DARLING INGREDIENTS INC.
Form 10-Q
November 06, 2018
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

(Mark One)
/X/ QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 29, 2018
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 001-13323

DARLING INGREDIENTS INC.
(Exact name of registrant as specified in its charter)

Delaware	36-2495346
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
251 O'Connor Ridge Blvd., Suite 300 Irving, Texas	75038
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (972) 717-0300

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

Indicate by check mark whether the Registrant has submitted electronically 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 and post such files). Yes X No ___

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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	X	Accelerated filer
Non-accelerated filer	(Do not check if a	Smaller reporting company

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 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 X

There were 164,657,928 shares of common stock, $0.01 par value, outstanding at November 1, 2018.

DARLING INGREDIENTS INC. AND SUBSIDIARIES
FORM 10-Q FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 29, 2018

TABLE OF CONTENTS

DARLING INGREDIENTS INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
September 29, 2018 and December 30, 2017
(in thousands, except share data)

	September 29, 2018 (unaudited)	December 30, 2017
ASSETS		
Current assets:		
Cash and cash equivalents	$ 81,470	$ 106,774
Restricted cash	103	142
Accounts receivable, net	363,312	391,847
Inventories	361,679	358,183
Prepaid expenses	43,305	38,326
Income taxes refundable	8,356	4,509
Other current assets	20,253	56,664
Total current assets	878,478	956,445
Property, plant and equipment, less accumulated depreciation of $1,196,680 at September 29, 2018 and $1,075,448 at December 30, 2017	1,631,036	1,645,822
Intangible assets, less accumulated amortization of $408,307 at September 29, 2018 and $383,836 at December 30, 2017	593,234	676,500
Goodwill	1,233,545	1,301,093
Investment in unconsolidated subsidiaries	398,794	302,038
Other assets	54,574	62,284
Deferred income taxes	15,550	14,043
	$ 4,805,211	$ 4,958,225
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	$ 11,100	$ 16,143
Accounts payable, principally trade	177,769	217,417
Income taxes payable	5,906	12,300
Accrued expenses	291,056	313,623
Total current liabilities	485,831	559,483
Long-term debt, net of current portion	1,668,129	1,698,050
Other non-current liabilities	101,878	106,287
Deferred income taxes	234,070	266,708
Total liabilities	2,489,908	2,630,528
Commitments and contingencies		
Stockholders' equity:		
Common stock, $0.01 par value; 250,000,000 shares authorized; 168,092,637 and 167,892,500 shares issued at September 29, 2018 and at December 30, 2017, respectively	1,681	1,679
Additional paid-in capital	1,530,924	1,515,614
Treasury stock, at cost; 3,434,709 and 3,239,063 shares at September 29, 2018 and at December 30, 2017, respectively	(47,696)	(44,063)

Accumulated other comprehensive loss	(277,324)	(209,524)
Retained earnings	1,046,857	981,227
Total Darling's stockholders’ equity	2,254,442	2,244,933
Noncontrolling interests	60,861	82,764
Total stockholders' equity	$ 2,315,303	$ 2,327,697
	$ 4,805,211	$ 4,958,225

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

DARLING INGREDIENTS INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
Three and nine months ended September 29, 2018 and September 30, 2017
(in thousands, except per share data)
(unaudited)

	Three Months Ended		Nine Months Ended	
	September 29, 2018	September 30, 2017	September 29, 2018	September 30, 2017
Net sales	$812,576	$ 936,262	$2,534,596	$ 2,709,702
Costs and expenses:				
Cost of sales and operating expenses	648,101	742,511	1,979,201	2,129,721
Selling, general and administrative expenses	67,447	82,153	232,907	253,608
Restructuring and impairment charges	—	—	14,965	—
Depreciation and amortization	78,842	77,202	235,915	221,306
Total costs and expenses	794,390	901,866	2,462,988	2,604,635
Operating income	18,186	34,396	71,608	105,067
Other expense:				
Interest expense	(20,080)	(22,531)	(66,220)	(66,657)
Debt extinguishment costs	—	—	(23,509)	—
Foreign currency loss	(2,106)	(2,055)	(7,082)	(4,430)
Gain/(loss) on disposal of subsidiaries	3,038	—	(12,500)	—
Other expense, net	(2,786)	(2,533)	(4,103)	(8,383)
Total other expense	(21,934)	(27,119)	(113,414)	(79,470)
Equity in net income/(loss) of unconsolidated subsidiaries	(2,792)	7,703	109,598	16,669
Income/(loss) before income taxes	(6,540)	14,980	67,792	42,266
Income tax expense/(benefit)	(1,403)	6,296	3,992	15,856
Net income/(loss)	(5,137)	8,684	63,800	26,410
Net income attributable to noncontrolling interests	(900)	(923)	(2,952)	(3,671)
Net income/(loss) attributable to Darling	$(6,037)	$ 7,761	$60,848	$ 22,739
Basic income/(loss) per share	$(0.04)	$ 0.05	$0.37	$ 0.14
Diluted income/(loss) per share	$(0.04)	$ 0.05	$0.37	$ 0.14

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

4

DARLING INGREDIENTS INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME/(LOSS)
Three and nine months ended September 29, 2018 and September 30, 2017
(in thousands)
(unaudited)

	Three Months Ended		Nine Months Ended	
	September 29, 2018	September 30, 2017	September 29, 2018	September 30, 2017
Net income/(loss)	$(5,137)	$ 8,684	$63,800	$ 26,410
Other comprehensive income/(loss), net of tax:				
Foreign currency translation	(5,584)	46,211	(65,126)	111,002
Pension adjustments	668	759	2,001	2,278
Natural gas swap derivative adjustments	—	22	22	22
Soybean meal derivative adjustments	3	—	3	—
Corn option derivative adjustments	(40)	850	(1,198)	(1,121)
Foreign exchange derivative adjustments	309	—	309	—
Total other comprehensive income/(loss), net of tax	(4,644)	47,842	(63,989)	112,181
Total comprehensive income/(loss)	$(9,781)	$ 56,526	$(189)	$ 138,591
Comprehensive income/(loss) attributable to noncontrolling interests	(538)	109	1,981	(62)
Comprehensive income/(loss) attributable to Darling	$(9,243)	$ 56,417	$(2,170)	$ 138,653

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

DARLING INGREDIENTS INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
Nine months ended September 29, 2018 and September 30, 2017
(in thousands)
(unaudited)

	September 29, 2018	September 30, 2017
Cash flows from operating activities:		
Net Income	$ 63,800	$ 26,410
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	235,915	221,306
Loss/ (gain) on disposal of property, plant, equipment and other assets	472	(537)
Loss on disposal of subsidiaries	12,500	—
Asset impairment	2,907	—
Gain on insurance proceeds from insurance settlements	(1,253)	—
Deferred taxes	(15,708)	(14,242)
Increase/ (decrease) in long-term pension liability	(375)	1,574
Stock-based compensation expense	13,606	14,710
Write-off deferred loan costs	8,163	443
Deferred loan cost amortization	6,265	6,581
Equity in net income of unconsolidated subsidiaries	(109,598)	(16,669)
Distributions of earnings from unconsolidated subsidiaries	27,418	26,600
Changes in operating assets and liabilities, net of effects from acquisitions:		
Accounts receivable	9,657	(5,311)
Income taxes refundable/payable	(9,838)	18,332
Inventories and prepaid expenses	(25,960)	(31,058)
Accounts payable and accrued expenses	(23,004)	39,937
Other	4,731	(19,305)
Net cash provided by operating activities	199,698	268,771
Cash flows from investing activities:		
Capital expenditures	(213,726)	(196,446)
Acquisitions, net of cash acquired	(51,301)	(12,144)
Investment in unconsolidated subsidiary	(10,000)	(4,750)
Proceeds from sale of investment in subsidiaries	82,805	—
Gross proceeds from disposal of property, plant and equipment and other assets	3,361	4,953
Proceeds from insurance settlement	1,253	3,301
Payments related to routes and other intangibles	(1,253)	(5,635)
Net cash used by investing activities	(188,861)	(210,721)
Cash flows from financing activities:		
Proceeds from long-term debt	623,698	24,069
Payments on long-term debt	(661,268)	(94,250)
Borrowings from revolving credit facility	386,436	142,000
Payments on revolving credit facility	(362,463)	(147,327)
Net cash overdraft financing	3,361	2,590
Deferred loan costs	(9,668)	(1,177)
Issuance of common stock	182	22
Minimum withholding taxes paid on stock awards	(2,215)	(2,140)
Acquisition of noncontrolling interest	—	(429)

Distributions to noncontrolling interests	(8,005)	(2,513)
Net cash used by financing activities	(29,942)	(79,155)
Effect of exchange rate changes on cash	(6,238)	16,676
Net decrease in cash, cash equivalents and restricted cash	(25,343)	(4,429)
Cash, cash equivalents and restricted cash at beginning of period	106,916	114,857
Cash, cash equivalents and restricted cash at end of period	$ 81,573	$ 110,428
Supplemental disclosure of cash flow information:		
Accrued capital expenditures	$ (5,295)	$ (3,532)
Cash paid during the period for:		
Interest, net of capitalized interest	$ 58,731	$ 58,219
Income taxes, net of refunds	$ 28,682	$ 13,719
Non-cash financing activities		
Debt issued for assets	$ 24	$ 3

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

6

DARLING INGREDIENTS INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
September 29, 2018
(unaudited)

(1) General

The accompanying consolidated financial statements for the three and nine month periods ended September 29, 2018 and September 30, 2017, have been prepared by Darling Ingredients Inc., a Delaware corporation (“Darling”, and together with its subsidiaries, the “Company”) in accordance with generally accepted accounting principles in the United States (“GAAP”) without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”). The information furnished herein reflects all adjustments (consisting only of normal recurring accruals) that are, in the opinion of management, necessary to present a fair statement of the financial position and operating results of the Company as of and for the respective periods. However, these operating results are not necessarily indicative of the results expected for a full fiscal year. Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with GAAP have been omitted pursuant to such rules and regulations. However, management of the Company believes, to the best of their knowledge, that the disclosures herein are adequate to make the information presented not misleading. The accompanying consolidated financial statements should be read in conjunction with the audited consolidated financial statements contained in the Company’s Form 10-K for the fiscal year ended December 30, 2017.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

The consolidated financial statements include the accounts of Darling and its consolidated subsidiaries. Noncontrolling interests represent the outstanding ownership interest in the Company's consolidated subsidiaries that are not owned by the Company. In the accompanying Consolidated Statements of Operations, the noncontrolling interest in net income of the consolidated subsidiaries is shown as an allocation of the Company's net income and is presented separately as “Net income attributable to noncontrolling interests.” In the Company's Consolidated Balance Sheets, noncontrolling interests represent the ownership interests in the Company consolidated subsidiaries' net assets held by parties other than the Company. These ownership interests are presented separately as “Noncontrolling interests” within “Stockholders' Equity.” All significant intercompany balances and transactions have been eliminated in consolidation.

(b) Fiscal Periods

The Company has a 52/53 week fiscal year ending on the Saturday nearest December 31. Fiscal periods for the consolidated financial statements included herein are as of September 29, 2018, and include the 13 and 39 weeks ended September 29, 2018, and the 13 and 39 weeks ended September 30, 2017.

(c) Cash, Cash Equivalents and Restricted Cash

The Company considers all short-term highly liquid instruments, with an original maturity of three months or less, to be cash equivalents. Cash balances are recorded net of book overdrafts when a bank right-of-offset exists. All other book overdrafts are recorded in accounts payable and the change in the related balance is reflected in operating activities on the Consolidated Statement of Cash Flows. In addition, the Company has bank overdrafts, which are considered a form of short-term financing with changes in the related balance reflected in financing activities in the

Consolidated Statement of Cash Flows. In November 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-18, Restricted Cash. This ASU amends Topic 230, Statement of Cash Flows, which includes new guidance on the classification and presentation of restricted cash in the statement of cash flows in order to eliminate the discrepancies that currently exist in how companies present these changes. This ASU requires restricted cash to be included with cash and cash equivalents when explaining the changes in cash in the statement of cash flows. The Company adopted this on December 31, 2017 and it did not have a material impact on the Company's consolidated financial statements.

Restricted cash represents amounts required to be set aside to cover self-insurance claims and collateral for environmental claims. The following table provides a reconciliation of cash, cash equivalents and restricted cash on the consolidated balance sheet that sum to the total of the same amounts shown in the consolidated statement of cash flows (in thousands):

	September 29, 2018	December 30, 2017
Cash and cash equivalents	$ 81,470	$ 106,774
Restricted cash	103	142
Total cash, cash equivalents and restricted cash shown in the consolidated statements of cash flow	$ 81,573	$ 106,916

(d) Accounts Receivable and Allowance for Doubtful Accounts

The Company maintains allowances for doubtful accounts for estimated losses resulting from customers' non-payment of trade accounts receivable owed to the Company. These trade receivables arise in the ordinary course of business from sales of raw material, finished product or services to the Company's customers. The estimate of allowance for doubtful accounts is based upon the Company's bad debt experience, prevailing market conditions, and aging of trade accounts receivable, among other factors. If the financial condition of the Company's customers deteriorates, resulting in the customers' inability to pay the Company's receivables as they come due, additional allowances for doubtful accounts may be required. The Company has entered into agreements with third party banks to factor certain of the Company's trade receivables in order to enhance working capital by turning trade receivables into cash faster. Under these agreements, the Company will sell certain selected customers trade receivables to the third party banks without recourse for cash less a nominal fee. For the three and nine months ended September 29, 2018, the Company sold approximately $32.3 million and $82.9 million of its trade receivables and incurred approximately $0.2 million and $0.4 million in fees, which are recorded as interest expense, respectively. For the three and nine months ended September 30, 2017, no receivables were factored.

(e) Revenue Recognition

The Company recognizes revenue on sales when control of the promised finished product is transferred to the Company's customers in an amount that reflects the consideration the Company expects to be entitled to in exchange for the finished product. Service revenues are recognized when the service occurs. Certain customers may be required to prepay prior to shipment in order to maintain payment protection related to certain foreign and domestic sales. These amounts are recorded as unearned revenue and recognized when control of the promised finished product is transferred to the Company's customer. See Note 19 to the consolidated financial statements.

(f) Foreign Currency Translation and Remeasurement

Foreign currency translation is included as a component of accumulated other comprehensive loss and reflects the adjustments resulting from translating the foreign currency denominated financial statements of foreign subsidiaries into U.S. dollars. The functional currency of the Company's foreign subsidiaries is the currency of the primary economic environment in which the entity operates, which is generally the local currency of the country. Accordingly, assets and liabilities of the foreign subsidiaries are translated into U.S. dollars at fiscal period end exchange rates, including intercompany foreign currency transactions that are of long-term investment nature. Income and expense items are translated at average exchange rates occurring during the period. Changes in exchange rates that affect cash flows and the related receivables or payables are recognized as transaction gains and losses in determining net income. The Company incurred net foreign currency translation losses of approximately $64.2 million for the nine months ended September 29, 2018 and net foreign currency translation gains of approximately $114.7 million for the nine months ended September 30, 2017, respectively.

(g) Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation. In the consolidated statements of operations, previously reported amounts have been adjusted to reflect the correction of an immaterial classification error in net sales and cost of sales as disclosed in Company’s Form 10-K for the fiscal year ended December 30, 2017. In addition, previous reported net periodic pension costs have been reclassified in the consolidated statements of operations to conform to current year presentation, as described in Note 13 and previously reported amounts in the consolidated statements of cash flows have been adjusted to reflect the adoption of the presentation of restricted cash.

(h) Earnings/(loss) Per Share

Basic income/(loss) per common share is computed by dividing net income attributable to Darling by the weighted average number of common shares including non-vested and restricted shares outstanding during the period. Diluted income per common share is computed by dividing net income attributable to Darling by the weighted average number of common shares outstanding during the period increased by dilutive common equivalent shares determined using the treasury stock method.

	Net Income/(loss) per Common Share (in thousands, except per share data)					
	Three Months Ended					
		September 29, 2018			September 30, 2017	
	Loss	Shares	Per Share	Income	Shares	Per Share
Basic:						
Net Income/(loss) attributable to Darling	$(6,037)	164,656	$(0.04)	$7,761	164,735	$0.05
Diluted:						
Effect of dilutive securities:						
Add: Option shares in the money and dilutive effect of non-vested stock awards		—			4,759	
Less: Pro forma treasury shares		—			(2,313)	
Diluted:						
Net income/(loss) attributable to Darling	$(6,037)	164,656	$(0.04)	$7,761	167,181	$0.05

	Net Income per Common Share (in thousands, except per share data)					
	Nine Months Ended					
		September 29, 2018			September 30, 2017	
	Income	Shares	Per Share	Income	Shares	Per Share
Basic:						
Net Income attributable to Darling	$60,848	164,784	$0.37	$22,739	164,734	$0.14
Diluted:						
Effect of dilutive securities:						
Add: Option shares in the money and dilutive effect of non-vested stock awards		1,690			3,645	
Less: Pro forma treasury shares		(700)			(1,751)	
Diluted:						
Net income attributable to Darling	$60,848	165,774	$0.37	$22,739	166,628	$0.14

For the three months ended September 29, 2018 and September 30, 2017, respectively, 3,774,610 and 212,525 outstanding stock options were excluded from diluted income/(loss) per common share as the effect was antidilutive. For the three months ended September 29, 2018 and September 30, 2017, respectively, 2,258,646 and 437,897 shares of non-vested stock and stock equivalents were excluded from diluted income/(loss) per common share as the effect was antidilutive.

For the nine months ended September 29, 2018 and September 30, 2017, respectively, 2,773,030 and 723,052 outstanding stock options were excluded from diluted income per common share as the effect was antidilutive. For the three months ended September 29, 2018 and September 30, 2017, respectively, 1,448,719 and 650,758 shares of non-vested stock and stock equivalents were excluded from diluted income per common share as the effect was antidilutive.

(3) Investment in Unconsolidated Subsidiaries

On January 21, 2011, a wholly-owned subsidiary of Darling entered into a limited liability company agreement with a wholly-owned subsidiary of Valero Energy Corporation (“Valero”) to form Diamond Green Diesel Holdings LLC (the “DGD Joint Venture”). The DGD Joint Venture is owned 50% / 50% with Valero and was formed to design, engineer, construct and operate a renewable diesel plant (the “DGD Facility”), which as a result of the recent expanded capacity is now capable of processing approximately 20,000 barrels per day of input feedstock to produce renewable diesel fuel and certain other co-products, and is located adjacent to Valero's refinery in Norco, Louisiana. The DGD Joint Venture reached mechanical completion and began the production of renewable diesel in late June 2013.

Selected financial information for the Company's DGD Joint Venture is as follows (in thousands):

(in thousands)	September 30, 2018	December 31, 2017
Assets:		
Total current assets	$ 178,875	$ 202,778
Property, plant and equipment, net	567,092	435,328
Other assets	26,949	4,655
Total assets	$ 772,916	$ 642,761
Liabilities and members' equity:		
Total current portion of long term debt	$ 182	$ 17,023
Total other current liabilities	46,502	40,705
Total long term debt	8,535	36,730
Total other long term liabilities	533	450
Total members' equity	717,164	547,853
Total liabilities and members' equity	$ 772,916	$ 642,761

(in thousands)	Three Months Ended		Nine Months Ended	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Revenues:				
Operating revenues	$ 104,811	$ 175,585	$ 407,121	$ 451,768
Expenses:				
Total costs and expenses less depreciation, amortization and accretion expense	103,794	154,446	169,632	395,743
Depreciation, amortization and accretion expense	6,516	6,733	18,890	22,867
Total costs and expenses	110,310	161,179	188,522	418,610
Operating income	(5,499)	14,406	218,599	33,158
Other income	556	408	1,348	959
Interest and debt expense, net	(318)	(455)	(637)	(2,306)
Net income	$ (5,261)	$ 14,359	$ 219,310	$ 31,811

As of September 29, 2018 under the equity method of accounting, the Company has an investment in the DGD Joint Venture of approximately $358.6 million on the consolidated balance sheet. The Company has recorded an equity net loss of approximately $2.6 million for the three months ended September 29, 2018 and an equity net gain of approximately $7.2 million for the three months ended September 30, 2017. The Company has recorded an equity net gain of approximately $109.7 million and $15.9 million for the nine months ended September 29, 2018 and September 30, 2017, respectively. In February 2018, the blender tax credits for calendar year 2017 were retroactively reinstated by the U.S. Congress. Fiscal 2017 results do not include any blenders tax credits, while in the first nine months of fiscal 2018, the DGD Joint Venture recorded approximately $160.4 million for the 2017 reinstated blenders tax credits. The DGD Joint Venture recorded the blenders tax credits in the first quarter of fiscal 2018 as a reduction of total costs and expenses in the above table. The biodiesel blenders tax credit have not been reinstated for fiscal 2018. In the second quarter of fiscal 2018, the Company received a dividend distribution of $25.0 million from the DGD Joint Venture.

In addition to the DGD Joint Venture, the Company has investments in other unconsolidated subsidiaries that are insignificant to the Company.

(4) Acquisitions and Dispositions

In September 2018, the Company liquidated a consolidated joint venture that was part of the Company's international operations. The transaction resulted in the Company recording a gain of approximately $3.0 million.

In May 2018, the Company acquired substantially all of the assets of Kruger Commodities, Inc. (the “Kruger Acquisition”) including protein conversion facilities in Hamilton, MI and Tama, IA, along with a protein blending operation and used cooking oil collection business in Omaha, NE. The Company paid approximately $51.3 million in cash for assets and assumed liabilities consisting of property, plant and equipment of approximately $15.2 million, intangible assets of approximately $15.9 million, consisting of routes, permits and non-compete agreements, goodwill of approximately $19.6 million, and other of approximately $0.6 million. The purchase price allocation was finalized in the third quarter of fiscal 2018 and the Company does not expect any further working capital adjustments. The identifiable intangible assets have a weighted average life of 15 years.

In May 2018, the Company sold its Terra Renewal Services ("TRS") industrial residuals business to American Residuals Group, LLC. TRS is a provider of environmental services focused on the collection, hauling, and disposal of non-hazardous, liquid and semi-solid waste streams from the food processing industry. All of the used cooking oil business originally acquired as part of TRS was retained by the Company. The transaction price for the industrial residuals business sold was $80.0 million in cash and resulted in the Company recording a loss on the TRS sale of approximately $15.5 million, due to a substantial portion of the original purchase price of TRS being allocated to the industrial residuals business.

In January 2018, the Company through a wholly-owned international subsidiary, sold a portion of its interest in a majority owned consolidated subsidiary for approximately $2.8 million. This transaction resulted in the foreign subsidiary being deconsolidated and accounted for using the equity method of accounting, effective January 2018.

In October 2018, the Company acquired substantially all of the assets of Triple - T Foods - Arkansas, Inc. including a wet pet food ingredient operation in Springdale, Arkansas and a cold storage operation in Rogers, Arkansas for approximately $50.0 million.

(5) Inventories

A summary of inventories follows (in thousands):

	September 29, 2018	December 30, 2017
Finished product	$ 184,989	$ 171,277
Work in process	88,073	101,540
Raw material	36,050	33,173
Supplies and other	52,567	52,193
	$ 361,679	$ 358,183

(6) Intangible Assets

The gross carrying amount of intangible assets not subject to amortization and intangible assets subject to amortization
is as follows (in thousands):

	September 29, 2018	December 30, 2017
Indefinite Lived Intangible Assets		
Trade names	$53,742	$54,682
	53,742	54,682
Finite Lived Intangible Assets:		
Routes	368,327	397,808
Permits	488,808	512,659
Non-compete agreements	3,796	3,963
Trade names	72,881	76,558
Royalty, consulting, land use rights and leasehold	13,987	14,666
	947,799	1,005,654
Accumulated Amortization:		
Routes	(139,846)	(136,592)
Permits	(230,284)	(211,264)
Non-compete agreements	(2,431)	(2,387)
Trade names	(31,915)	(30,235)
Royalty, consulting, land use rights and leasehold	(3,831)	(3,358)
	(408,307)	(383,836)
Total Intangible assets, less accumulated amortization	$593,234	$676,500

Gross intangible routes, permits, trade names, non-compete agreements and other intangibles partially decreased in fiscal 2018 as a result of approximately $5.5 million of asset retirements, $44.6 million from the TRS sale and increased approximately $15.9 million from the Kruger Acquisition. Amortization expense for the three and nine months ended September 29, 2018 and September 30, 2017, was approximately $18.3 million, $20.0 million and $56.7 million and $58.4 million, respectively.

(7) Goodwill

Changes in the carrying amount of goodwill (in thousands):

	Feed Ingredients	Food Ingredients	Fuel Ingredients	Total
Balance at December 30, 2017				
Goodwill	$ 848,167	$ 344,471	$ 124,369	$ 1,317,007
Accumulated impairment losses	(15,914)	—	—	(15,914)
	832,253	344,471	124,369	1,301,093
Goodwill acquired during year	19,629	—	—	19,629
Goodwill disposed of during year	(61,088)	(371)	—	(61,459)
Goodwill impaired during year	—	(461)	—	(461)
Foreign currency translation	(13,185)	(7,786)	(4,286)	(25,257)
Balance at September 29, 2018				
Goodwill	793,523	336,314	120,083	1,249,920
Accumulated impairment losses	(15,914)	(461)	—	(16,375)
	$ 777,609	$ 335,853	$ 120,083	$ 1,233,545

(8) Accrued Expenses

Accrued expenses consist of the following (in thousands):

	September 29, 2018	December 30, 2017
Compensation and benefits	$ 89,916	$ 102,474
Accrued income, ad valorem, and franchise taxes	31,706	30,546
Accrued operating expenses	61,816	61,230
Other accrued expense	107,618	119,373
	$ 291,056	$ 313,623

(9) Debt

Debt consists of the following (in thousands):

	September 29, 2018	December 30, 2017
Amended Credit Agreement:		
Revolving Credit Facility	$23,000	$—
Term Loan A ($35.8 million and $53.1 million denominated in CAD at September 29, 2018 and December 30, 2017, respectively)	79,033	96,365
Less unamortized deferred loan costs	(447)	(671)
Carrying value Term Loan A	78,586	95,694
Term Loan B	495,000	505,000
Less unamortized deferred loan costs	(9,364)	(10,578)
Carrying value Term Loan B	485,636	494,422
5.375% Senior Notes due 2022 with effective interest of 5.72%	500,000	500,000
Less unamortized deferred loan costs	(5,240)	(6,638)
Carrying value 5.375% Senior Notes due 2022	494,760	493,362
4.75% Senior Notes due 2022 - Denominated in euro with effective interest of 5.10%	—	617,356
Less unamortized deferred loan costs - Denominated in euro	—	(8,675)
Carrying value 4.75% Senior Notes due 2022	—	608,681
3.625% Senior Notes due 2026 - Denominated in euro with effective interest of 3.83%	596,499	—
Less unamortized deferred loan costs - Denominated in euro	(8,486)	—
Carrying value 3.625% Senior Notes due 2026	588,013	—
Other Notes and Obligations	9,234	22,034
	1,679,229	1,714,193
Less Current Maturities	11,100	16,143
	$1,668,129	$1,698,050

As of September 29, 2018, the Company had outstanding debt under a term loan facility denominated in Canadian dollars of CAD$46.6 million. See below for discussion relating to the Company's debt agreements. In addition, as of September 29, 2018, the Company had capital lease obligations denominated in Canadian dollars included in debt. The current and long-term capital lease obligation was approximately CAD$0.3 million and CAD$0.2 million, respectively.

As of September 29, 2018, the Company had outstanding debt under the Company's 3.625% Senior Notes due 2026 denominated in euros of €515.0 million. See below for discussion relating to the Company's debt agreements. In addition, at September 29, 2018, the Company had capital lease obligations denominated in euros included in debt. The current and long-term capital lease obligation was approximately €0.1 million and less than €0.1 million, respectively.

Senior Secured Credit Facilities. On January 6, 2014, Darling, Darling International Canada Inc. (“Darling Canada”) and Darling International NL Holdings B.V. (“Darling NL”) entered into a Second Amended and Restated Credit Agreement (as subsequently amended, the “Amended Credit Agreement”), restating its then existing Amended and Restated Credit Agreement dated September 27, 2013 (the “Former Credit Agreement”), with the lenders from time to time party thereto, JPMorgan Chase Bank, N.A., as Administrative Agent, and the other agents from time to time party thereto.

Effective December 18, 2017, the Company, and certain of its subsidiaries entered into an amendment (the “Fifth Amendment”) with its lenders to the Amended Credit Agreement. Among other things, the Fifth Amendment (i) refinanced the term B loans under the Amended Credit Agreement with new term B loans in an aggregate principal amount of $525.0 million with a maturity date of December 18, 2024; (ii) adjusted the applicable margin pricing on borrowings under the term B loan; (iii) modified certain of the negative covenants to increase the allowances for certain actions, including debt and investments; and (iv) made other updates and changes.

Effective December 16, 2016, the Company, and certain of its subsidiaries entered into an amendment (the "Fourth Amendment") with its lenders to the Amended Credit Agreement. Among other things, the Fourth Amendment (i) extended the maturity date of the term A loans and revolving credit facility loans under the Amended Credit Agreement from September 27, 2018 to December 16, 2021, subject to a 91-day "springing" adjustment if the term B loans are outstanding 91 days prior to the maturity date of the term B loans; (ii) reset the amortization schedule of the term A loans to their original schedule; (iii) adjusted the applicable margin pricing grid on borrowings under the term A Loan and revolving credit facility which adjusts based on the Company's total leverage ratio as set forth in the Amended Credit Agreement; (iv) eliminated the secured leverage ratio financial maintenance covenant so that from and after the effective date of the Fourth Amendment the Company's financial covenants consist of maintaining of total leverage ratio not to exceed 5.50 to 1.00 and maintaining an interest coverage ratio of not less than 3.00 to 1.00; (v) modified certain of the negative covenants to include a senior leverage ratio incurrence-based test and to increase the allowances for certain actions, including debt, investments and restricted payments; and (vi) made other updates and changes.

The Company's Amended Credit Agreement provides for senior secured credit facilities in the aggregate principal amount of $1.88 billion comprised of (i) the Company's $350.0 million term loan A facility, (ii) the Company's $525.0 million term loan B facility and (iii) the Company's $1.0 billion five-year revolving loan facility (approximately $150.0 million of which is available for a letter of credit sub-facility and $50.0 million of which is available for a swingline sub-facility) (collectively, the "Senior Secured Credit Facilities"). The Amended Credit Agreement also permits Darling and the other borrowers thereunder to incur ancillary facilities provided by any revolving lender party to the Senior Secured Credit Facilities (with certain restrictions). Up to $948.3 million of the revolving loan facility is available to be borrowed by (x) Darling in U.S. dollars, Canadian dollars, euros and other currencies to be agreed and available to each applicable lender, (y) Darling Canada in Canadian dollars and (z) Darling NL, Darling Ingredients International Holding B.V. ("Darling BV") and Darling Ingredients Germany Holding GmbH in U.S. dollars, Canadian dollars, euros and other currencies to be agreed and available to each applicable lender. The revolving loan facility and term loan A facility will mature on December 16, 2021. The revolving loan facility will be used for working capital needs, general corporate purposes and other purposes not prohibited by the Amended Credit Agreement.

The interest rate applicable to any borrowings under the term loan A facility and the revolving loan facility will equal either LIBOR/euro interbank offered rate/CDOR plus 2.00% per annum or base rate/Canadian prime rate plus 1.00% per annum, subject to certain step-ups or step-downs based on the Company's total leverage ratio. The interest rate applicable to any borrowings under the term loan B facility will equal the base rate plus 1.00% or LIBOR plus 2.00%.

As of September 29, 2018, the Company had $43.3 million outstanding under the term loan A facility at LIBOR plus a margin of 2.00% per annum for a total of 4.25% per annum, $18.0 million outstanding under the revolver at LIBOR plus a margin of 2.00% for a total of 4.16% per annum and $5.0 million outstanding under the revolver at base rate plus a margin of 1.00% per annum for a total of 6.25% per annum. The Company had $495.0 million outstanding under the term loan B facility at LIBOR plus a margin of 2.00% per annum for a total of 4.25% per annum. The Company had CAD$46.6 million outstanding under the term loan A facility at CDOR plus a margin of 2.00% per annum for a total of 3.9159%. As of September 29, 2018, the Company had unused capacity of $953.9 million under the Amended Credit Agreement taking into account amounts borrowed and letters of credit issued of $23.1 million. The Company also has foreign bank guarantees that are not part of the Company's Amended Credit Agreement in the amount of approximately $18.0 million at September 29, 2018.

5.375 % Senior Notes due 2022. On January 2, 2014, Darling Escrow Corporation, a wholly-owned subsidiary of Darling, issued and sold $500.0 million aggregate principal amount of its 5.375% Notes due 2022 (the "5.375% Notes"). The 5.375% Notes, which were offered in a private offering in connection with the Company's acquisition in January 2014 of its Darling Ingredients International business from VION Holding, N.V. (the "VION Acquisition"), were issued pursuant to a 5.375% Notes Indenture, dated as of January 2, 2014 (the "Original 5.375% Indenture") (as supplemented, the "5.375% Indenture"), among Darling Escrow Corporation, the subsidiary guarantors party thereto from time to time, and U.S. Bank National Association, as trustee (the "5.375% Trustee").

3.625% Senior Notes due 2026. On May 2, 2018, Darling Global Finance B.V. issued and sold €515.0 million aggregate principal amount of 3.625% Senior Notes due 2026 (the "3.625% Notes"). The 3.625% Notes, which were offered in a private offering, were issued pursuant to a Senior Notes Indenture, dated as of May 2, 2018, among Darling Global Finance B.V., Darling, the subsidiary guarantors party thereto from time to time, Citibank, N.A., London Branch, as trustee and principal paying agent, and Citigroup Global Markets Deutschland AG, as principal registrar. The gross proceeds of the offering, together with borrowings under the Company's revolving credit facility, were used to refinance all of the 4.75% Notes by cash tender offer and redemption of those notes and to pay any applicable premiums for the refinancing, to pay the commission of the initial purchasers of the 3.625% Notes and to pay the other fees and expenses related to the offering. The refinancing of the 4.75% Notes was completed during the second quarter of 2018.

The 3.625% Notes will mature on May 15, 2026. The issuer will pay interest on the 3.625% Notes on May 15 and November 15 of each year, commencing on November 15, 2018. Interest on the 3.625% Notes accrues from May 2, 2018 at a rate of 3.625% per annum and is payable in cash. The 3.625% Notes are guaranteed on a senior unsecured basis by Darling and all of Darling's restricted subsidiaries (other than any foreign subsidiary or any receivable entity) that guarantee the Senior Secured Credit Facilities. In addition, the Company capitalized $8.8 million of deferred loan costs for the issuance of the 3.625% Notes in the second quarter of 2018.

4.75 % Senior Notes due 2022. On June 3, 2015, Darling Global Finance B.V. (the “4.75% Issuer”), a wholly-owned subsidiary of Darling, issued and sold €515.0 million aggregate principal amount of the 4.75% Senior Notes due 2022 (the “4.75% Notes”). The 4.75% Notes, which were offered in a private offering, were issued pursuant to a Senior Notes Indenture, dated as of June 3, 2015 (the “4.75% Indenture”), among the 4.75% Issuer, Darling, the subsidiary guarantors party thereto from time to time, Citibank, N.A., London Branch, as trustee (the “4.75% Trustee”) and principal paying agent, and Citigroup Global Markets Deutschland AG, as principal registrar. The Company retired the 4.75% Notes in the second quarter of 2018 using the proceeds from the issuance of the 3.625% Notes and incurred charges of approximately $23.5 million in debt extinguishment charges including the write-off of deferred loan costs.

As of September 29, 2018, the Company believes it is in compliance with all of the financial covenants under the Amended Credit Agreement, as well as all of the other covenants contained in the Amended Credit Agreement, the 5.375% Indenture and the 3.625% Indenture.

(10) Income Taxes

The Company has provided income taxes for the three and nine month periods ended September 29, 2018 and September 30, 2017, based on its estimate of the effective tax rate for the entire 2018 and 2017 fiscal years. The Company’s estimated annual effective tax rate is based on forecasts of income by jurisdiction, permanent differences between book and tax income, the relative proportion of income and losses by jurisdiction, and statutory income tax rates. Discrete events such as the assessment of the ultimate outcome of tax audits, audit settlements, recognizing previously unrecognized tax benefits due to the lapsing of statutes of limitation, recognizing or derecognizing deferred tax assets due to projections of income or loss and changes in tax laws are recognized in the period in which they occur.

Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. The Company expects to have access to its offshore earnings with no material U.S. tax impact. Therefore, the Company does not consider earnings from its foreign subsidiaries to be permanently reinvested offshore.

The Company periodically assesses whether it is more likely than not that it will generate sufficient taxable income to realize its deferred income tax assets. In making this determination, the Company considers all available positive and negative evidence and makes certain assumptions. The Company considers, among other things, its deferred tax liabilities, the overall business environment, its historical earnings and losses, current industry trends and its outlook for future years.

Unrecognized tax benefits represent the difference between tax positions taken or expected to be taken in a tax return and the benefits recognized for financial statement purposes. As of September 29, 2018, the Company had $2.1

million of gross unrecognized tax benefits and $1.1 million of related accrued interest and penalties. It is reasonably possible within the next twelve months that the Company's gross unrecognized tax benefits may decrease by up to $1.8 million, excluding interest and penalties, primarily due to potential settlements and expiration of certain statutes of limitations.

On December 22, 2017, the Tax Cuts and Jobs Act (the "Tax Act" or "U.S. tax reform") was signed into law, effective January 1, 2018, that, among other things, lowered the corporate income tax rate from 35% to 21%, moved the country towards a territorial tax system with a one-time mandatory tax on previously deferred earnings of foreign subsidiaries, and introduced new provisions regarding the taxation of Global Intangible Low-Taxed Income ("GILTI") of foreign subsidiaries. The Company is subject to the GILTI provisions beginning January 1, 2018. The FASB allows companies to adopt an accounting policy to either recognize deferred taxes for GILTI or treat such as a tax cost in the year incurred. The Company's accounting policy election is to account for GILTI as incurred. The Company has reasonably estimated GILTI with no material impact to the estimated annual effective tax rate.

Accounting Standards Codification 740, Accounting for Income Taxes, requires companies to recognize the effects of changes in tax laws and tax rates on deferred tax assets and liabilities in the period in which the new legislation is enacted. Due to the timing of the Tax Act and the substantial changes it brings, the SEC staff issued Staff Accounting Bulletin No. 118, Income Tax Accounting Implications of the Tax Cuts and Jobs Act (SAB 118), which provides registrants a measurement period to report the impact of the new U.S. tax law. During the measurement period, provisional amounts for the effects of the tax law are recorded to the extent a reasonable estimate can be made. To the extent that all information necessary is not available, prepared or analyzed, companies may recognize provisional estimated amounts for a period of up to one year following enactment of the Tax Act.

As a result of U.S. Tax Reform, the Company recorded a provisional tax benefit at December 30, 2017 of $12.1 million related to the mandatory deemed repatriation including an adjustment to the U.S. deferred tax liability associated with foreign earnings that were not permanently reinvested outside the U.S. and $62.9 million for the re-measurement of deferred taxes at the reduced 21% federal tax rate. The Company recorded provisional amounts for the mandatory repatriation including its impact on the Company’s deferred taxes because certain information related to the computation of earnings and profits is not readily available and there is limited information from federal and state taxing authorities regarding the application and interpretation of the recently enacted legislation.

The Company revised its 2017 provisional estimates under SAB No. 118 and recorded a provisional tax benefit of $1.6 million during the three months ended June 30, 2018 and an additional provisional tax benefit of $0.1 million during the three months ended September 29, 2018 due to additional guidance by the Internal Revenue Service (IRS) and the continued refinement of the Company's mandatory repatriation including refinements of earnings and profits calculations and the impact of the Company's deferred taxes. While the Company does not anticipate any remaining adjustments related to the Act, the measurement period under SAB 118 remains open as there is still anticipated guidance clarifying certain aspects of the Act. Any subsequent adjustment to the amounts will be recorded to deferred tax expense in the fourth quarter of 2018 when the full analysis is complete.

The Company’s major taxing jurisdictions include the United States (federal and state), Canada, the Netherlands, Belgium, Brazil, Germany, France and China. The Company is subject to regular examination by various tax authorities and although the final outcome of these examinations is not yet determinable, the Company does not anticipate that any of the examinations will have a significant impact on the Company's results of operations or financial position. The statute of limitations for the Company’s major tax jurisdictions is open for varying periods, but is generally closed through the 2010 tax year.

(11) Other Comprehensive Income/(Loss)

The Company follows FASB authoritative guidance for reporting and presentation of comprehensive income/(loss) and its components. Other comprehensive income/(loss) is derived from adjustments that reflect pension adjustments, natural gas swap adjustments, corn option adjustments, foreign exchange forward adjustments and foreign currency translation adjustments. In February 2018, the FASB issued ASU No. 2018-02, Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income. This ASU amends Topic 220, Income Statement - Reporting Comprehensive Income, which will allow a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act. The ASU is effective for fiscal years beginning after December 15, 2018; however, the Company elected to early adopt ASU No. 2018-02 during the quarter ended March 31, 2018. The adoption resulted in a $4.8 million reclassification from accumulated other comprehensive loss to retained earnings resulting from the Tax Cuts and Jobs Act.

The components of other comprehensive income (loss) and the related tax impacts for the three and nine months ended September 29, 2018 and September 30, 2017 are as follows (in thousands):

	Three Months Ended					
	Before-Tax Amount		Tax (Expense) or Benefit		Net-of-Tax Amount	
	September 29, 2018	September 30, 2017	September 29, 2018	September 30, 2017	September 29, 2018	September 30, 2017
Defined benefit pension plans						
Amortization of prior service cost/(benefit)	$9	$ 9	$(3)	$ (3)	$6	$ 6
Amortization of actuarial loss	888	1,204	(226)	(451)	662	753
Total defined benefit pension plans	897	1,213	(229)	(454)	668	759
Natural gas swap derivatives						
Loss/(gain) reclassified to net income	—	—	—	—	—	—
Gain/(loss) activity recognized in other comprehensive income/(loss)	—	36	—	(14)	—	22
Total natural gas swap derivatives	—	36	—	(14)	—	22
Soybean meal option derivatives						
Loss/(gain) reclassified to net income	(4)	—	1	—	(3)	—
Gain/(loss) activity recognized in other comprehensive income/(loss)	8	—	(2)	—	6	—
Total soybean meal option derivatives	4	—	(1)	—	3	—
Corn option derivatives						
Loss/(gain) reclassified to net income	(563)	(1,352)	147	525	(416)	(827)
Gain/(loss) activity recognized in other comprehensive income/(loss)	507	2,740	(131)	(1,063)	376	1,677
Total corn option derivatives	(56)	1,388	16	(538)	(40)	850
Foreign exchange derivatives						
Gain/(loss) activity recognized in other comprehensive income/(loss)	468	—	(159)	—	309	—
Total foreign exchange derivatives	468	—	(159)	—	309	—
Foreign currency translation	(5,749)	46,211	165	—	(5,584)	46,211
Other comprehensive income/(loss)	$(4,436)	$ 48,848	$(208)	$ (1,006)	$(4,644)	$ 47,842

17

	Nine Months Ended					
	Before-Tax Amount		Tax (Expense) or Benefit		Net-of-Tax Amount	
	September 29, 2018	September 30, 2017	September 29, 2018	September 30, 2017	September 29, 2018	September 30, 2017
Defined benefit pension plans						
Amortization of prior service cost/(benefit)	$26	$ 27	$(7)	$ (8)	$19	$ 19
Amortization of actuarial loss	2,664	3,610	(682)	(1,351)	1,982	2,259
Total defined benefit pension plans	2,690	3,637	(689)	(1,359)	2,001	2,278
Natural gas swap derivatives						
Loss/(gain) reclassified to net income	14	—	(3)	—	11	—
Gain/(loss) activity recognized in other comprehensive income/(loss)	15	36	(4)	(14)	11	22
Total natural gas swap derivatives	29	36	(7)	(14)	22	22
Soybean meal option derivatives						
Loss/(gain) reclassified to net income	(4)	—	1	—	(3)	—
Gain/(loss) activity recognized in other comprehensive income/(loss)	8	—	(2)	—	6	—
Total soybean meal option derivatives	4	—	(1)	—	3	—
Corn option derivatives						
Loss/(gain) reclassified to net income	(1,554)	(3,750)	404	1,455	(1,150)	(2,295)
Gain/(loss) activity recognized in other comprehensive income/(loss)	(65)	1,918	17	(744)	(48)	1,174
Total corn option derivatives	(1,619)	(1,832)	421	711	(1,198)	(1,121)
Foreign exchange derivatives						
Gain/(loss) activity recognized in other comprehensive income/(loss)	468	—	(159)	—	309	—
Total foreign exchange derivatives	468	—	(159)	—	309	—
Foreign currency translation	(66,407)	111,002	1,281	—	(65,126)	111,002
Other comprehensive income/(loss)	$(64,835)	$ 112,843	$846	$ (662)	$(63,989)	$ 112,181

The following table presents the amounts reclassified out of each component of other comprehensive income (loss), net of tax for the three and nine months ended September 29, 2018 and September 30, 2017 as follows (in thousands):

	Three Months Ended		Nine Months Ended		
	September 29, 2018	September 30, 2017	September 29, 2018	September 30, 2017	Statement of Operations Classification
Derivative instruments					
Soybean meal derivatives	$ 4	$ —	$ 4	$ —	Net sales
Natural gas swap derivatives	—	—	(14)	—	Cost of sales and operating expenses
Corn option derivatives	563	1,352	1,554	3,750	Cost of sales and operating expenses
	567	1,352	1,544	3,750	Total before tax
	(148)	(525)	(402)	(1,455)	Income taxes
	419	827	1,142	2,295	Net of tax
Defined benefit pension plans					
Amortization of prior service cost	$ (9)	$ (9)	$ (26)	$ (27)	(a)
Amortization of actuarial loss	(888)	(1,204)	(2,664)	(3,610)	(a)
	(897)	(1,213)	(2,690)	(3,637)	Total before tax
	229	454	689	1,359	Income taxes
	(668)	(759)	(2,001)	(2,278)	Net of tax
Total reclassifications	$ (249)	$ 68	$ (859)	$ 17	Net of tax

(a) These items are included in the computation of net periodic pension cost. See Note 13 Employee Benefit Plans for additional information.

The following table presents changes in each component of accumulated other comprehensive income/(loss) as of September 29, 2018 as follows (in thousands):

	Nine Months Ended September 29, 2018			
	Foreign Currency Translation	Derivative Instruments	Defined Benefit Pension Plans	Total
Accumulated Other Comprehensive Income/(loss) December 30, 2017, attributable to Darling, net of tax	$ (183,161)	$ 1,372	$ (27,735)	$ (209,524)
Other comprehensive gain/(loss) before reclassifications	(65,126)	278	—	(64,848)
Amounts reclassified from accumulated other comprehensive income/(loss)	—	(1,142)	2,001	859
Reclassification of tax effect (a)	—	291	(5,073)	(4,782)
Net current-period other comprehensive income/(loss)	(65,126)	(573)	(3,072)	(68,771)
Noncontrolling interest	(971)	—	—	(971)
Accumulated Other Comprehensive Income/(loss) September 29, 2018, attributable to Darling, net of tax	(247,316)	$ 799	$ (30,807)	$ (277,324)

(a) Stranded tax effects reclassified from accumulated other comprehensive income (loss) to retained earnings from the adoption of ASU 2018-02.

(12) Stockholders' Equity

Fiscal 2018 Long-Term Incentive Opportunity Awards (2018 LTIP). On January 29, 2018, the Compensation Committee (the “Committee”) of the Company's Board of Directors adopted the 2018 LTIP pursuant to which they awarded certain of the Company's key employees, 637,115 stock options and 295,514 performance share units (the

"PSUs") under the Company's 2017 Omnibus Incentive Plan. The stock options vest 33.33% on the first, second and third anniversaries of the grant date. The PSUs are tied to a three-year forward-looking performance period and will be earned based on the Company's average return on capital employed ("ROCE"), as calculated in accordance with the terms of the award agreement, relative to the average ROCE of the Company's performance peer group companies, with the earned award to be determined in the first quarter of fiscal 2021, after the final results for the relevant performance period are determined. The PSUs were granted at a target of 100%, but each PSU will reduce or increase depending on the Company's ROCE relative to that of the performance peer group companies and is also subject to the application of a total shareholder return ("TSR") cap/collar modifier depending on the Company's TSR during the performance period relative to that of the performance peer group companies.

On August 7, 2017, the Company's Board of Directors, approved the extension for an additional two years of its previously announced share repurchase program of up to an aggregate of $100.0 million of the Company's common stock depending on market conditions. As of September 29, 2018, the Company has approximately $100.0 million remaining under the share repurchase program approved in August 2017. On November 6, 2018, the Board approved an increase in the share repurchase program from $100.0 million to $200.0 million and extended the term of the program for an additional year to August 13, 2020.

(13) Employee Benefit Plans

The Company has retirement and pension plans covering a substantial number of its domestic and foreign employees. Most retirement benefits are provided by the Company under separate final-pay noncontributory and contributory defined benefit and defined contribution plans for all salaried and hourly employees (excluding those covered by union-sponsored plans) who meet service and age requirements. Although various defined benefit formulas exist for employees, generally these are based on length of service and earnings patterns during employment. Effective January 1, 2012, the Company's Board of Directors authorized the Company to proceed with the restructuring of its domestic retirement benefit program to include the closing of Darling's salaried and hourly defined benefit plans to new participants as well as the freezing of service and wage accruals thereunder effective December 31, 2011 (a curtailment of these plans for financial reporting purposes) and the enhancing of benefits under the Company's domestic defined contribution plans. The Company-sponsored domestic hourly union plan has not been curtailed; however, several locations of the Company-sponsored domestic hourly union plan have been curtailed as a result of collective bargaining renewals for those sites.

In March 2017, the FASB issued ASU No. 2017-07, Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost. This ASU amends Topic 715, Compensation - Retirement Benefits, which requires that an employer report the service cost component of net benefit costs to be disaggregated from all other components and reported in the same line item or items as other compensation costs. The other components of net benefit cost are required to be presented in the income statement separately from the service cost. The Company adopted this ASU effective December 31, 2017. The Company used the practical expedient to retrospectively present the prior year amounts. The components of net period pension cost other than the service cost component are included in the line item “Other expense, net” in the Company's Consolidated Statements of Operations.

Net pension cost for the three and nine months ended September 29, 2018 and September 30, 2017 includes the following components (in thousands):

	Pension Benefits Three Months Ended		Pension Benefits Nine Months Ended	
	September 29, 2018	September 30, 2017	September 29, 2018	September 30, 2017
Service cost	$762	$ 759	$2,340	$ 2,244
Interest cost	1,603	1,672	4,844	5,020
Expected return on plan assets	(2,053)	(1,799)	(6,176)	(5,377)
Amortization of prior service cost	9	9	26	27
Amortization of net loss	888	1,204	2,664	3,610
Net pension cost	$1,209	$ 1,845	$3,698	$ 5,524

The Company's funding policy for employee benefit pension plans is to contribute annually not less than the minimum amount required nor more than the maximum amount that can be deducted for federal and foreign income tax purposes. Contributions are intended to provide not only for benefits attributed to service to date, but also for those expected to be earned in the future. Based on actuarial estimates at September 29, 2018, the Company expects to contribute approximately $4.8 million to its pension plans to meet funding requirements during the next twelve months. Additionally, the Company has made tax deductible discretionary and required contributions to its pension plans for the nine months ended September 29, 2018 and September 30, 2017 of approximately $2.8 million and $2.6 million, respectively.

The Company participates in various multiemployer pension plans which provide defined benefits to certain employees covered by labor contracts. These plans are not administered by the Company and contributions are determined in accordance with provisions of negotiated labor contracts to meet their pension benefit obligations to their participants. The Company's contributions to each multiemployer plan represent less than 5% of the total contributions to each such plan. Based on the most currently available information, the Company has determined that, if a withdrawal were to occur, withdrawal liabilities on two of the plans in which the Company currently participates could be material to the Company, with one of these material plans certified as critical or red zone. With respect to the other multiemployer pension plans

20

in which the Company participates and which are not individually significant, six plans have certified as critical or red zone, one plan has certified as endangered or yellow zone as defined by the Pension Protection Act of 2006.

The Company has received notices of withdrawal liability from two U.S. multiemployer plans in which it participated. As of September 29, 2018, the Company has an aggregate accrued liability of approximately $1.7 million representing the present value of scheduled withdrawal liability payments under these multiemployer plans. While the Company has no ability to calculate a possible current liability for under-funded multiemployer plans that could terminate or could require additional funding under the Pension Protection Act of 2006, the amounts could be material.

(14) Derivatives

The Company's operations are exposed to market risks relating to commodity prices that affect the Company's cost of raw materials, finished product prices and energy costs and the risk of changes in interest rates and foreign currency exchange rates.

The Company makes limited use of derivative instruments to manage cash flow risks related to natural gas usage, diesel fuel usage, inventory, forecasted sales and foreign currency exchange rates. The Company does not use derivative instruments for trading purposes. Natural gas swaps and options are entered into with the intent of managing the overall cost of natural gas usage by reducing the potential impact of seasonal weather demands on natural gas that increases natural gas prices. Heating oil swaps and options are entered into with the intent of managing the overall cost of diesel fuel usage by reducing the potential impact of seasonal weather demands on diesel fuel that increases diesel fuel prices. Soybean meal options are entered into with the intent of managing the impact of changing prices for poultry meal sales. Corn options and future contracts are entered into with the intent of managing U.S. forecasted sales of bakery by-products ("BBP") by reducing the impact of changing prices. Foreign currency forward contracts are entered into to mitigate the foreign exchange rate risk for transactions designated in a currency other than the local functional currency. At September 29, 2018, the Company had corn option contracts, soybean meal option contracts and foreign exchange forward contracts outstanding that qualified and were designated for hedge accounting as well as corn option and forward contracts and foreign currency forward contracts that did not qualify and were not designated for hedge accounting.

Entities are required to report all derivative instruments in the statement of financial position at fair value. The accounting for changes in the fair value (i.e., gains or losses) of a derivative instrument depends on whether it has been designated and qualifies as part of a hedging relationship and, if so, on the reason for holding the instrument. If certain conditions are met, entities may elect to designate a derivative instrument as a hedge of exposures to changes in fair value, cash flows or foreign currencies. If the hedged exposure is a cash flow exposure, the effective portion of the gain or loss on the derivative instrument is reported initially as a component of other comprehensive income (outside of earnings) and is subsequently reclassified into earnings when the forecasted transaction affects earnings. Any amounts excluded from the assessment of hedge effectiveness, as well as the ineffective portion of the gain or loss, are reported in earnings immediately. If the derivative instrument is not designated as a hedge, the gain or loss is recognized in earnings in the period of change.

Cash Flow Hedges

In the first nine months of fiscal 2018, the Company entered into foreign exchange forward contracts that are considered cash flow hedges. Under the terms of the foreign exchange contracts, the Company hedged a portion of its forecasted peptan sales in currencies other than the functional currency through the fourth quarter of fiscal 2019. As of September 29, 2018, the contract positions and activity are not significant to the Company. At September 29, 2018 and December 30, 2017, the aggregate fair value of these foreign exchange contracts was approximately $0.5 million and zero, respectively. The September 29, 2018 amounts are included in other current assets and other assets on the balance sheet, with an offset recorded in accumulated other comprehensive loss for the effective portion.

In the first nine months of fiscal 2018, the Company entered into soybean meal option contracts that are considered cash flow hedges. Under the terms of the soybean meal option contracts, the Company hedged a portion of its forecasted poultry meal sales into the fourth quarter of fiscal 2018. As of September 29, 2018, some of the contracts have been settled while the remaining contract positions and activity are not significant to the Company. At September 29, 2018 and December 30, 2017, the aggregate fair value of these soybean meal option contracts was approximately $0.4 million and zero, respectively. The September 29, 2018 amounts are included in other current assets on the balance sheet, with an offset recorded in accumulated other comprehensive loss for the effective portion.

In fiscal 2017 and the first nine months of fiscal 2018, the Company entered into corn option contracts on the Chicago Board of Trade that are designated as cash flow hedges. Under the terms of the corn option contracts, the Company hedged a portion of its U.S. forecasted sales of BBP into the fourth quarter of fiscal 2018. As of September 29, 2018, some of the contracts have been settled while the remaining contract positions and activity are not significant to the Company. At September 29, 2018 and December 30, 2017, the aggregate fair value of these corn option contracts was approximately \$0.7 million and \$3.4 million, respectively. These amounts are included in other current assets on the balance sheet, with an offset recorded in accumulated other comprehensive loss for the effective portion. From time to time, the Company may enter into corn option contracts in the future.

As of September 29, 2018, the Company had the following outstanding forward contract amounts that were entered into to hedge the future payments of intercompany note transactions, foreign currency transactions in currencies other than the functional currency and forecasted transactions in currencies other than the functional currency (in thousands):

Functional Currency		Contract Currency	
Type	Amount	Type	Amount
Brazilian real	59,258	Euro	12,536
Brazilian real	242,809	U.S. dollar	58,903
Euro	109,577	U.S. dollar	129,276
Euro	19,425	Polish zloty	83,780
Euro	5,592	Japanese yen	734,893
Euro	34,973	Chinese renminbi	284,178
Euro	12,284	Australian dollar	19,850
Euro	3,191	British pound	2,833
Polish zloty	21,742	Euro	5,046
British pound	161	Euro	179
British pound	106	U.S. dollar	81
Japanese yen	184,030	U.S. dollar	1,674
U.S. dollar	692	Japanese yen	78,000

The Company estimates the amount that will be reclassified from accumulated other comprehensive loss at September 29, 2018 into earnings over the next 12 months will be approximately \$1.1 million. As of September 29, 2018, no amounts have been reclassified into earnings as a result of the discontinuance of cash flow hedges.

The table below summarizes the effect of derivatives not designated as hedges on the Company's consolidated statements of operations for the three and nine months ended September 29, 2018 and September 30, 2017 (in thousands):

		Loss or (Gain) Recognized in Income on Derivatives Not Designated as Hedges			
		Three Months Ended		Nine Months Ended	
Derivatives not designated as hedging instruments	Location	September 29, 2018	September 30, 2017	September 29, 2018	September 30, 2017
Foreign exchange	Foreign currency loss/(gain)	\$(1,389)	\$ 3,142	\$(3,216)	\$ 12,418
Foreign exchange	Net sales	3,652	—	3,652	—
Foreign exchange		(880)	—	(880)	—

	Cost of sales and operating expenses				
Foreign exchange	Selling, general and administrative expense	359	(2,118)	3,354	(3,107)
Corn options and futures	Net sales	294	165	748	125
Corn options and futures	Cost of sales and operating expenses	(403)	(1,566)	(709)	(1,250)
Heating oil swaps and options	Net sales	—	492	—	492
Soybean meal	Net sales	—	(131)	—	(412)
Soybean oil	Net sales	—	—	—	45
Total		$1,633	$ (16)	$2,949	$ 8,311

22

At September 29, 2018, the Company had forward purchase agreements in place for purchases of approximately $20.9 million of natural gas and diesel fuel. These forward purchase agreements have no net settlement provisions and the Company intends to take physical delivery of the underlying product. Accordingly, the forward purchase agreements are not subject to the requirements of fair value accounting because they qualify and the Company has elected to account for these as normal purchases as defined in the FASB authoritative guidance.

(15) Fair Value Measurements

FASB authoritative guidance defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The following table presents the Company's financial instruments that are measured at fair value on a recurring and nonrecurring basis as of September 29, 2018 and are categorized using the fair value hierarchy under FASB authoritative guidance. The fair value hierarchy has three levels based on the reliability of the inputs used to determine the fair value.

		Fair Value Measurements at September 29, 2018 Using		
(In thousands of dollars)	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Derivative instruments	$3,952	$ —	$3,952	$ —
Total Assets	$3,952	$ —	$3,952	$ —
Liabilities:				
Derivative instruments	$3,041	$ —	$3,041	$ —
5.375% Senior notes	505,600	—	505,600	—
3.625% Senior notes	608,727	—	608,727	—
Term loan A	79,330	—	79,330	—
Term loan B	499,950	—	499,950	—
Revolver debt	22,655	—	22,655	—
Total Liabilities	$1,719,303	$ —	$1,719,303	$ —

		Fair Value Measurements at December 30, 2017 Using		
		Quoted Prices in Active Markets for	Significant Other Observable Inputs	Significant Unobservable Inputs

(In thousands of dollars)	Total	Identical Assets (Level 1)	(Level 2)	(Level 3)
Assets:				
Derivative instruments	$4,346	$ —	$4,346	$ —
Total Assets	$4,346	$ —	$4,346	$ —
Liabilities:				
Derivative instruments	$2,326	$ —	$2,326	$ —
5.375% Senior notes	513,100	—	513,100	—
4.75% Senior notes	646,681	—	646,681	—
Term loan A	95,883	—	95,883	—
Term loan B	511,616	—	511,616	—
Total Liabilities	$1,769,606	$ —	$1,769,606	$ —

Derivative assets and liabilities consist of the Company’s soybean meal contracts, natural gas contracts, corn option and future contracts and foreign currency contracts, which represents the difference between observable market rates of commonly quoted intervals for similar assets and liabilities in active markets and the fixed swap rate considering the instruments term, notional amount and credit risk. See Note 14 (Derivatives) for discussion on the Company's derivatives.

The carrying amount of cash and cash equivalents, accounts receivable, accounts payable and accrued expenses approximates fair value due to the short maturity of these instruments and as such have been excluded from the table

23

above. The carrying amount of the Company's other debt is not deemed to be significantly different from the fair value and all other instruments have been recorded at fair value.

The fair value of the senior notes, term loan A, term loan B and revolver debt is based on market quotation from third-party banks.

(16) Asset Impairment, Exit and Restructuring Costs

In the second quarter of fiscal 2018, management decided to permanently shut down the Company's Hurlingham, Argentina gelatin plant. As of September 29, 2018, the Company has incurred restructuring and asset impairment charges of approximately $15.0 million, which includes employee termination charges of approximately $8.4 million, asset impairment charges of approximately $2.9 million and other factory and operational restructuring charges of approximately $3.7 million.

(17) Contingencies

The Company is a party to various lawsuits, claims and loss contingencies arising in the ordinary course of its business, including insured worker's compensation, auto, and general liability claims, assertions by certain regulatory and governmental agencies related to permitting requirements and/or air, wastewater and storm water discharges from the Company’s processing facilities, litigation involving tort, contract, statutory, labor, employment, and other claims, and tax matters.

The Company’s workers compensation, auto and general liability policies contain significant deductibles or self-insured retentions. The Company estimates and accrues its expected ultimate claim costs related to accidents occurring during each fiscal year under these insurance policies and carries this accrual as a reserve until these claims are paid by the Company.

As a result of the matters discussed above, the Company has established loss reserves for insurance, environmental, litigation and tax contingencies. At September 29, 2018 and December 30, 2017, the reserves for insurance, environmental, litigation and tax contingencies reflected on the balance sheet in accrued expenses and other non-current liabilities were approximately $61.5 million and $61.4 million, respectively. The Company has insurance recovery receivables of approximately $25.0 million as of September 29, 2018 and December 30, 2017, related to the insurance contingencies. The Company's management believes these reserves for contingencies are reasonable and sufficient based upon present governmental regulations and information currently available to management; however, there can be no assurance that final costs related to these contingencies will not exceed current estimates. The Company believes that the likelihood is remote that any additional liability from the lawsuits and claims that may not be covered by insurance would have a material effect on the Company's financial position, results of operations or cash flows.

Lower Passaic River Area. In December 2009, the Company, along with numerous other entities, received notice from the United States Environmental Protection Agency (“EPA”) that the Company (as alleged successor-in-interest to The Standard Tallow Corporation) is considered a potentially responsible party (a “PRP”) with respect to alleged contamination in the lower 17-mile area of the Passaic River which is part of the Diamond Alkali Superfund Site located in Newark, New Jersey. The Company’s designation as a PRP is based upon the operation of former plant sites located in Newark and Kearny, New Jersey by The Standard Tallow Corporation, an entity that the Company acquired in 1996. In the letter, EPA requested that the Company join a group of other parties in funding a remedial investigation and feasibility study at the site. As of the date of this report, the Company has not agreed to participate in the funding group. In March 2016, the Company received another letter from EPA notifying the Company that it had issued a Record of Decision (the “ROD”) selecting a remedy for the lower 8.3 miles of the lower Passaic River area at an estimated cost of $1.38 billion. The EPA letter makes no demand on the Company and lays out a framework for remedial design/remedial action implementation in which the EPA will first seek funding from major PRPs. The letter indicates that the EPA has sent the letter to over 100 parties, which include large chemical and refining companies, manufacturing companies, foundries, plastic companies, pharmaceutical companies and food and consumer product companies. The EPA has already offered early cash out settlements to 20 of the other PRPs and has stated that other parties who did not discharge any of the eight contaminants of concern identified in the ROD (the "COCs") may also be eligible for cash out settlements and has begun a settlement analysis using a third-party allocator. The Company is participating in this allocation process as it asserts that it is not responsible for any liabilities of its former subsidiary The Standard Tallow Corporation, which was legally dissolved in 2000, and that, in any event, The Standard Tallow Corporation did not discharge any of the COCs. On September 30, 2016, Occidental Chemical Corporation ("OCC") entered into an agreement with the EPA to perform the remedial design for the cleanup plan for the lower 8.3 miles of the Passaic River. On June 30, 2018, OCC filed a complaint in the United States District Court for the District of New Jersey against over 100 companies, including the Company, seeking cost recovery or contribution for costs under the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA") relating to various investigations and cleanups OCC has conducted or is conducting in connection with the Passaic River. According to the complaint, OCC has incurred or is incurring costs which include the estimated cost to complete the remedial design for the cleanup plan for the lower 8.3 miles of the Passaic River. OCC is also seeking a declaratory judgment to hold the defendants liable for their proper shares of future response costs, including the remedial action for the lower 8.3 miles of the Passaic River. The Company, along with 40 of the other defendants, had previously received a release from OCC of its CERCLA contribution claim of $165 million associated with the costs to design the remedy for the lower 8.3 miles of the Passaic River. The Company's ultimate liability, if any, for investigatory costs, remedial costs and/or natural resource damages in connection with the lower Passaic River area cannot be determined at this time; however, as of the date of this report, the Company has found no definitive evidence that the former Standard Tallow Corporation plant sites contributed any of the COCs to the Passaic River and, therefore, there is nothing that leads the Company to believe that this matter will have a material effect on the Company's financial position, results of operations or cash flows.

Fresno Facility Permit Issue. The Company has been named as a defendant and a real party in interest in a lawsuit filed on April 9, 2012 in the Superior Court of the State of California, Fresno County, styled Concerned Citizens of West Fresno vs. Darling International Inc. The complaint, as subsequently amended, alleges that the Company's Fresno facility is operating without a proper use permit and seeks, among other things, injunctive relief. The complaint had at one time also alleged that the Company's Fresno facility constitutes a continuing private and public nuisance, but the plaintiff has since amended the complaint to drop these allegations. The City of Fresno was also named as a defendant in the original complaint but has since had a judgment entered in its favor and is no longer a defendant in the lawsuit; however, in December 2013 the City of Fresno filed a motion to intervene as a plaintiff in this matter. The Superior Court heard the motion on February 4, 2014, and entered an order on February 18, 2014 denying the motion. Rendering operations have been conducted on the site since 1955, and the Company believes that it possesses all of the required federal, state and local permits to continue to operate the facility in the manner currently conducted and that its operations do not constitute a private or public nuisance. Accordingly, the Company intends to defend itself vigorously in this matter. Discovery has begun and this matter was scheduled for trial in July 2014; however, the parties have agreed to stay the litigation while they participate in a mediation process, which remains ongoing. In January 2017, the Company entered into a non-binding letter of intent with the City of Fresno pursuant to which the City and the Company will work toward the execution of a definitive agreement to relocate the facility to a different location in Fresno. Whether an agreement to relocate the facility ultimately gets executed is subject to the Company's receipt of certain incentives and an agreement by the Concerned Citizens of West Fresno to settle and dismiss the aforementioned litigation. While management cannot predict the ultimate outcome of this matter, management does not believe the outcome will have a material effect on the Company's financial condition, results of operations or cash flows.

(18) Business Segments

The Company sells its products domestically and internationally, operating within three industry segments: Feed Ingredients, Food Ingredients and Fuel Ingredients. The measure of segment income (loss) includes all revenues, operating expenses (excluding certain amortization of intangibles), and selling, general and administrative expenses incurred at all operating locations and excludes corporate activities.

Included in corporate activities are general corporate expenses and the amortization of certain intangibles. Assets of corporate activities include cash, unallocated prepaid expenses, deferred tax assets, prepaid pension, and miscellaneous other assets.

Feed Ingredients

Feed Ingredients consists principally of (i) the Company's U.S. ingredients business, including the Company's fats and proteins, used cooking oil, trap grease and food residuals collection businesses, the Rothsay ingredients business, the ingredients and specialty products businesses conducted by Darling Ingredients International under the Sonac name (proteins, fats, and plasma products) and (ii) the Company's bakery residuals business. Feed Ingredients operations process animal by-products and used cooking oil into fats, proteins and hides.

Food Ingredients

Food Ingredients consists principally of (i) the gelatin and collagen hydrolysates business conducted by Darling Ingredients International under the Rousselot name, (ii) the natural casings and meat-by-products business conducted by Darling Ingredients International under the CTH name and (iii) certain specialty products businesses conducted by Darling Ingredients International under the Sonac name.

Fuel Ingredients

The Company's Fuel Ingredients segment consists of (i) the Company's investment in the DGD Joint Venture (ii) the Company's biofuel business conducted under the Dar Pro® and Rothsay names and (iii) the bioenergy business conducted by Darling Ingredients International under the Ecoson and Rendac names.

Business Segments (in thousands):

	Feed Ingredients	Food Ingredients	Fuel Ingredients	Corporate	Total
Three Months Ended September 29, 2018					
Net Sales	$ 482,744	$ 265,208	$ 64,624	$ —	$ 812,576
Cost of sales and operating expenses	383,846	210,697	53,558	—	648,101
Gross Margin	98,898	54,511	11,066	—	164,475
Selling, general and administrative expense	39,702	21,843	(2,822)	8,724	67,447
Depreciation and amortization	47,321	19,697	9,370	2,454	78,842
Segment operating income/(loss)	11,875	12,971	4,518	(11,178)	18,186
Equity in net loss of unconsolidated subsidiaries	(162)	—	(2,630)	—	(2,792)
Segment income/(loss)	11,713	12,971	1,888	(11,178)	15,394
Total other expense					(21,934)
Loss before income taxes					$ (6,540)

	Feed Ingredients	Food Ingredients	Fuel Ingredients	Corporate	Total
Three Months Ended September 30, 2017					
Net Sales	$ 575,543	$ 298,863	$ 61,856	$ —	$ 936,262
Cost of sales and operating expenses	449,574	238,694	54,243	—	742,511
Gross Margin	125,969	60,169	7,613	—	193,751
Selling, general and administrative expense	44,841	25,556	(488)	12,244	82,153
Depreciation and amortization	46,860	19,506	7,912	2,924	77,202
Segment operating income/(loss)	34,268	15,107	189	(15,168)	34,396
Equity in net income of unconsolidated subsidiaries	523	—	7,180	—	7,703
Segment income/(loss)	34,791	15,107	7,369	(15,168)	42,099
Total other expense					(27,119)
Income before income taxes					$ 14,980

	Feed Ingredients	Food Ingredients	Fuel Ingredients	Corporate	Total
Nine Months Ended September 29, 2018					
Net Sales	$1,467,365	$847,457	$219,774	$—	$2,534,596
Cost of sales and operating expenses	1,123,722	684,718	170,761	—	1,979,201
Gross Margin	343,643	162,739	49,013	—	555,395
Selling, general and administrative expense	131,914	67,894	(4,056)	37,155	232,907
Restructuring and impairment charges	—	14,965	—	—	14,965
Depreciation and amortization	140,933	60,725	26,378	7,879	235,915
Segment operating income/(loss)	70,796	19,155	26,691	(45,034)	71,608
Equity in net income/(loss) of unconsolidated subsidiaries	(57)	—	109,655	—	109,598
Segment income/(loss)	70,739	19,155	136,346	(45,034)	181,206
Total other expense					(113,414)
Income before income taxes					$67,792
Segment assets at September 29, 2018	$2,517,315	$1,378,880	$762,652	$146,364	$4,805,211

	Feed Ingredients	Food Ingredients	Fuel Ingredients	Corporate	Total
Nine Months Ended September 30, 2017					
Net Sales	$1,677,286	$843,498	$ 188,918	$—	$2,709,702
Cost of sales and operating expenses	1,304,352	670,448	154,921	—	2,129,721
Gross Margin	372,934	173,050	33,997	—	579,981
Selling, general and administrative expense	132,553	77,236	5,648	38,171	253,608
Depreciation and amortization	134,933	55,291	22,472	8,610	221,306
Segment operating income/(loss)	105,448	40,523	5,877	(46,781)	105,067
Equity in net income of unconsolidated subsidiaries	763	—	15,906	—	16,669
Segment income/(loss)	106,211	40,523	21,783	(46,781)	121,736
Total other expense					(79,470)
Income before income taxes					$42,266
Segment assets at December 30, 2017	$2,614,545	$1,499,027	$ 688,890	$155,763	$4,958,225

(19) Revenue

On December 31, 2017, the Company adopted ASU No. 2014-09, Revenue from Contracts with Customers (“Topic 606”), using the modified retrospective basis. Results for reporting periods beginning December 31, 2017 are presented under Topic 606, while prior periods are not adjusted and continue to be reported in accordance with the Company's historic accounting under Revenue Recognition (Topic 605). The adoption did not change the timing of revenue recognition as the Company's revenues have been determined to be recognized at a point in time and not over time. The Company elected not to capitalize contract fulfillment costs as the recovery of such costs are for a period of less than one year's time and are not material to the Company. At September 29, 2018, there were no contract assets recorded on the Consolidated Balance sheets. Also, the Company elected to treat shipping and handling as fulfillment costs under Topic 606, which will result in billed freight recorded in cost of sales and netted against freight costs. Sales, value-add, and other taxes collected concurrently with revenue-producing activities are excluded from revenue and booked on a net basis.

The Company extends payment terms to its customers based on commercially acceptable practices. The term between invoicing and payment due date is not significant. Revenue is measured as the amount of consideration the Company expects to receive in exchange for transferring finished products or performing services, which is generally based on executed agreement or purchase order.

Most of the Company's products are shipped based on the customer specifications. Customer returns are infrequent and not material to the Company. Adjustments to net sales for sales deductions are generally recognized in the same period as the sale or when known. Customers in certain industries or countries may be required to prepay prior to shipment in order to maintain payment protection. These represent short-term prepayment from customers and are not material to the Company.

The following table summarizes the impact of adopting Topic 606 on the Company's consolidated financial statements for the three and nine months ended September 29, 2018 (in thousands):

	Impact of changes in accounting policies		
	As reported	Adjustments	Balances without adoption of Topic 606
Three Months Ended September 29, 2018			
Net sales	$812,576	39,763	$852,339
Cost of sales and operating expenses	$648,101	39,763	$687,864
Nine Months Ended September 29, 2018			
Net sales	$2,534,596	131,399	$2,665,995
Cost of sales and operating expenses	$1,979,201	131,399	$2,110,600

The following tables presents the Company revenues disaggregated by geographic area and major product types by reportable segment for the three and nine months ended September 29, 2018 and September 30, 2017 (in thousands):

	Three Months Ended September 29, 2018			
	Feed Ingredients	Food Ingredients	Fuel Ingredients	Total
Geographic Area				
North America	$388,088	$ 45,538	$ 8,616	$442,242
Europe	81,381	146,872	56,008	284,261
China	11,199	43,185	—	54,384
South America	—	11,579	—	11,579
Other	2,076	18,034	—	20,110
Net sales	$482,744	$ 265,208	$ 64,624	$812,576
Major product types				
Fats	$142,453	$ 39,172	$ —	$181,625
Used cooking oil	38,863	—	—	38,863
Proteins	216,316	—	—	216,316
Bakery	44,638	—	—	44,638
Other rendering	27,519	—	—	27,519
Food ingredients	—	206,504	—	206,504
Bioenergy	—	—	56,008	56,008
Biofuels	—	—	8,616	8,616
Other	12,955	19,532	—	32,487
Net sales	$482,744	$ 265,208	$ 64,624	$812,576

	Nine Months Ended September 29, 2018			
	Feed Ingredients	Food Ingredients	Fuel Ingredients	Total
Geographic Area				
North America	$1,186,866	$ 135,803	$ 40,668	$1,363,337
Europe	251,495	490,133	179,106	920,734
China	23,279	132,578	—	155,857
South America	—	35,839	—	35,839
Other	5,725	53,104	—	58,829
Net sales	$1,467,365	$ 847,457	$ 219,774	$2,534,596
Major product types				
Fats	$423,148	$ 122,806	$ —	$545,954
Used cooking oil	123,555	—	—	123,555
Proteins	641,178	—	—	641,178
Bakery	135,871	—	—	135,871
Other rendering	87,860	—	—	