nature of Operations and Summary of Significant Accounting Policies, for more information.

11. DEBT AND FINANCING OBLIGATIONS

At August 25, 2019 and May 26, 2019, our debt, including financing obligations was as follows (dollars in millions):

	August 25, 2019	May 26, 2019
Short-term borrowings:		
Revolving credit facility	$ —	$ 7.2
Other credit facilities	—	1.2
	—	8.4
Long-term debt:		
Term loan facility, due 2021	290.6	599.1
Term loan facility, due 2024	300.0	—
4.625% senior notes, due 2024	833.0	833.0
4.875% senior notes, due 2026	833.0	833.0
	2,256.6	2,265.1
Financing obligations:		
4.35% lease financing obligation due May 2030 (a)	—	65.3
Lease financing obligations due on various dates through 2040 (b)	14.0	13.6
	14.0	78.9
Total debt and financing obligations	2,270.6	2,352.4
Debt issuance costs	(24.0)	(25.8)
Short-term borrowings	—	(8.4)
Current portion of long-term debt and financing obligations	(36.5)	(38.0)
Long-term debt, excluding current portion	$ 2,210.1	$ 2,280.2

(a) On May 27, 2019, we adopted ASC 842 and we eliminated this financing obligation, related to a sale leaseback, as part of the cumulative effect transition adjustment. See Note 1, Nature of Operations and Summary of Significant Accounting Policies, for more information.

(b) The interest rates on our lease financing obligations range from 2.95% to 3.93% as of August 25, 2019, and 2.72% to 4.33% as of May 26, 2019.

Credit Facilities

At August 25, 2019, we had no borrowings outstanding under our Revolving Credit Facility (the "Facility") and $496.6 million of availability under the Facility, which is net of outstanding letters of credit of $3.4 million. For the thirteen weeks ended August 25, 2019, borrowings under the Facility ranged from zero to $97.9 million and the weighted average interest rate for our outstanding borrowings under the Facility was 3.8%.

New Term Loan Facility

On June 28, 2019, we amended the Credit Agreement to refinance $300.0 million of the $599.1 million term loan facility outstanding at May 26, 2019 and entered into a new credit agreement providing for a $300.0 million term loan facility ("New Term Loan Agreement"), for a lower overall interest rate, including anticipated patronage dividends. The New Term Loan Agreement bears interest, before anticipated patronage dividends, at LIBOR or the Base Rate (each as defined in the New Term Loan Agreement) plus an applicable margin ranging from 1.625% to 2.375% for LIBOR-based loans and from 0.625% to 1.375% for Base Rate-based loans, depending upon our total net leverage ratio. The borrowings under the New Term Loan Agreement mature June 28, 2024, and the covenants, events of default, and guarantees are consistent with the Facility. The New Term Loan Agreement also provides for the ability, under certain circumstances, to add incremental facilities in an aggregate amount of up to $100.0 million. In connection with the refinancing, we capitalized $1.0 million of debt issuance costs. During the thirteen weeks ended August 25, 2019, we recorded $1.7 million

of expenses, in “Interest expense, net” for the write-off of debt issuance costs related to the portion of the Term loan facility due in 2021, that was paid in full.

For the thirteen weeks ended August 25, 2019 and August 26, 2018, we paid $5.7 million and $7.3 million of interest on debt, respectively.

12. STOCK-BASED COMPENSATION

We have a stock plan that is administered by the Compensation Committee (“the Committee”) of the Board of Directors. The Committee authorizes the grants of restricted stock, restricted stock units (“RSUs”), performance awards payable upon the attainment of specified performance goals (“Performance Shares”), dividend equivalents, and other stock-based awards at the discretion of the Committee. During the thirteen weeks ended August 25, 2019, we granted 0.2 million and 0.1 million RSUs and Performance Shares, respectively, at an average grant date fair value of $67.49. As of August 25, 2019, 7.6 million shares were available for future grant under the plan.

Our share-based compensation expense is recorded in “Selling, general and administrative expenses.” Compensation expense for share-based awards recognized in the Consolidated Statements of Earnings, net of forfeitures, was as follows (dollars in millions):

	Thirteen Weeks Ended	
	August 25, 2019	August 26, 2018
Stock-settled RSUs	$ 2.8	$ 2.1
Performance Shares	2.5	2.0
Stock options	0.1	0.1
Stock-settled compensation expense	5.4	4.2
Cash-settled RSUs (a)	1.0	2.1
Total compensation expense	6.4	6.3
Income tax benefit (b)	(1.5)	(1.5)
Total compensation expense, net of tax benefit	$ 4.9	$ 4.8

(a) All cash-settled RSUs are marked-to-market and presented within “Accrued liabilities” and “Other noncurrent liabilities” in our Consolidated Balance Sheets.

(b) Income tax benefit represents the marginal tax rate.

Based on estimates at August 25, 2019, total unrecognized compensation expense related to stock-based awards was as follows (dollars in millions):

	Unrecognized Compensation Expense	Remaining Weighted Average Recognition Period (in years)
Stock-settled RSUs	$ 25.5	2.3
Performance Shares	17.2	2.0
Total unrecognized compensation expense	$ 42.7	2.2

13. FAIR VALUE MEASUREMENTS

For information about our fair value policies, methods and assumptions used in estimating the fair value of our financial assets and liabilities, see Note 1, Nature of Operations and Summary of Significant Accounting Policies and Note 12, Fair Value Measurements, of the Notes to Combined and Consolidated Financial Statements in "Part II, Item 8. Financial Statements and Supplementary Data" of the Form 10-K.

The following table presents our financial assets and liabilities measured at fair value on a recurring basis based upon the level within the fair value hierarchy in which the fair value measurements fall, as of August 25, 2019 and May 26, 2019 (dollars in millions):

	As of August 25, 2019			
	Level 1	Level 2	Level 3	Total
Assets:				
Deferred compensation assets	$ 0.5	$ —	$ —	$ 0.5
Derivative assets (a)	—	0.3	—	0.3
Total assets	$ 0.5	$ 0.3	$ —	$ 0.8
Liabilities:				
Derivative liabilities (a)	$ —	$ 1.6	$ —	$ 1.6
Deferred compensation liabilities (b)	—	17.7	—	17.7
Total liabilities	$ —	$ 19.3	$ —	$ 19.3

	As of May 26, 2019			
	Level 1	Level 2	Level 3	Total
Assets:				
Deferred compensation assets	$ 0.5	$ —	$ —	$ 0.5
Derivative assets (a)	—	0.4	—	0.4
Total assets	$ 0.5	$ 0.4	$ —	$ 0.9
Liabilities:				
Derivative liabilities (a)	$ —	$ 3.8	$ —	$ 3.8
Deferred compensation liabilities (b)	—	15.1	—	15.1
Total liabilities	$ —	$ 18.9	$ —	$ 18.9

(a) The fair values of our Level 2 derivative assets and liabilities were determined using valuation models that use market observable inputs including interest rate curves and both forward and spot prices for commodities. Derivative assets and liabilities included in Level 2 primarily represent commodity swap and option contracts.

(b) The fair values of our Level 2 deferred compensation liabilities were valued using third-party valuations, which are based on the net asset values of mutual funds in our retirement plans. While the underlying assets are actively traded on an exchange, the funds are not.

Non-financial assets such as intangible assets, property, plant and equipment are recorded at fair value only if an impairment is recognized. Cost and equity investments are measured at fair value on a non-recurring basis.

At August 25, 2019, we had $1,666.0 million of fixed-rate and $590.6 million of variable-rate debt outstanding. Based on current market rates, the fair value of our fixed-rate debt at August 25, 2019, was estimated to be $1,745.0 million. Any differences between the book value and fair value are due to the difference between the period-end market interest rate and the stated rate of our fixed-rate debt. The fair value of our variable-rate term debt approximates the carrying amount as our cost of borrowing is variable and approximates current market prices.

14. STOCKHOLDERS' EQUITY

Share Repurchase Program

On December 20, 2018, our Board of Directors authorized a program, with no expiration date, to repurchase shares of our common stock in an amount not to exceed $250.0 million in the aggregate, on an opportunistic basis. During the thirteen weeks ended August 25, 2019, we repurchased 72,502 shares for $4.8 million, or a weighted-average price of $66.67 per share.

Dividends

During the thirteen weeks ended August 25, 2019, we paid $29.2 million of dividends to common stockholders. On August 30, 2019, we paid $29.2 million of dividends to stockholders of record as of the close of business on August 2, 2019. On September 26, 2019, our Board of Directors declared a dividend of $0.20 per share of common stock. The dividend will be paid on November 29, 2019 to stockholders of record as of the close of business on November 1, 2019.

Accumulated Other Comprehensive Income (Loss) ("AOCI")

Changes in AOCI, net of taxes, by component follows (dollars in millions). Amounts in parenthesis indicate losses.

	Foreign Currency Translation Gains (Losses)	Pension and Post-Retirement Benefits	Accumulated Other Comprehensive Loss
Balance as of May 26, 2019	$ (20.3)	$ (5.0)	$ (25.3)
Other comprehensive income before reclassifications, net of tax	(9.1)	—	(9.1)
Amounts reclassified out of AOCI, net of tax	—	0.2	0.2
Net current-period other comprehensive income (loss)	(9.1)	0.2	(8.9)
Balance as of August 25, 2019	$ (29.4)	$ (4.8)	$ (34.2)

The net amount of actuarial losses on pension and post-retirement benefits included in AOCI to be amortized over the next 12 months is a net loss of $0.7 million ($0.5 million after-tax).

15. SEGMENTS

We have four operating segments, each of which is a reportable segment: Global, Foodservice, Retail, and Other. Our chief operating decision maker receives periodic management reports under this structure that generally focus on the nature and scope of our customers' businesses, which enables operating decisions, performance assessment, and resource allocation decisions at the segment level. The reportable segments are each managed by a general manager and supported by a cross functional team assigned to support the segment.

	Thirteen Weeks Ended	
(in millions)	August 25, 2019	August 26, 2018
Net sales		
Global	$ 517.6	$ 466.8
Foodservice	305.4	297.8
Retail	129.3	116.2
Other	36.7	34.1
Total net sales	989.0	914.9
Product contribution margin (a)		
Global	102.7	94.5
Foodservice	102.5	102.0
Retail	28.9	22.7
Other (b)	9.7	5.0
Total product contribution margin	243.8	224.2
Other selling, general and administrative expenses (a)	73.8	71.6
Income from operations	170.0	152.6
Interest expense, net	28.2	26.8
Income tax expense	36.7	34.3
Equity method investment earnings	10.6	19.9
Net income	115.7	111.4
Less: Income attributable to noncontrolling interests (c)	—	3.6
Net income attributable to Lamb Weston Holdings, Inc.	$ 115.7	$ 107.8

(a) Product contribution margin is defined as net sales, less cost of sales and advertising and promotion expenses. Other selling, general and administrative expenses include all selling, general and administrative expenses other than advertising and promotion expenses.

(b) The Other segment primarily includes our vegetable and dairy businesses and unrealized mark-to-market adjustments associated with commodity hedging contracts.

(c) On November 2, 2018, we entered into an agreement to acquire the remaining 50.01% interest in Lamb Weston BSW. Our Consolidated Statement of Earnings includes 100% of Lamb Weston BSW's earnings beginning November 2, 2018.

Lamb Weston's largest customer, McDonald's Corporation, accounted for approximately 10% of consolidated "Net sales" for both the thirteen weeks ended August 25, 2019 and August 26, 2018. No customer accounted for more than 10% of our consolidated accounts receivable as of August 25, 2019 or May 26, 2019.

16. COMMITMENTS, CONTINGENCIES, GUARANTEES AND LEGAL PROCEEDINGS

We have financial commitments and obligations that arise in the ordinary course of our business. These include long-term debt, lease obligations, purchase commitments for goods and services, and legal proceedings. There have been no material changes to the guarantees and indemnifications disclosed in Note 16, Commitments, Contingencies, Guarantees, and Legal Proceedings, of the Notes to Combined and Consolidated Financial Statements in “Part II, Item 8. Financial Statements and Supplementary Data” of the Form 10-K.

We are a party to legal actions arising in the ordinary course of our business. These legal actions include commercial liability claims, premises liability claims, and employment-related claims, among others. As of the date of this filing, we do not believe that any of the legal actions against us would, either individually or in the aggregate, have a material adverse effect on our financial condition, results of operations, or cash flows. Costs of legal services associated with the foregoing matters are recognized in earnings as services are provided.

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

Forward-Looking Statements

This report, including Management's Discussion and Analysis of Financial Condition and Results of Operations, which we refer to as "MD&A," contains forward-looking statements within the meaning of the federal securities laws. Words such as "will," "continue," "may," "expect," "anticipate," "could," "should," "believe," "estimate," "grow," "drive," "invest," "support," "outlook," and variations of such words and similar expressions are intended to identify forward-looking statements. Examples of forward-looking statements include, but are not limited to, statements regarding our plans, capital investments, dividends, share repurchases, business outlook and prospects, and remediation of the material weakness in internal control. These forward-looking statements are based on management's current expectations and are subject to uncertainties and changes in circumstances. Readers of this report should understand that these statements are not guarantees of performance or results. Many factors could affect our actual financial results and cause them to vary materially from the expectations contained in the forward-looking statements, including those set forth in this report. These risks and uncertainties include, among other things: our ability to successfully execute our long-term value creation strategies; our ability to execute on large capital projects, including construction of new production lines; the competitive environment and related conditions in the markets in which we and our joint ventures operate; political and economic conditions of the countries in which we and our joint ventures conduct business and other factors related to our international operations; disruption of our access to export mechanisms; risks associated with possible acquisitions, including our ability to complete acquisitions or integrate acquired businesses; our debt levels; the availability and prices of raw materials; changes in our relationships with our growers or significant customers; the success of our joint ventures; actions of governments and regulatory factors affecting our businesses or joint ventures; the ultimate outcome of litigation or any product recalls; levels of pension, labor and people-related expenses; our ability to pay regular quarterly cash dividends and the amounts and timing of any future dividends; our ability to remediate the material weakness in internal control; and other risks described in our reports filed from time to time with the U.S. Securities and Exchange Commission ("SEC"). We caution readers not to place undue reliance on any forward-looking statements included in this report, which speak only as of the date of this report. We undertake no responsibility for updating these statements, except as required by law.

This Item 2 is intended to supplement, and should be read in conjunction with, "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in our Annual Report on Form 10-K for the fiscal year ended May 26, 2019 (the "Form 10-K"), which we filed with the SEC on July 25, 2019.

Overview

Lamb Weston Holdings, Inc. ("we," "us," "our," "the Company," or "Lamb Weston"), along with our joint ventures, is a leading global producer, distributor, and marketer of value-added frozen potato products. We are the number one supplier of value-added frozen potato products in North America. We, along with our joint ventures, are also a leading supplier of value-added frozen potato products internationally, with a strong and growing presence in high-growth emerging markets. We, along with our joint ventures, offer a broad product portfolio to a diverse channel and customer base in over 100 countries. French fries represent the majority of our value-added frozen potato product portfolio.

Management's discussion and analysis of our results of operations and financial condition is provided as a supplement to the consolidated financial statements and related condensed notes included elsewhere herein to help provide an understanding of our financial condition, changes in financial condition and results of our operations. Our MD&A is based on financial data derived from the financial statements prepared in accordance with United States ("U.S.") generally accepted accounting principles ("GAAP") and certain other financial data (EBITDA and EBITDA including unconsolidated joint ventures) that is prepared using non-GAAP measures. Refer to "Reconciliations of Non-GAAP Financial Measures to Reported Amounts" below for the definitions of EBITDA and EBITDA including unconsolidated joint ventures, and a reconciliation of these non-GAAP financial measures to net income.

Executive Summary

We delivered solid results in the first quarter of fiscal 2020 and executed well across the organization. Specifically, in the first quarter of fiscal 2020, compared with the first quarter of fiscal 2019:

- Net sales increased $74.1 million, or 8%, to $989.0 million. Volume increased 6%, primarily driven by growth in our Global segment. Price/mix increased 2% due to pricing actions and improved mix.
- Net income attributable to Lamb Weston increased $7.9 million, or 7%, to $115.7 million. The increase primarily reflects growth in income from operations and an approximate $4 million benefit from acquiring the remaining 50.01% equity interest in our joint venture, Lamb Weston BSW, LLC (the "BSW Acquisition"), partially offset by lower equity method investment earnings.
- Diluted earnings per share increased $0.06 to $0.79. The increase primarily reflects growth in income from operations and an approximately $0.03 benefit from the BSW Acquisition, partially offset by lower equity method investment earnings and higher income tax expense.
- EBITDA including unconsolidated joint ventures increased $20.0 million, or 9%, to $232.9 million, reflecting growth in income from operations and an approximate $5 million benefit from the BSW Acquisition, partially offset by lower equity method investment earnings.
- Gross profit increased $18.0 million, or 8%, to $248.6 million, driven by favorable price/mix and volume growth, partially offset by higher manufacturing costs due to inefficiencies, which were primarily driven by higher maintenance and related costs. Gross profit growth was also tempered by input cost inflation and higher depreciation expense primarily associated with our new french fry production line in Hermiston, Oregon, which started operating towards the end of the fourth quarter of fiscal 2019. Gross profit also included a $1.8 million gain related to unrealized mark-to-market adjustments and realized settlements associated with commodity hedging contracts in the current quarter, compared with a $5.6 million loss in the prior year.
- Equity method investment earnings declined $9.3 million, to $10.6 million, and included a $1.1 million unrealized gain related to mark-to-market adjustments associated with currency and commodity hedging contracts compared to a $0.7 million unrealized gain in the prior year quarter. Excluding these adjustments, earnings from equity method investments declined $9.7 million, largely reflecting higher raw potato prices and manufacturing costs associated with last year's poor crop in Europe.
- Net cash provided by operating activities through the first quarter of fiscal 2020 was $238.5 million, compared with $227.9 million in the prior year period. During the first quarter of fiscal 2020, we added $50.3 million of capital assets, and returned $34.0 million of cash to stockholders in the form of dividends and share repurchases.

Demand for frozen potato products continues to grow around the world. We expect to address the increase in demand by investing in additional capacity. In the first quarter of fiscal 2020 and third quarter of fiscal 2019, we acquired two frozen potato processors in Australia which added approximately 120 million pounds of production capacity to our manufacturing network. In the fourth quarter of fiscal 2019, our new processing line in Hermiston, Oregon became operational. This added 300 million pounds of production capacity in addition to the new processing lines we added in Boardman, Oregon in fiscal 2017 and Richland, Washington in fiscal 2018. During the third quarter of fiscal 2019, we purchased the remaining interest in our Lamb Weston BSW, LLC ("Lamb Weston BSW") joint venture.

Outlook

In fiscal 2020, while we expect the overall operating environment will be generally favorable with continued solid demand growth in North America and our key international markets, we are monitoring signs of softening macroeconomic conditions, which, along with the effects of potential significant changes to the current tariff and other trade barrier structures affecting exports from the United States and Europe to our key international markets, may temper global demand growth for frozen potato products towards more normalized rates. New industry capacity in North America and Europe may ease near-term capacity constraints and should allow processors to operate their production facilities at more normalized levels. We expect the rate of inflation for many of our commodity and manufacturing costs will be similar to fiscal 2019. We also expect higher selling, general and administrative costs as a result of investments in our enterprise resource planning infrastructure, as well as for continued improvements in our information systems, sales, marketing,

innovation, operations, and other functional capabilities, designed to drive operating efficiencies and support future growth.

Operating Results

We have four reportable segments: Global, Foodservice, Retail, and Other. For each period presented, we report product contribution margin by segment. Product contribution margin is the primary measure reported to our chief operating decision maker for purposes of allocating resources to our segments and assessing their performance. Product contribution margin excludes general corporate expenses and interest expense because management believes these amounts are not directly associated with segment performance for the period. We define product contribution margin as net sales less cost of sales and advertising and promotion expenses. For additional information on our reportable segments and product contribution margin, see Note 15, Segments, of the Condensed Notes to Consolidated Financial Statements in "Part I, Item 1. Financial Statements" of this report.

We acquired the remaining 50.01% interest in Lamb Weston BSW and the Consolidated Statements of Earnings include 100% of Lamb Weston BSW's earnings beginning November 2, 2018.

Thirteen Weeks Ended August 25, 2019 compared to Thirteen Weeks Ended August 26, 2018

Net Sales and Product Contribution Margin

(dollars in millions)

	Thirteen Weeks Ended					
	Net Sales			Product Contribution Margin		
	August 25, 2019	August 26, 2018	% Inc	August 25, 2019	August 26, 2018	% Inc
Global	$ 517.6	$ 466.8	11%	$ 102.7	$ 94.5	9%
Foodservice	305.4	297.8	3%	102.5	102.0	0%
Retail	129.3	116.2	11%	28.9	22.7	27%
Other	36.7	34.1	8%	9.7	5.0	94%
Total	$ 989.0	$ 914.9	8%	$ 243.8	$ 224.2	9%

Net Sales

Lamb Weston's net sales for the first quarter of fiscal 2020 were $989.0 million, an increase of $74.1 million, or 8%, compared to the first quarter of fiscal 2019. Volume increased 6%, primarily driven by growth in our Global segment, and includes an approximate one-percentage point benefit from acquisitions. Price/mix increased 2% due to pricing actions and favorable mix.

Global segment net sales increased $50.8 million, or 11%, to $517.6 million, compared with $466.8 million in the first quarter of fiscal 2019. Volume increased 9%, driven by solid growth in sales, including the benefit of limited time product offerings, to strategic customers in the U.S. and key international markets, as well as an approximate 2 percentage point benefit from acquisitions. Price/mix increased 2%, largely reflecting pricing adjustments associated with multi-year contracts.

Foodservice segment net sales increased $7.6 million, or 3%, to $305.4 million, compared with $297.8 million in the first quarter of fiscal 2019. Price/mix increased 2 percent, primarily reflecting improved mix and pricing actions initiated in the fall of 2018. Volume increased 1 percent, led by growth in *Lamb Weston* branded and distributor private label products.

Retail segment net sales increased $13.1 million, or 11%, to $129.3 million, compared with $116.2 million in the first quarter of fiscal 2019. Volume increased 8 percent, driven by increased sales of private label products as well as *Grown in Idaho* and other branded products. Price/mix increased 3 percent, driven by favorable mix and pricing actions.

Net sales in our Other segment increased $2.6 million, or 8%, to $36.7 million, compared with $34.1 million in the first quarter of fiscal 2019, largely due to increased volumes in our vegetable business.

Product Contribution Margin

Lamb Weston's product contribution margin for the first quarter of fiscal 2020 was $243.8 million, an increase of $19.6 million, or 9%, compared to the first quarter of fiscal 2019.

Global segment product contribution margin increased $8.2 million, or 9%, to $102.7 million in the first quarter of fiscal 2020, driven by favorable price/mix and volume growth. Global segment cost of sales was $413.7 million, up 11% compared to the first quarter of fiscal 2019, due to higher manufacturing costs due to inefficiencies, which were primarily driven by higher maintenance and related costs; input cost inflation; higher depreciation expense primarily associated with the new Hermiston production line; and higher sales volumes. Advertising and promotion spending increased modestly in the first quarter of fiscal 2020 as compared to the first quarter of fiscal 2019.

Foodservice segment product contribution margin increased $0.5 million to $102.5 million in the first quarter of fiscal 2020, largely as a result of favorable price/mix. Cost of sales was $201.2 million, up 4% compared to the first quarter of fiscal 2019, due to higher sales volumes; higher manufacturing costs due to inefficiencies; input cost inflation; and higher depreciation expense primarily associated with the new Hermiston production line. Advertising and promotion spending increased $0.4 million in the first quarter of fiscal 2020 as compared to the first quarter of fiscal 2019.

Retail segment product contribution margin increased $6.2 million, or 27%, to $28.9 million, largely due to higher price/mix, volume growth and lower advertising and promotional expenses. Cost of sales was $98.4 million, up 10% compared to the first quarter of fiscal 2019, primarily due to higher sales volumes as well as higher manufacturing costs due to inefficiencies, input cost inflation, and higher depreciation expense primarily associated with the new Hermiston production line. Advertising and promotion spending was approximately $1.9 million, down approximately 50% in the first quarter of fiscal 2020 as compared to the first quarter of fiscal 2019, reflecting the timing of marketing investments in support of *Grown in Idaho*, *Alexia* and other branded products.

Other segment product contribution margin was $9.7 million, an increase of $4.7 million as compared with $5.0 million of income in the first quarter of fiscal 2019. These amounts include a $3.1 million gain related to unrealized mark-to-market adjustments and realized settlements associated with commodity hedging contracts in the first quarter of fiscal 2020, and a $4.3 million loss related to the contracts in the prior year period. Excluding these adjustments, Other segment product contribution margin decreased $2.7 million, largely due to lower price/mix in our vegetable business.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased $0.6 million, or 1%, to $78.6 million in the first quarter of fiscal 2020 compared with the same period in 2019. The increase was largely driven by higher expenses related to information technology services and infrastructure, which included approximately $1 million of expense associated with designing a new enterprise resource planning system, as well as investments in our sales, marketing and operating capabilities. The increase was partially offset by an approximate $4 million decline in foreign exchange expense and a $1.6 million decline in advertising and promotional expenses.

Interest Expense, Net

Interest expense, net was $28.2 million for the first quarter of fiscal 2020, an increase of $1.4 million compared with the same period in fiscal 2019. The increase in "Interest expense, net" was the result of the write-off of $1.7 million of debt issuance costs in connection with the refinance of our term loan facility, partially offset by lower average total debt versus the prior year. For more information on this refinance see "Liquidity and Capital Resources" in this MD&A.

Income Taxes

Income tax expense for the first quarter of fiscal 2020 and 2019 was $36.7 million and $34.3 million, respectively. The effective income tax rate (calculated as the ratio of income tax expense to pre-tax income, inclusive of equity method investment earnings) was approximately 24.1% and 23.5% for the first quarter of fiscal 2020 and 2019, respectively, in our Consolidated Statements of Earnings. The effective tax rate varies from the U.S. statutory tax rate of 21% principally due to the impact of U.S. state taxes, foreign taxes, permanent differences, and discrete items.

Equity Method Investment Earnings

We conduct meaningful business through unconsolidated joint ventures in Europe and the U.S. and include our share of the earnings based on our economic ownership interest in them. Our share of earnings from our equity method investments was $10.6 million and $19.9 million for the first quarter of fiscal 2020 and 2019, respectively. These amounts included a $1.1 million unrealized gain related to mark-to-market adjustments associated with currency and commodity hedging contracts in the first quarter of fiscal 2020, and a $0.7 million unrealized gain related to the contracts in the first quarter of fiscal 2019. Excluding these adjustments, earnings from equity method investments decreased $9.7 million, largely reflecting higher raw potato prices and manufacturing costs associated with last year's poor crop in Europe.

Impact of New Lease Standard

The adoption of the new standard resulted in the recognition of operating lease assets of $154.1 million and operating lease liabilities of $155.5 million. Included in the measurement of the new operating lease assets is the reclassification of certain balances, including those historically recorded as deferred rent. The adoption also resulted in a cumulative effect transitional adjustment of $26.6 million ($20.5 million net of tax) to increase retained earnings, as a result of the elimination of a deferred gain related to a sale leaseback and the elimination of $38.7 million of property, plant and equipment and $65.3 million of lease financing obligations also related to a sale leaseback. See Note 6, Leases, of the Condensed Notes to Consolidated Financial Statements in "Part I, Item 1. Financial Statements" of this report, for more information.

Acquisition

In July 2019, we acquired a frozen potato processor in Australia for $116.9 million, plus or minus final working capital adjustments. We allocated the purchase price of the assets acquired and liabilities assumed based on estimates of a fair value at the date of acquisition, of which $106.3 million was allocated to goodwill. Beginning in July 2019, operating results of the acquired company are included in our Global segment.

Liquidity and Capital Resources

Sources and Uses of Cash

Our primary sources of liquidity are net cash provided by operating activities and borrowings under our revolving credit facility. At August 25, 2019, we had $19.0 million of cash and cash equivalents and $496.6 million of available borrowing capacity on our revolving credit facility. Currently, our primary uses of cash are for operations, capital expenditures, dividends on our common stock, acquisitions, debt service, and stock repurchases. We believe that net cash generated from operating activities, cash on hand, available borrowings under our revolving credit facility, and available capital through access to capital markets will be adequate to meet our liquidity and capital requirements, including dividends declared, for at least the next twelve months.

Cash Flows

Below is a summary table of our cash flows, followed by a discussion of the sources and uses of cash through operating, investing, and financing activities:

	Thirteen Weeks Ended		
	August 25, 2019	August 26, 2018	Provided by (Used for)
Net cash flows provided by (used for):			
Operating activities	$ 238.5	$ 227.9	$ 10.6
Investing activities	(176.7)	(86.8)	(89.9)
Financing activities	(54.9)	(45.9)	(9.0)
	6.9	95.2	(88.3)
Effect of exchange rate changes on cash and cash equivalents	(0.1)	(0.3)	0.2
Net increase in cash and cash equivalents	$ 6.8	$ 94.9	$ (88.1)

Operating Activities

In the first quarter of fiscal 2020, cash provided by operating activities increased $10.6 million to $238.5 million, compared with $227.9 million in the same period a year ago. Compared with the first quarter of fiscal 2019, earnings from operations, adjusted for non-cash income and expense and other items, increased $14.5 million due primarily to favorable price/mix and sales volumes. Changes in operating assets and liabilities used $3.9 million more cash during the first quarter of fiscal 2020 compared with the same period in the prior year. The decrease in cash provided by changes in operating assets and liabilities was driven primarily by timing of payments for accounts payable and receipt of cash for accounts receivables and higher payments for accrued liabilities. These cash outflows were partially offset by the timing of tax payments, higher inventories, and the timing of grower payments.

Investing Activities

Investing activities used $176.7 million of cash in the first quarter of fiscal 2020, compared with $86.8 million in the same period in the prior year. The first quarter of fiscal 2020 includes the acquisition of a frozen potato processor in Australia for $116.9 million, plus or minus final working capital adjustments. Cash used for capital, including information technology expenditures, was $59.8 million in the first quarter of fiscal 2020 and is expected to be approximately $300 million, excluding acquisitions, for fiscal 2020.

Financing Activities

During the first quarter of fiscal 2020, cash used for financing activities increased $9.0 million to $54.9 million, compared with cash used for financing activities of $45.9 million during the same period a year ago. The increase primarily related to a $7.3 million increase in payments of short-term borrowings and a $3.5 million increase in cash used to repurchase 111,721 shares of our common stock, including restricted stock tax withholdings, in the first quarter of fiscal 2020, compared with $3.9 million of stock withheld to cover taxes in the same period a year ago. In the first quarter 2020, we repurchased 72,502 shares at an average price of $66.67 per share under our share repurchase program. We will continue to repurchase shares, on an opportunistic basis, in open market repurchase transactions. As of August 25, 2019, $213.3 million remained authorized for repurchase under the program.

During the first quarter of fiscal 2020, we amended our credit agreement to refinance $300.0 million of the $599.1 million term loan facility outstanding at May 26, 2019 and entered into a new credit agreement providing for a $300.0 million term loan facility (“New Term Loan Agreement”) for a lower overall interest rate, including anticipated patronage dividends. The New Term Loan Agreement extends the maturity of $300.0 million of our borrowings until June 28, 2024, and the covenants, events of default, and guarantees are consistent with our existing credit agreement.

For more information about our debt, interest rates, maturity dates, and covenants, see Note 9, Debt and Financing Obligations of the Notes to Combined and Consolidated Financial Statements in “Part II, Item 8. Financial Statements and Supplementary Data” of the Form 10-K. At August 25, 2019, we were in compliance with the financial covenant ratios and other covenants contained in our credit agreement.

Obligations and Commitments

There have been no material changes to the contractual obligations disclosed in “Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Form 10-K.

Reconciliations of Non-GAAP Financial Measures to Reported Amounts

To supplement the financial information included in this report, we have presented EBITDA and EBITDA including unconsolidated joint ventures, each of which is considered a non-GAAP financial measure.

Lamb Weston’s management uses EBITDA and EBITDA including unconsolidated joint ventures to evaluate the Company’s performance excluding the impact of certain non-cash charges and other special items in order to have comparable financial results to analyze changes in our underlying business between reporting periods. The Company includes these non-GAAP financial measures because management believes they are useful to investors in that they provide for greater transparency with respect to supplemental information used by management in its financial and operational decision making. We believe that the presentation of these non-GAAP financial measures, when used in conjunction with GAAP financial measures, is a useful financial analysis tool that can assist investors in assessing the Company’s operating performance and underlying prospects. These non-GAAP financial measures should be viewed in addition to, and not as alternatives for, financial measures prepared in accordance with GAAP. These non-GAAP financial measures may differ from similarly titled non-GAAP financial measures presented by other companies, and other companies may not define these non-GAAP financial measures the same way. These measures are not a substitute for their comparable GAAP financial measures, such as net income (loss) or diluted earnings per share, and there are limitations to using non-GAAP financial measures.

The following table reconciles net income to EBITDA and EBITDA including unconsolidated joint ventures.

	Thirteen Weeks Ended	
	August 25, 2019	August 26, 2018
Net income attributable to Lamb Weston Holdings, Inc.	$ 115.7	$ 107.8
Income attributable to noncontrolling interests	—	3.6
Equity method investment earnings	(10.6)	(19.9)
Interest expense, net	28.2	26.8
Income tax expense	36.7	34.3
Income from operations	170.0	152.6
Depreciation and amortization	43.1	37.4
EBITDA (a)	213.1	190.0
Unconsolidated Joint Ventures		
Equity method investment earnings	10.6	19.9
Interest expense, income tax expense, and depreciation and amortization included in equity method investment earnings	9.2	7.5
Add: EBITDA from unconsolidated joint ventures	19.8	27.4
Consolidated Joint Ventures (b)		
Income attributable to noncontrolling interests	—	(3.6)
Interest expense, income tax expense, and depreciation and amortization included in income attributable to noncontrolling interests	—	(0.9)
Subtract: EBITDA from consolidated joint ventures	—	(4.5)
EBITDA including unconsolidated joint ventures	$ 232.9	$ 212.9

(a) EBITDA includes EBITDA from consolidated joint ventures for the thirteen weeks ended August 26, 2018.

(b) On November 2, 2018, we entered into an agreement to acquire the remaining 50.01% interest in Lamb Weston BSW. Our Consolidated Statement of Earnings includes 100% of Lamb Weston BSW's earnings beginning November 2, 2018.

Off-Balance Sheet Arrangements

There have been no material changes to the off-balance sheet arrangements disclosed in "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in the Form 10-K.

Critical Accounting Estimates

A discussion of our critical accounting estimates can be found in "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in the Form 10-K. There were no material changes to these critical accounting estimates during the first quarter of fiscal 2020.

New and Recently Adopted Accounting Standards

For a list of our new and recently adopted accounting standards, see Note 1, Nature of Operations and Summary of Significant Accounting Policies, of the Condensed Notes to Consolidated Financial Statements in "Part I, Item 1. Financial Statements" of this report.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our operations are exposed to market risks from adverse changes in commodity prices affecting the cost of raw materials and energy, foreign currency exchange rates, and interest rates. In the normal course of business, we periodically enter into derivatives to minimize these risks, but not for trading purposes.

Based on our open commodity contract hedge positions as of August 25, 2019, a hypothetical 10 percent decline in market prices applied to the fair value of the instruments would result in a charge to "Cost of sales" of approximately $6.1 million ($4.7 million net of income tax benefits). It should be noted that any change in the fair value of the contracts, real or hypothetical, would be substantially offset by an inverse change in the value of the underlying hedged item.

At August 25, 2019, we had $1,666.0 million of fixed-rate and $590.6 million of variable-rate debt outstanding. We have interest rate risk associated with our variable-rate debt. A one percent increase in interest rates related to variable-rate debt would have resulted in an increase in interest expense and a corresponding decrease in income before taxes of approximately $6.0 million annually ($4.6 million net of income tax benefit).

See Note 11, Debt and Financing Obligations, of the Condensed Notes to Consolidated Financial Statements in "Part I, Item 1. Financial Statements" of this report.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as of August 25, 2019. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer, concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were not effective due to a material weakness in our internal control over financial reporting that was disclosed in the Form 10-K.

Notwithstanding the identified material weakness, management has concluded that the consolidated financial statements included in this Form 10-Q fairly present in all material respects our financial condition, results of operations and cash flows as of and for the periods presented in accordance with U.S. generally accepted accounting principles.

Remediation

Management has taken steps to remediate the material weakness in our internal control over financial reporting as previously described in the Form 10-K. The weakness will not be considered remediated until the applicable control operates for a sufficient period of time and management has concluded, through testing, that the control objective is achieved. We expect that the remediation of this material weakness will be completed prior to the end of fiscal 2020.

Changes in Internal Control over Financial Reporting

Other than the remediation efforts discussed above, there have been no changes in our internal control over financial reporting that occurred during the first quarter of fiscal 2020 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Part II — OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

See Note 16, Commitments, Contingencies, Guarantees and Legal Proceedings, of the Condensed Notes to Consolidated Financial Statements in "Part I, Item 1. Financial Statements" of this report for information regarding our legal proceedings.

ITEM 1A. RISK FACTORS

We are subject to various risks and uncertainties in the course of our business. The discussion of these risks and uncertainties may be found under "Part I, Item 1A. Risk Factors" in the Form 10-K. There have been no material changes to the risk factors.

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

The following table presents information related to our repurchases of common stock made during the thirteen weeks ended August 25, 2019:

Period	Total Number of Shares (or Units) Purchased (a)	Average Price Paid Per Share (or Unit)	Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs (a)	Approximate Dollar Value of Maximum Number of Shares that May Yet be Purchased Under Plans or Programs (a)
May 27, 2019 through June 23, 2019	—	$ —	—	$ 218.2
June 24, 2019 through July 21, 2019	22,532	$ 67.58	—	$ 218.2
July 22, 2019 through August 25, 2019	89,189	$ 66.83	72,502	$ 213.3
Total	111,721			

(a) Represents shares withheld from employees to cover income and payroll taxes on equity awards that vested during the period and repurchased shares of our common stock under our publicly announced share repurchase program at a weighted average price of $66.67. Under this program, which was approved by the Board of Directors in December 2018 and does not have an expiration date, we are authorized to repurchase shares of our common stock, in an amount not to exceed $250.0 million in the aggregate, on an opportunistic basis. Repurchases may be made from time to time in open market or privately negotiated transactions in accordance with applicable securities regulations.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Exhibit Number	Exhibit Description
4.1	First Supplemental Indenture to the 2024 Notes Indenture, dated as of June 28, 2019, by and among Lamb Weston Holdings, Inc., Lamb Weston BSW, LLC and Wells Fargo Bank, National Association, as trustee
4.2	First Supplemental Indenture to the 2026 Notes Indenture, dated as of June 28, 2019, by and among Lamb Weston Holdings, Inc., Lamb Weston BSW, LLC and Wells Fargo Bank, National Association, as trustee
10.1	Form of Lamb Weston Holdings, Inc. Performance Share Agreement (post-July 2019)
31.1	Section 302 Certificate of Chief Executive Officer
31.2	Section 302 Certificate of Chief Financial Officer
32.1	Section 906 Certificate of Chief Executive Officer
32.2	Section 906 Certificate of Chief Financial Officer
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as inline XBRL with applicable taxonomy extension information contained in Exhibits 101.*)

SIGNATURES

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

LAMB WESTON HOLDINGS, INC.

By: /s/ ROBERT M. MCNUTT
ROBERT M. MCNUTT
Senior Vice President and Chief Financial Officer

Dated this 2nd day of October, 2019.

FIRST SUPPLEMENTAL INDENTURE

FIRST SUPPLEMENTAL INDENTURE (this "Supplemental Indenture") dated as of June 27, 2019, among LAMB WESTON BSW, LLC (the "New Guarantor"), a subsidiary of LAMB WESTON HOLDINGS, INC., a Delaware corporation (the "Company"), the Company and WELLS FARGO BANK, NATIONAL ASSOCIATION, a national banking association, as trustee under the indenture referred to below (the "Trustee").

W I T N E S S E T H :

WHEREAS the Company, certain Guarantors and the Trustee have heretofore executed an indenture, dated as of November 9, 2016 (as amended, supplemented or otherwise modified, the "Indenture"), providing for the issuance of the Company's 4.625% Senior Notes due 2024 (the "Notes"), initially in the aggregate principal amount of $833,000,000;

WHEREAS Sections 4.14 and 10.06 of the Indenture provide that under certain circumstances the Company is required to cause the New Guarantor to execute and deliver to the Trustee a supplemental indenture pursuant to which the New Guarantor shall unconditionally guarantee all of the Company's Obligations under the Notes and the Indenture pursuant to a Guarantee on the terms and conditions set forth herein; and

WHEREAS pursuant to Section 9.01 of the Indenture, the Trustee and the Company are authorized to execute and deliver this Supplemental Indenture;

NOW THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt of which is hereby acknowledged, the New Guarantor, the Company and the Trustee mutually covenant and agree for the equal and ratable benefit of the Holders of the Notes as follows:

1. Defined Terms. As used in this Supplemental Indenture, terms defined in the Indenture or in the preamble or recital hereto are used herein as therein defined, except that the term "Holders" in this Supplemental Indenture shall refer to the term "Holders" as defined in the Indenture and the Trustee acting on behalf of and for the benefit of such Holders. The words "herein," "hereof" and "hereby" and other words of similar import used in this Supplemental Indenture refer to this Supplemental Indenture as a whole and not to any particular Section hereof.

2. Agreement to Guarantee. The New Guarantor hereby agrees, jointly and severally with all existing Guarantors (if any), to unconditionally guarantee the Company's Obligations under the Notes and the Indenture on the terms and subject to the conditions set forth in Article X of the Indenture and to be bound by all other applicable provisions of the Indenture and the Notes and to perform all of the obligations and agreements of a Guarantor under the Indenture.

3. Notices. All notices or other communications to the New Guarantor shall be given as provided in Section 11.01 of the Indenture.

4. Ratification of Indenture; Supplemental Indentures Part of Indenture. Except as expressly amended hereby, the Indenture is in all respects ratified and confirmed and all the terms, conditions

and provisions thereof shall remain in full force and effect. This Supplemental Indenture shall form a part of the Indenture for all purposes, and every Holder of Notes heretofore or hereafter authenticated and delivered shall be bound hereby.

5. Governing Law. **THIS SUPPLEMENTAL INDENTURE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK BUT WITHOUT GIVING EFFECT TO APPLICABLE PRINCIPLES OF CONFLICTS OF LAW TO THE EXTENT THAT THE APPLICATION OF THE LAWS OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY.**

6. Trustee's Disclaimer. The Trustee makes no representation as to the validity or sufficiency of this Supplemental Indenture and it shall not be responsible for any statement of the Company or any Guarantor (including the New Guarantor) in this Supplemental Indenture.

7. Counterparts. The parties may sign any number of copies of this Supplemental Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

8. Effect of Headings. The Section headings herein are for convenience only and shall not affect the construction thereof.

[*Remainder of page intentionally left blank*.]

IN WITNESS WHEREOF, the parties have caused this Indenture to be duly executed as of the date first written above.

LAMB WESTON HOLDINGS, INC.

By: /s/ Robert M. McNutt
Name: Robert M. McNutt
Title: Senior Vice President and Chief Financial Officer

LAMB WESTON BSW, LLC, as a Guarantor

By: /s/ Bernadette M. Madarieta
Name: Bernadette M. Madarieta
Title: President and Treasurer

WELLS FARGO BANK, NATIONAL ASSOCIATION, as Trustee

By: /s/ Casey A Boyle
Name: Casey A Boyle
Title: Assistant Vice President

FIRST SUPPLEMENTAL INDENTURE

FIRST SUPPLEMENTAL INDENTURE (this "Supplemental Indenture") dated as of June 27, 2019, among LAMB WESTON BSW, LLC (the "New Guarantor"), a subsidiary of LAMB WESTON HOLDINGS, INC., a Delaware corporation (the "Company"), the Company and WELLS FARGO BANK, NATIONAL ASSOCIATION, a national banking association, as trustee under the indenture referred to below (the "Trustee").

W I T N E S S E T H :

WHEREAS the Company, certain Guarantors and the Trustee have heretofore executed an indenture, dated as of November 9, 2016 (as amended, supplemented or otherwise modified, the "Indenture"), providing for the issuance of the Company's 4.875% Senior Notes due 2026 (the "Notes"), initially in the aggregate principal amount of $833,000,000;

WHEREAS Sections 4.14 and 10.06 of the Indenture provide that under certain circumstances the Company is required to cause the New Guarantor to execute and deliver to the Trustee a supplemental indenture pursuant to which the New Guarantor shall unconditionally guarantee all of the Company's Obligations under the Notes and the Indenture pursuant to a Guarantee on the terms and conditions set forth herein; and

WHEREAS pursuant to Section 9.01 of the Indenture, the Trustee and the Company are authorized to execute and deliver this Supplemental Indenture;

NOW THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt of which is hereby acknowledged, the New Guarantor, the Company and the Trustee mutually covenant and agree for the equal and ratable benefit of the Holders of the Notes as follows:

1. Defined Terms. As used in this Supplemental Indenture, terms defined in the Indenture or in the preamble or recital hereto are used herein as therein defined, except that the term "Holders" in this Supplemental Indenture shall refer to the term "Holders" as defined in the Indenture and the Trustee acting on behalf of and for the benefit of such Holders. The words "herein," "hereof" and "hereby" and other words of similar import used in this Supplemental Indenture refer to this Supplemental Indenture as a whole and not to any particular Section hereof.

2. Agreement to Guarantee. The New Guarantor hereby agrees, jointly and severally with all existing Guarantors (if any), to unconditionally guarantee the Company's Obligations under the Notes and the Indenture on the terms and subject to the conditions set forth in Article X of the Indenture and to be bound by all other applicable provisions of the Indenture and the Notes and to perform all of the obligations and agreements of a Guarantor under the Indenture.

3. Notices. All notices or other communications to the New Guarantor shall be given as provided in Section 11.01 of the Indenture.

4. Ratification of Indenture; Supplemental Indentures Part of Indenture. Except as expressly amended hereby, the Indenture is in all respects ratified and confirmed and all the terms, conditions

and provisions thereof shall remain in full force and effect. This Supplemental Indenture shall form a part of the Indenture for all purposes, and every Holder of Notes heretofore or hereafter authenticated and delivered shall be bound hereby.

5. Governing Law. **THIS SUPPLEMENTAL INDENTURE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK BUT WITHOUT GIVING EFFECT TO APPLICABLE PRINCIPLES OF CONFLICTS OF LAW TO THE EXTENT THAT THE APPLICATION OF THE LAWS OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY.**

6. Trustee's Disclaimer. The Trustee makes no representation as to the validity or sufficiency of this Supplemental Indenture and it shall not be responsible for any statement of the Company or any Guarantor (including the New Guarantor) in this Supplemental Indenture.

7. Counterparts. The parties may sign any number of copies of this Supplemental Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

8. Effect of Headings. The Section headings herein are for convenience only and shall not affect the construction thereof.

[*Remainder of page intentionally left blank*.]

IN WITNESS WHEREOF, the parties have caused this Indenture to be duly executed as of the date first written above.

LAMB WESTON HOLDINGS, INC.

By: /s/ Robert M. McNutt
Name: Robert M. McNutt
Title: Senior Vice President and Chief Financial Officer

LAMB WESTON BSW, LLC, as a Guarantor

By: /s/ Bernadette M. Madarieta
Name: Bernadette M. Madarieta
Title: President and Treasurer

WELLS FARGO BANK, NATIONAL ASSOCIATION, as Trustee

By: /s/ Casey A Boyle
Name: Casey A Boyle
Title: Assistant Vice President

/$CurrentDate$/

FORM OF PERFORMANCE SHARE AGREEMENT
LAMB WESTON HOLDINGS, INC. 2016 STOCK PLAN
(AS AMENDED AND RESTATED AS OF JULY 20, 2017)

This Performance Share Agreement, hereinafter referred to as the "*Agreement*", is made on the _____ day of _____, _____ between Lamb Weston Holdings, Inc., a Delaware corporation (the "*Company*"), and the undersigned Employee (the "*Participant*").

1. **Award Grant.** The Company hereby grants Performance Shares (the "*Performance Shares*") to the Participant under the Lamb Weston Holdings, Inc. 2016 Stock Plan (as amended and restated as of July 20, 2017) (the "*Plan*"), as follows, effective as of the Date of Grant set forth below (the "*Date of Grant*"). Each Performance Share represents the right to receive one share of Stock on the Payment Date, subject to achievement of the Performance Targets and the other terms and conditions of this award. The number of Performance Shares that may be earned, if any, may range from 25% of the Target Number of Performance Shares, if the minimum Performance Targets and other conditions are met, to 200% of the Target Number of Performance Shares (the "Maximum Number of Performance Shares"), if the maximum Performance Targets and other conditions are met.

Participant:	/$ParticipantName$/
Employee ID:	/$ParticipantID$/
Target Number of Performance Shares:	/$TargetAwardsGranted$/
Maximum Number of Performance Shares:	/$MaxAwardsGranted$/
Date of Approval:	
Date of Grant:	/$GrantDate$/
Vesting Date:	[_____], subject to the terms and conditions set forth in Section 3 and Exhibit A.
Dividend Equivalents:	Yes, dividend equivalents will be accumulated on earned Performance Shares, but no amounts are paid, until the Payment Date of the Performance Shares, in accordance with Section 8 of this Agreement.

The Company has caused this Agreement to be executed effective as of the date first written above (the "*Effective Date*"). In the event of any conflict between the terms of this Agreement and the terms of the Plan, the Plan shall control. Please read this Agreement and the Plan carefully. If you do not wish to receive this award and/or you do not consent and agree to the terms and conditions on which this award is offered, as set forth in this Agreement and the Plan, then you must reject the award (1) online from the "Grant Information" page on the Merrill Lynch Benefits Online website or (2) by contacting the Merrill Lynch call center, in either case, no later than 11:59 p.m., Pacific Time, on the ninetieth calendar day following the Effective Date, in which case the award will be cancelled. Your failure to notify the Company of your rejection of the award by or before this deadline will constitute your acceptance of the award and your agreement with all terms and conditions of the award, as set forth in this Agreement and the Plan.

LAMB WESTON HOLDINGS, INC.	**PARTICIPANT**
By: _____	_____
Date: _____	Date: _____

2. **Definitions.** Capitalized terms used herein without definition have the meanings set forth in the Plan. The following terms shall have the respective meanings set forth below:

(a) *"Change of Control"* shall mean the occurrence of any of the following events:

(i) Individuals who, as of the effective date of the Plan, constitute the Board (the "*Incumbent Board*") cease for any reason to constitute at least a majority of the Board; provided, however, that any person becoming a member of the Board subsequent to the effective date of the Plan whose election, or nomination for the election by the Company's stockholders, was approved by a vote of at least a majority of the Board members then comprising the Incumbent Board shall be, for purposes of this clause (i), considered as though such person were a member of the Incumbent Board as of the effective date of the Plan;

(ii) Consummation of a reorganization, merger or consolidation, in each case, with respect to which persons who were the stockholders of the Company immediately prior to such reorganization, merger or consolidation do not, immediately thereafter, own more than 50% of the Voting Power of the reorganized, merged or consolidated entity;

(iii) Any person becomes the beneficial owner, directly or indirectly, of securities of the Company (not including in the securities beneficially owned by such person, any securities acquired directly from the Company or its affiliates) representing 30% or more of the Voting Power of the Company's then outstanding securities;

(iv) A liquidation or dissolution of the Company; or

(v) The sale of all or substantially all of the assets of the Company.

(b) *"Continuous Employment*" shall mean the absence of any interruption or termination of employment with the Company and its Subsidiaries and the performance of substantial services. Continuous Employment shall not be considered interrupted or terminated in the case of sick leave, short-term disability (as defined in the Company's sole discretion), military leave or any other leave of absence approved by the Company unless and until there is a Separation from Service (as defined in **Section 2(f)** below).

(c) "*Divestiture*" means a permanent disposition to a person other than the Company of a plant or other facility or property at which the Participant performs a majority of the Participant's services, whether such disposition is effected by means of a sale of assets, a sale of Subsidiary stock or otherwise.

(d) "*Early Retirement*" means Separation from Service with the Company and its Subsidiaries when the Participant (i) is at least age 55, and (ii) has at least ten years of credited service with the Company and its Subsidiaries.

(e) "*Normal Retirement*" shall mean a Separation from Service with the Company and its Subsidiaries on or after attaining age 65.

(f) "*Performance Period*" shall mean the three-year period commencing on [_____] and ending on [_____], which is comprised of the following three annual sub-periods (or "*Sub-Periods*"): [_____] through [_____], [_____] through [_____], and [_____] through [_____].

(g) "*Performance Targets*" means the applicable performance goals set forth on Exhibit A.

(h) "*Separation from Service,*" *"termination of employment" and similar terms* mean the date that the Participant incurs a "separation from service" within the meaning of Section 409A of the Code. As used in connection with the definition of "Separation from Service," the term "Company" includes Lamb Weston Holdings, Inc. and any other entity that, with Lamb Weston Holdings, Inc., constitutes a controlled group of corporations (as defined in Section 414(b) of the Code), or a group of trades or businesses (whether or not incorporated) under common control (as defined in Section 414(c) of the Code), substituting 25% for the 80% ownership level for purposes of both Sections 414(b) and Section 414(c) of the Code.

(i) "*Specified Employee*" is as defined under Section 409A of the Code and Treasury Regulation Section 1.409A-1(i).

(j) "*Successors*" shall mean the beneficiaries, executors, administrators, heirs, successors and assigns of a person.

3. **Vesting of Performance Shares**.

(a) **Normal Vesting**. Subject to the terms and conditions of the Plan, this Agreement and Exhibit A to this Agreement, the Performance Shares covered by this Agreement shall become nonforfeitable ("*Vest*" or similar terms) to the extent that:

(i) Except as provided in **Section 3(b)** or **Section 3(c)** below, the Participant remains Continuously Employed by the Company or a Subsidiary through the Vesting Date; and

(ii) The applicable Performance Targets set forth on Exhibit A for the Performance Period are achieved, which level of achievement must be certified by the Committee in writing within 90 days after the end of the Performance Period (the "*Committee Determination Date*"). For the avoidance of doubt, references in this Agreement to determinations and/or payments to be made after or following "the end of the Performance Period" shall be applied only to the Performance Period collectively comprised of all three Sub-Periods (and not to any Sub-Period individually).

Any Performance Shares that do not satisfy both **Section 3(a)(i)** and **Section 3(a)(ii)** will be forfeited.

(b) **Termination of Employment**. If, prior to the Vesting Date (as defined in **Section 4(a)**), the Participant's employment with the Company and its Subsidiaries shall terminate:

(i) by reason of Normal Retirement occurring on or after the date that is 12 months after the Date of Approval or death, the Performance Shares shall remain subject to performance through the end of the Performance Period and shall become Vested (based upon actual achievement of the applicable Performance Targets set forth in Exhibit A) in accordance with the terms and conditions of this Section 3 as if the Participant had remained Continuously Employed from the Date of Grant until the Vesting Date (or, if earlier, the occurrence of a Change of Control to the extent a Replacement Award is not provided).

(ii) by reason of Early Retirement or involuntary termination due to disability, position elimination, reduction in force (each as defined in the Company's sole discretion), or Divestiture, in each case, occurring on or after the date that is 12 months after the Date of Approval, the Performance Shares shall remain subject to performance through the end of the Performance Period and shall become Vested (based upon actual achievement of the applicable Performance Targets set forth in Exhibit A) in accordance with the terms and conditions of this Section 3 on a pro-rata basis in an amount equal to the product of (A) the number of Performance Shares in which the Participant would have Vested in accordance with the terms and conditions of this **Section 3** if the Participant had remained Continuously Employed from the Date of Grant until the Vesting Date (or, if earlier, the occurrence of a Change of Control to the extent a Replacement Award is not provided), multiplied by (B) a fraction, the numerator of which is the total number of calendar days during which the Participant was employed by the Company or a Subsidiary during the period beginning on [_____] and ending on the Separation from Service and the denominator of which is the total number of calendar days beginning on [_____] and ending on [_____], rounded to the nearest whole number of Performance Shares.

(iii) for Cause or any reason other than as described in **Sections 3(b)(i)** or **3(b)(ii)** prior to the Vesting Date, then all Performance Shares, whether Vested or unvested prior to the Vesting Date, shall be immediately forfeited without further consideration to the Participant.

For the avoidance of doubt, any Vested Performance Shares pursuant to **Sections 3(b)(i)** or **3(b)(ii)** will be settled pursuant to **Section 4(a)** hereof.

(c) **Accelerated Vesting in Connection with a Change of Control**.

(i) If a Change of Control occurs prior to the end of the Performance Period, and the Participant has been in Continuous Employment between the Date of Grant and the date of such Change of Control, then the Participant shall Vest in a number of Performance Shares equal to the greater of (1) the number of Performance Shares in which the Participant would Vest based on actual performance through the most recent date prior to the Change of Control for which achievement of Performance Targets can reasonably be determined, as certified by the Committee as constituted immediately prior to the Change of Control and (2) the target number

of Performance Shares subject to this Agreement, rounded to the nearest whole number of Performance Shares, except to the extent that (I) such Performance Shares have previously been forfeited, or (II) a Replacement Award is provided to the Participant to replace, continue or adjust the outstanding Performance Shares (the "*Replaced Award*").

(ii) If a Change of Control occurs after the end of the Performance Period but before the Committee Determination Date, then all earned Performance Shares will become 100% Vested, except to the extent that (I) such Performance Shares have previously been forfeited, or (II) a Replacement Award is provided to the Participant to replace, continue or adjust the outstanding Performance Shares.

(iii) If, within a period of two years following a Change of Control, the Participant's employment with the Company, a Subsidiary or any of its or their successors after the Change of Control (as applicable, the "*Successor Company*") is terminated by the Participant for Good Reason or by the Successor Company other than for Cause prior to the Vesting Date, to the extent that the Replacement Award has not previously been Vested or forfeited, the Replacement Award will become 100% Vested (and become entitled to settlement as specified in **Section 4(b)(i)**).

(iv) For purposes of this Agreement, a "*Replacement Award*" means an award (A) of the same type as the Replaced Award (*i.e.*, restricted stock or restricted stock units) but with any remaining performance conditions of the Replaced Award deemed satisfied at the greater of (i) the actual level of performance as of the Change of Control, if reasonably measurable, and (ii) the target level of performance, in each case without proration, and subject to continued service through the Vesting Date (B) that has a value at least equal to the value of the Replaced Award, including at the deemed level of performance as determined in clause (A) above, as applicable, (C) that relates to publicly traded equity securities of the Successor Company in the Change of Control (or another entity that is affiliated with the Successor Company following the Change of Control), (D) the tax consequences of which for such Participant under the Code, if the Participant is subject to U.S. federal income tax under the Code, are not less favorable to the Participant than the tax consequences of the Replaced Award, and (E) the other terms and conditions of which are not less favorable to the Participant than the terms and conditions of the Replaced Award (including the provisions that would apply in the event of a subsequent change of control). A Replacement Award may be granted only to the extent it does not result in the Replaced Award or Replacement Award failing to comply with or ceasing to be exempt from Section 409A of the Code. Without limiting the generality of the foregoing, the Replacement Award may take the form of a continuation of the Replaced Award if the requirements of the preceding two sentences are satisfied. The determination of whether the conditions of this **Section 3(c)(iv)** are satisfied will be made in good faith by the Committee, as constituted immediately before the Change of Control, in its sole discretion.

(v) For purposes of this Agreement, "*Cause*" means: (A) the willful and continued failure by the Participant to substantially perform the Participant's duties with the Successor Company (other than any such failure resulting from termination by the Participant for Good Reason) after a demand for substantial performance is delivered to the Participant that specifically identifies the manner in which the Successor Company believes that the Participant has not substantially performed the Participant's duties, and the Participant has failed to resume substantial performance of the Participant's duties on a continuous basis within five days of receiving such demand; (B) the willful engaging by the Participant in conduct which is demonstrably and materially injurious to the Successor Company, monetarily or otherwise; or (C) the Participant's conviction of, or plea of nolo contendere to, (I) a felony or (II) a misdemeanor which impairs the Participant's ability substantially to perform the Participant's duties with the Successor Company. For the purposes of this definition, no act, or failure to act, on the Participant's part shall be deemed "willful" unless done, or omitted to be done, by the Participant not in good faith and without reasonable belief that the Participant's action or omission was in the best interest of the Successor Company.

(vi) For purposes of this Agreement, "*Good Reason*" means: (A) any material failure of the Successor Company to comply with and satisfy any of the terms of any employment or change in control (or similar) agreement between the Successor Company and the Participant pursuant

to which the Participant provides services to the Successor Company; (B) any significant involuntary reduction of the authority, duties or responsibilities held by the Participant immediately prior to the Change of Control (and, for the avoidance of doubt, involuntary removal of the Participant from an officer position that the Participant holds immediately prior to the Change of Control will not, by itself, constitute a significant involuntary reduction of the authority, duties or responsibilities held by the Participant immediately prior to the Change of Control); (C) any material involuntary reduction in the aggregate target cash remuneration opportunity of the Participant as in effect immediately prior to the Change of Control; or (D) requiring the Participant to become based at any office or location more than 50 miles from the office or location at which the Participant was based immediately prior to such Change of Control, except for travel reasonably required in the performance of the Participant's responsibilities; provided, however, that no termination shall be deemed to be for Good Reason unless (x) the Participant provides the Successor Company with written notice setting forth the specific facts or circumstances constituting Good Reason within ninety days after the initial existence of the occurrence of such facts or circumstances, (y) the Successor Company fails to cure such facts or circumstances within thirty days of its receipt of such written notice, and (z) the Participant actually terminates employment within thirty days following the end of the Successor Company's thirty-day cure period, if such event or circumstance has not been cured.

(vii) If a Replacement Award is provided, notwithstanding anything in this Agreement to the contrary, any outstanding Performance Shares which at the time of the Change of Control are not subject to a "substantial risk of forfeiture" (within the meaning of Section 409A of the Code) will be deemed to be Vested at the time of such Change of Control (and such Vested Performance Shares shall be settled in accordance with **Section 4(b)(i)** below).

(d) **Forfeiture of Performance Shares**. Subject to **Section 3(b)(iii)**, any Performance Shares that have not Vested pursuant to **Section 3(a)**, **Section 3(b)**, or **Section 3(c)** will be forfeited automatically and without further notice (including if the Participant ceases to be in Continuous Employment prior to the Vesting Date for any reason other than as described in **Section 3(b)** or **Section 3(c)**).

4. **Settlement of Performance Shares.**

(a) **Normal**. Subject to **Section 4(b)**, the Company will issue to the Participant one share of Stock for each earned Performance Share as soon as practicable following the Committee Determination Date, but no later than the 15th day of the third month of the calendar year following the calendar year in which the Performance Shares become vested (the "*Payment Date*").

(b) **Other Settlement Events**. Notwithstanding **Section 4(a)**, to the extent the Performance Shares are Vested Performance Shares on the dates set forth below and to the extent the Vested Performance Shares have not previously been Vested, forfeited or settled, the Company will settle such Vested Performance Shares as follows:

(i) **Separation from Service**. If there are such Vested Performance Shares upon the Participant's Separation from Service pursuant to **Section 3(c)(iii)** hereof, within thirty days of the Participant's Separation from Service, one share of Stock will be issued for each such Vested Performance Share.

(ii) **Change of Control**. If there are such Vested Performance Shares upon a Change of Control, one share of Stock will be issued for each such Vested Performance Share as of the date of the Change of Control; provided, however, that if such Change of Control would not qualify as a permissible date of distribution under Section 409A(a)(2)(A) of the Code, and the regulations thereunder, and where Section 409A of the Code applies to such distribution, the Participant is entitled to receive the corresponding payment on the date that would have otherwise applied pursuant to **Section 4** as though such Change of Control had not occurred.

(c) **Payment of Taxes Upon Settlement.** As a condition of the issuance of shares of Stock upon settlement of Performance Shares hereunder, the Participant agrees to remit to the Company at the time of settlement any taxes required to be withheld by the Company under Federal, State or local law as a result of the settlement of the Performance Shares. As a condition of the issuance of shares of Stock upon settlement of

Performance Shares hereunder, the Participant agrees that the Company will deduct from the total shares to be issued as a result of the Vesting of the Performance Shares a sufficient number of shares to satisfy the required statutory withholding amount, which may exceed the minimum statutory tax withholding amount only if it would not cause adverse accounting or tax consequences for the Company or a Subsidiary.

(d) **Specified Employee**. Notwithstanding anything (including any provision of the Agreement or the Plan) to the contrary, if a Participant is a Specified Employee and if the Performance Shares are subject to Section 409A of the Code, payment to the Participant on account of a Separation from Service shall, to the extent required to comply with Treasury Regulation Section 1.409A-3(i)(2), be made to the Participant on the earlier of (i) the Participant's death or (ii) the first business day (or within 30 days after such first business day) that is more than six months after the date of Separation from Service. Notwithstanding anything contained herein to the contrary, the Participant shall not be considered to have terminated employment with the Company or any Subsidiary for purposes of any payments under this Agreement which are subject to Section 409A of the Code until the Participant has incurred a Separation from Service. In the Company's sole and absolute discretion, interest may be paid due to such delay. Further, any interest will be calculated in the manner determined by the Company in its sole and absolute discretion in a manner that qualifies any interest as reasonable earnings under Section 409A of the Code. Dividend equivalents will not be paid with respect to any dividends that would have been paid during the delay if the Stock had been issued. To the extent required for purposes of Section 409A of the Code, each installment that vests under this Agreement shall be construed as a separate identified payment for purposes of Section 409A of the Code.

5. **Non-Transferability of Performance Shares.** The Performance Shares may not be assigned, transferred, pledged or hypothecated in any manner (otherwise than by will or the laws of descent or distribution) nor may the Participant enter into any transaction for the purpose of, or which has the effect of, reducing the market risk of holding the Performance Shares by using puts, calls or similar financial techniques. The Performance Shares subject to this Agreement may be settled during the lifetime of the Participant only with the Participant or the Participant's guardian or legal representative. Upon any attempt to transfer, assign, pledge, hypothecate, or otherwise dispose of the Performance Shares or any related rights to the Performance Shares that is contrary to the provisions of this Agreement or the Plan, or upon the levy of any attachment or similar process upon the Performance Shares or such rights, the Performance Shares and such rights shall immediately become null and void. The terms of this Agreement shall be binding upon the Successors of the Participant.

6. **Stock Subject to the Performance Shares; Compliance with Law.** The Company will not be required to issue or deliver any shares of Stock or any certificate or certificates for shares of Stock with respect to the Participant's Performance Shares until such shares have been listed (or authorized for listing upon official notice of issuance) upon each stock exchange on which outstanding shares of the same class are then listed and until the Company has taken such steps as may, in the opinion of counsel for the Company, be required by law and applicable regulations, including the rules and regulations of the Securities and Exchange Commission, and state securities laws and regulations, in connection with the issuance of such shares, and the listing of such shares on each such exchange.

7. **Rights as Stockholder.** The Participant or his/her Successors shall have no rights as stockholder with respect to any Performance Shares or underlying shares covered by this Agreement until the Participant or his/her Successors shall have become the beneficial owner of such shares on the Payment Date.

8. **Dividend Equivalents.** Upon the payment of earned Performance Shares as of the Payment Date, the Participant shall receive additional shares of Stock equal in value to the accrued dividend equivalents. The amount of dividend equivalents for each Performance Share earned shall equal the dividends paid on one share of Stock for each dividend whose record date occurs during the period between the Date of Grant and the Payment Date.

9. **Adjustments Upon Changes in Capitalization; Change of Control.** In the event of any change in corporate capitalization, corporate transaction, sale or other disposition of assets or similar corporate transaction or event involving the Company as described in Section 5.5 of the Plan, the Committee shall make equitable adjustment as it determines necessary and appropriate in the number and type of shares subject to this Agreement; provided, however, that no fractional share shall be issued upon subsequent settlement of the Performance Shares. No adjustment shall be made if such adjustment is prohibited by Section 5.5 of the Plan (relating to Section 409A of the Code).

10. **Notices.** Each notice relating to this Agreement shall be deemed to have been given on the date it is

received. Each notice to the Company shall be addressed to its principal Office in Eagle, Idaho, Attention: Compensation. Each notice to the Participant or any other person or persons entitled to shares issuable upon settlement of the Performance Shares shall be addressed to the Participant's address and may be in written or electronic form. Anyone to whom a notice may be given under this Agreement may designate a new address by giving notice to the effect.

11. **Benefits of Agreement.** This Agreement shall inure to the benefit of and be binding upon each successor of the Company. All obligations imposed upon the Participant and all rights granted to the Company under this Agreement shall be binding upon the Participant's Successors. This Agreement shall be the sole and exclusive source of any and all rights which the Participant or his/her Successors may have in respect to the Plan or this Agreement.

12. **No Right to Continued Employment**. Nothing in this Agreement shall interfere with or affect the rights of the Company or the Participant under any employment agreement or confer upon the Participant any right to continued employment with the Company or a Subsidiary.

13. **Resolution of Disputes.** Any dispute or disagreement which should arise under or as a result of or in any way related to the interpretation, construction or application of this Agreement will be determined by the Committee. Any determination made hereunder shall be final, binding and conclusive for all purposes. This Agreement and the legal relations between the parties hereto shall be governed by and construed in accordance with the laws of the state of Delaware.

14. **Section 409A of the Code.** To the extent applicable, this Agreement is intended to comply with Section 409A of the Code and any regulations or notices provided thereunder. This Agreement and the Plan shall be interpreted in a manner consistent with this intent. The Company reserves the unilateral right to amend this Agreement on written notice to the Participant in order to comply with Section 409A of the Code. The Company makes no representation that any or all of the payments described in this Agreement will be exempt from or comply with Section 409A of the Code and makes no undertaking to preclude Section 409A of the Code from applying to any such payment. None of the Company or any Subsidiary, or any of its or their contractors, agents and employees, nor the Board or any member of the Board, shall be liable for any consequences of any failure to follow the requirements of Section 409A of the Code or any guidance or regulations thereunder.

15. **Clawback Policy and Stock Ownership Guidelines**. Shares of Stock issued upon settlement of the Performance Shares shall be subject to any stock ownership guidelines of the Company applicable to the Participant. This Agreement and the Performance Shares are subject to the Company's clawback policy as may be in effect from time to time, including, as applicable, being subject to recoupment or clawback by the Company on the terms and conditions as provided for under Section 10D of the Act and any applicable rules or regulations hereinafter promulgated by the Securities and Exchange Commission or any national securities exchange or national securities association on which the Stock may be traded. Notwithstanding anything in this Agreement to the contrary, nothing in this Agreement prevents the Participant from providing, without prior notice to the Company, information to governmental authorities regarding possible legal violations or otherwise testifying or participating in any investigation or proceeding by any governmental authorities regarding possible legal violations, and for purpose of clarity the Participant is not prohibited from providing information voluntarily to the Securities and Exchange Commission pursuant to Section 21F of the Securities Exchange Act of 1934.

16. **Amendment.** Any amendment to the Plan shall be deemed to be an amendment to this Agreement to the extent that the amendment is applicable hereto.

17. **Severability**. If any provision of this Agreement or the application of any provision hereof to any person or circumstances is held invalid, unenforceable or otherwise illegal, the remainder of this Agreement and the application of such provision to any other person or circumstances shall not be affected, and the provisions so held to be invalid, unenforceable or otherwise illegal shall be reformed to the extent (and only to the extent) necessary to make it enforceable, valid and legal.

18. **Electronic Delivery**. The Company may, in its sole discretion, deliver any documents related to the Performance Shares and the Participant's participation in the Plan, or future awards that may be granted under the Plan, by electronic means or request the Participant's consent to participate in the Plan by electronic means. The Participant hereby consents to receive such documents by electronic delivery and, if

requested, agrees to participate in the Plan through an on-line or electronic system established and maintained by the Company or another third party designated by the Company.

Exhibit 31.1

CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER

I, THOMAS P. WERNER, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarter ended August 25, 2019 of Lamb Weston Holdings, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 2, 2019

/s/ THOMAS P. WERNER

THOMAS P. WERNER
Chief Executive Officer

Exhibit 31.2

CERTIFICATION OF THE CHIEF FINANCIAL OFFICER

I, ROBERT M. MCNUTT, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarter ended August 25, 2019 of Lamb Weston Holdings, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 2, 2019

/s/ ROBERT M. MCNUTT

ROBERT M. MCNUTT
Senior Vice President and Chief Financial Officer

Exhibit 32.1

CERTIFICATION

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

I, THOMAS P. WERNER, Chief Executive Officer of Lamb Weston Holdings, Inc., certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to my knowledge that Lamb Weston Holdings, Inc.'s Quarterly Report on Form 10-Q for the quarter ended August 25, 2019 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and that the information contained in such Quarterly Report fairly presents, in all material respects, the financial condition and results of operations of Lamb Weston Holdings, Inc. as of and for the periods presented.

October 2, 2019

/s/ THOMAS P. WERNER

THOMAS P. WERNER
Chief Executive Officer

A signed original of this written statement required by Section 906 has been provided to Lamb Weston Holdings, Inc. and will be retained by Lamb Weston Holdings, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

CERTIFICATION

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

I, ROBERT M. MCNUTT, Senior Vice President and Chief Financial Officer of Lamb Weston Holdings, Inc., certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to my knowledge that Lamb Weston Holdings, Inc.'s Quarterly Report on Form 10-Q for the quarter ended August 25, 2019 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and that the information contained in such Quarterly Report fairly presents, in all material respects, the financial condition and results of operations of Lamb Weston Holdings, Inc. as of and for the periods presented.

October 2, 2019

/s/ ROBERT M. MCNUTT

ROBERT M. MCNUTT
Senior Vice President and Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to Lamb Weston Holdings, Inc. and will be retained by Lamb Weston Holdings, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.